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DRAFT RED HERRING PROSPECTUS
Dated November 5, 2022
(This Draft Red Herring Prospectus will be updated upon filing with the RoC)
(Please read Section 32 of the Companies Act, 2013)
100% Book Built Offer

SBFC FINANCE LIMITED

Corporate Identity Number: U67190MH2008PLC178270

REGISTERED AND CORPORATE OFFICE	CONTACT PERSON	E-MAIL AND TELEPHONE	WEBSITE
103, 1st Floor, C&B Square, Sangam Complex, Andheri Kurla Road, Village Chakala, Andheri (East), Mumbai 400 059, Maharashtra, India	Jay Mistry Company Secretary and Compliance Officer	**E-mail**: complianceofficer@sbfc.com **Telephone**: 022 6797 5344	www.sbfc.com

OUR PROMOTERS: SBFC HOLDINGS PTE. LTD., CLERMONT FINANCIAL PTE. LTD., ARPWOOD PARTNERS INVESTMENT ADVISORS LLP, ARPWOOD CAPITAL PRIVATE LIMITED AND EIGHT45 SERVICES LLP

DETAILS OF THE OFFER TO THE PUBLIC

TYPE	FRESH ISSUE SIZE	OFFER FOR SALE SIZE	TOTAL OFFER SIZE	ELIGIBILITY AND SHARE RESERVATION AMONG QIBs, NIIs, RIIs AND ELIGIBLE EMPLOYEES
Fresh Issue and Offer for Sale	[•] Equity Shares aggregating up to ₹7,500 million	[•] Equity Shares aggregating up to ₹ 8,500 million	Up to ₹ 16,000 million	The Offer is being made through the Book Building Process, in compliance with Regulation 6(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (the "**SEBI ICDR Regulations**"). For details of share reservation among QIBs, NIIs, RIIs and Eligible Employees see "*Offer Structure*" on page 448.

DETAILS OF THE OFFER FOR SALE BY THE PROMOTER SELLING SHAREHOLDERS AND THEIR RESPECTIVE WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE

NAME OF THE PROMOTER SELLING SHAREHOLDER	TYPE	NUMBER OF EQUITY SHARES OFFERED/ AMOUNT (IN ₹ MILLION)	WEIGHTED AVERAGE COST OF ACQUISITION PER EQUITY SHARE(1)(2) (IN ₹)
Arpwood Partners Investment Advisors LLP	Promoter Selling Shareholder	Up to [•] Equity Shares aggregating up to ₹ 3,981.91 million	12.69
Arpwood Capital Private Limited	Promoter Selling Shareholder	Up to [•] Equity Shares aggregating up to ₹ 977.27 million	15.98
Eight45 Services LLP	Promoter Selling Shareholder	Up to [•] Equity Shares aggregating up to ₹ 790.82 million	12.73
SBFC Holdings Pte. Ltd.	Promoter Selling Shareholder	Up to [•] Equity Shares aggregating up to ₹ 2,750.00 million	16.08

(1) Calculated on a fully diluted basis
(2) As certified by our Statutory Auditors, by way of their certificate dated November 5, 2022.

RISKS IN RELATION TO THE FIRST OFFER

This being the first public offer of Equity Shares, there has been no formal market for the Equity Shares. The face value of the Equity Shares is ₹ 10 per Equity Share. The Floor Price, the Cap Price and the Offer Price (as determined by our Company and the Promoter Selling Shareholders in consultation with the BRLMs), in accordance with the SEBI ICDR Regulations, and as stated in "***Basis for Offer Price***" on page 109, 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 and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this 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 this 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 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 Draft Red Herring Prospectus. Specific attention of the investors is invited to "***Risk Factors***" on page 25.

ISSUER'S AND PROMOTER SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY
Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to our Company and the Offer, which is material in the context of the Offer, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. Further, each of the Promoter Selling Shareholders, severally and not jointly, accepts responsibility for and confirm only those statements expressly made by such Promoter Selling Shareholder in this Draft Red Herring Prospectus solely in relation to itself and its respective portion of the Offered Shares and assumes responsibility that such statements are true and correct in all material respects and not misleading in any material respect. Each of the Promoter Selling Shareholders, severally and not jointly, assume no responsibility for any other statement, including, inter-alia, any of the statements made by or relating to the Company or its business or any of the other Promoter Selling Shareholders or any other person(s) in this Draft Red Herring Prospectus.

LISTING
The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on the Stock Exchanges. For the purpose of the Offer, [•] is the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS			
Name of the BRLM		Contact Person	Email and Telephone
	ICICI Securities Limited	Sameer Purohit/ Sumit Singh	**Tel**: +91 22 6807 7100 **E-mail**: sbfc.ipo@icicisecurities.com
	Axis Capital Limited	Mayuri Arya/Harish Patel	**Tel**: +91 22 4325 2183 **E-mail**: sbfc.ipo@axiscap.in
	Kotak Mahindra Capital Company Limited	Ganesh Rane	**Tel**: +91 22 4336 0000 **E-mail**: sbfcfinance.ipo@kotak.com

REGISTRAR TO THE OFFER		
KFin Technologies Limited	**Contact Person:** M. Muralikrishna	**Tel:** +91 40 6716 2222 / 7961 1000 **Email:** Sbfc.ipo@kfintech.com

BID/OFFER PERIOD					
ANCHOR INVESTOR BID DATE(1)	[•]	BID/OFFER OPENS ON(1)	[•]	BID/OFFER CLOSES ON(2)	[•]

(1) Our Company and Promoter Selling Shareholders may, in consultation with the BRLMs consider participation by Anchor Investors in accordance with the SEBI ICDR Regulations. The Anchor Investor Bid/Offer Period shall be one Working Day prior to the Bid/Offer Opening Date.

(2) Our Company and Promoter Selling Shareholders may, in consultation with the BRLMs, consider closing the Bid/Offer Period for QIBs one Working Day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations.

DRAFT RED HERRING PROSPECTUS
Dated November 5, 2022
(*This Draft Red Herring Prospectus will be updated upon filing with the RoC*)
(Please read Section 32 of the Companies Act, 2013)
100% Book Built Offer

SBFC FINANCE LIMITED

Our Company was originally incorporated on January 25, 2008 at Mumbai, India as 'MAPE Finserve Private Limited', a private limited company under the Companies Act, 1956, pursuant to a certificate of incorporation issued by the Registrar of Companies, Maharashtra at Mumbai ("**RoC**"). The Board of our Company approved the change in the name of our Company from 'MAPE Finserve Private Limited' to 'Small Business Fincredit India Private Limited' by their resolution dated July 3, 2017, which was thereafter approved by the Shareholders of our Company through their resolution dated August 24, 2017 and a fresh certificate of incorporation, under the Companies Act, 2013, was issued by the RoC on August 31, 2017. Thereafter, the Board of our Company approved the change in the name of our Company from 'Small Business Fincredit India Private Limited' to 'SBFC Finance Private Limited' by their resolution dated October 24, 2019, for the ease of reference that a shorter name provides, which was thereafter approved by the Shareholders of our Company through their special resolution dated December 11, 2019 and a fresh certificate of incorporation, under the Companies Act, 2013, was issued by the RoC on January 13, 2020. Subsequently, our Company was converted into a public limited company under the Companies Act, 2013 and consequently the name of our Company was changed from 'SBFC Finance Private Limited' to 'SBFC Finance Limited' pursuant to a resolution passed by the Board of our Company on September 21, 2022 and a special resolution passed by the Shareholders of our Company on September 23, 2022, and a fresh certificate of incorporation dated September 30, 2022 was issued by the RoC. For details of the change in the name and the registered office of our Company, see "***History and Certain Corporate Matters***" on page 231.

Corporate Identity Number: U67190MH2008PLC178270
Registered and Corporate Office: 103, 1st Floor, C&B Square, Sangam Complex, Andheri Kurla Road, Village Chakala, Andheri (East), Mumbai 400 059, Maharashtra, India
Contact Person: Jay Mistry, Company Secretary and Compliance Officer; **Tel**: +91 22 6795344
E-mail: complianceofficer@sbfc.com; **Website**: www.sbfc.com

THE PROMOTERS: SBFC HOLDINGS PTE. LTD., CLERMONT FINANCIAL PTE. LTD., ARPWOOD PARTNERS INVESTMENT ADVISORS LLP, ARPWOOD CAPITAL PRIVATE LIMITED AND EIGHT45 SERVICES LLP

INITIAL PUBLIC OFFERING OF UP TO [•] EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH ("EQUITY SHARES") OF SBFC FINANCE LIMITED ("COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF UP TO ₹ [•] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF UP TO ₹ [•] PER EQUITY SHARE) (THE "OFFER PRICE") AGGREGATING UP TO [•] ₹ 16,000 MILLION ("OFFER") COMPRISING A FRESH ISSUE OF UP TO [•] EQUITY SHARES AGGREGATING UP TO ₹ 7,500 MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO [•] EQUITY SHARES BY SBFC HOLDINGS PTE. LTD., ARPWOOD PARTNERS INVESTMENT ADVISORS LLP, ARPWOOD CAPITAL PRIVATE LIMITED AND EIGHT45 SERVICES LLP ("PROMOTER SELLING SHAREHOLDERS") (AGGREGATING UP TO ₹ 8,500 MILLION ("OFFERED SHARES") ("OFFER FOR SALE", AND TOGETHER WITH THE FRESH ISSUE, THE "OFFER"). THE OFFER INCLUDES A RESERVATION OF UP TO [•] EQUITY SHARES, AGGREGATING UP TO ₹[•] MILLION, FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES NOT EXCEEDING 5% OF OUR POST-OFFER PAID-UP EQUITY SHARE CAPITAL (THE "EMPLOYEE RESERVATION PORTION"). THE OFFER LESS THE EMPLOYEE RESERVATION PORTION IS HEREINAFTER REFERRED TO AS THE "NET OFFER". THE OFFER AND THE NET OFFER SHALL CONSTITUTE [•]% AND [•]%, RESPECTIVELY, OF THE FULLY DILUTED POST-OFFER PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY. OUR COMPANY, AT THE DISCRETION OF THE COMPANY AND THE PROMOTER SELLING SHAREHOLDERS, MAY CONSIDER ISSUING EQUITY SHARES ON A PRIVATE PLACEMENT BASIS FOR CASH CONSIDERATION AGGREGATING UP TO ₹ 1,500 MILLION, PRIOR TO FILING OF THE RED HERRING PROSPECTUS WITH THE ROC (THE "PRE-IPO PLACEMENT"). THE PRICE OF THE EQUITY SHARES ALLOTTED PURSUANT TO THE PRE-IPO PLACEMENT SHALL BE DETERMINED BY OUR COMPANY AND THE PROMOTER SELLING SHAREHOLDERS IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS. IF THE PRE-IPO PLACEMENT IS COMPLETED, THE AMOUNT RAISED PURSUANT TO THE PRE-IPO PLACEMENT WILL BE REDUCED FROM THE FRESH ISSUE, SUBJECT TO COMPLIANCE WITH RULE 19(2)(b) OF THE SECURITIES CONTRACTS (REGULATION) RULES, 1957, AS AMENDED (THE "SCRR").

THE PRICE BAND, THE MINIMUM BID LOT AND THE EMPLOYEE DISCOUNT (IF ANY) SHALL BE DECIDED BY THE COMPANY AND THE PROMOTER SELLING SHAREHOLDERS IN CONSULTATION WITH THE BRLMS AND WILL BE ADVERTISED IN ALL EDITIONS OF [•], AN ENGLISH DAILY NEWSPAPER, ALL EDITIONS OF [•], A HINDI NATIONAL DAILY NEWSPAPER, AND IN ALL EDITIONS OF [•], A MARATHI DAILY NEWSPAPER, EACH WITH WIDE CIRCULATION (MARATHI BEING THE REGIONAL LANGUAGE OF MAHARASHTRA WHERE OUR REGISTERED OFFICE IS LOCATED) AT LEAST TWO WORKING DAYS PRIOR TO THE BID/OFFER OPENING DATE AND SHALL BE MADE AVAILABLE TO THE BSE LIMITED ("BSE") AND THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED ("NSE", AND TOGETHER WITH BSE, THE "STOCK EXCHANGES") FOR THE PURPOSE OF UPLOADING ON THEIR RESPECTIVE WEBSITES IN ACCORDANCE WITH THE SEBI ICDR REGULATIONS.

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

The Offer is being made in terms of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended, ("**SCRR**") read with Regulation 31 of the SEBI ICDR Regulations. The Offer is being made through the Book Building Process, in compliance with Regulation 6(1) of the SEBI ICDR Regulations, where not more than 50% of the Net Offer is being made available for allocation on a proportionate basis to Qualified Institutional Buyers ("**QIBs**") ("**QIB Category**"), of which our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers, allocated 60% of the QIB Category to Anchor Investors, on a discretionary basis ("**Anchor Investor Portion**"), of which one-third will be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which Equity Shares will be allocated to Anchor Investors. Post allocation to the Anchor Investors, the QIB Category will be reduced by such number of Equity Shares. Further, 5% of the Net QIB Category (excluding the Anchor Investor Portion) will be made available for allocation on a proportionate basis to Mutual Funds only and the remainder of the Net QIB Category will be 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. Further, not less than 15% of the Net Offer will be made available for allocation on a proportionate basis to Non-Institutional Investors and not less than 35% of the Net Offer was made available for allocation to Retail Individual Investors, in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price. One-third of the Non-Institutional Portion shall be available for allocation to Non-Institutional Investors with a Bid size of more than ₹ 200,000 and up to ₹ 1,000,000 and two-thirds of the Non-Institutional Portion shall be available for allocation to Non-Institutional Investors with a Bid size of more than ₹ 1,000,000 provided that under-subscription in either of these two sub-categories of the Non-Institutional Portion may be allocated to Non-Institutional Investors in the other sub-category of Non-Institutional Portion in accordance with the SEBI ICDR Regulations, subject to valid bids being received at or above the Offer Price. Further, Equity Shares will be allocated on a proportionate basis to Eligible Employees applying under the Employee Reservation Portion, subject to valid Bids being received from them at or above the Offer Price. All Bidders (other than Anchor Investors) are mandatorily required to participate in this Offer through the Application Supported by Block Amount ("**ASBA**") process, and are required to provide details of their respective bank account (including UPI ID in case of UPI Bidders using UPI Mechanism) in which the Bid Amount was blocked by the SCSBs or the Sponsor Bank, as the case may be. Anchor Investors are not permitted to participate in the Anchor Investor Portion through the ASBA process. For further details, see "***Offer Procedure***" on page 452.

RISKS IN RELATION TO THE FIRST OFFER

This being the first public issue of Equity Shares, there has been no formal market for the Equity Shares. The face value of the Equity Shares is ₹ 10 per Equity Share. The Floor Price, the Cap Price and the Offer Price (as determined by our Company and the Promoter Selling Shareholders in consultation with the BRLMs), in accordance with the SEBI ICDR Regulations, and as stated in "***Basis for Offer Price***" on page 109, 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 and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this 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 this 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 have not been recommended or approved by the SEBI, nor does SEBI guarantee the accuracy or adequacy of the contents of this Draft Red Herring Prospectus. Specific attention of the investors is invited to "***Risk Factors***" on page 25.

ISSUER'S AND PROMOTER SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to our Company and the Offer, which is material in the context of the Offer, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. Further, each of the Promoter Selling Shareholders, severally and not jointly, accept responsibility for and confirm only those statements expressly made by such Promoter Selling Shareholder in this Draft Red Herring Prospectus solely in relation to itself and its respective portion of the Offered Shares and assumes responsibility that such statements are true and correct in all material respects and not misleading in any material respect. Each of the Promoter Selling Shareholders, severally and not jointly, assumes no responsibility for any other statement, including, inter-alia, any of the statements made by or relating to the Company or its business or any of the other Promoter Selling Shareholders or any other person(s) in this Draft Red Herring Prospectus.

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on the Stock Exchanges. We have received in-principle approvals from BSE and NSE for the listing of the Equity Shares pursuant to letters dated [•] and [•], respectively. For the purpose of the Offer, [•] is the Designated Stock Exchange. A copy of the Red Herring Prospectus was filed, and the Prospectus shall be filed, with the RoC in accordance with Section 26(4) 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 499.

BOOK RUNNING LEAD MANAGERS			REGISTRAR TO THE OFFER
ICICI Securities Limited ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi Mumbai 400 025 Maharashtra, India **Tel:** +91 22 6807 7100 **E-mail**: sbfc.ipo@icicisecurities.com **Website:** www.icicisecurities.com **Investor Grievance E-mail**: customercare@icicisecurities.com **Contact person:** Sameer Purohit/ Sumit Singh **SEBI Registration No:** INM000011179	**Axis Capital Limited** 1st Floor, Axis House C-2, Wadia International Centre P. B. Marg, Worli Mumbai - 400 025 Maharashtra, India **Tel:** +91 22 4325 2183 **E-mail**: sbfc.ipo@axiscap.in **Website:** www.axiscapital.co.in **Investor Grievance E-mail**: complaints@axiscap.in **Contact person:** Mayuri Arya/Harish Patel **SEBI Registration No:** INM000012029	**Kotak Mahindra Capital Company Limited** 1st Floor, 27 BKC Plot No. 27, "G" Block Bandra Kurla Complex Bandra (East) Mumbai 400 051 Maharashtra, India **Tel:** +91 22 4336 0000 **Website:** www.investmentbank.kotak.com **E-mail:** sbfcfinance.ipo@kotak.com **Investor Grievance E-mail:** kmccredressal@kotak.com **Contact Person:** Ganesh Rane **SEBI Registration No.:** INM000008704	**KFin Technologies Limited** Selenium, Tower-B, Plot 31 & 32, Financial District, Nanakramguda, Serilingampally Hyderabad, Rangareddi 500 032, Telangana, India **Tel**: +91 40 6716 2222 / 7961 1000 **E-mail**: Sbfc.ipo@kfintech.com **Investor grievance e-mail**: einward.ris@kfintech.com **Website**: www.kfintech.com **Contact person**: M. Muralikrishna **SEBI Registration No**: INR000000221

BID/OFFER SCHEDULE

BID/OFFER OPENS ON(1)	[•]	BID/OFFER CLOSES ON	[•]

(1) *Our Company and the Promoter Selling Shareholders may, in consultation with the Book Running Lead Managers, consider participation by Anchor Investors in accordance with the SEBI ICDR Regulations. The Anchor Investor Bid/Offer Period shall be one Working Day prior to the Bid/Offer Opening Date.*
(2) *Our Company and the Promoter Selling Shareholders may, in consultation with the Book Running Lead Managers, may consider closing the Bid/Offer Period for QIBs one Working Day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations.*

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SECTION I - GENERAL

DEFINITIONS AND ABBREVIATIONS

This Draft Red Herring Prospectus uses certain definitions and abbreviations which, unless the context otherwise indicates or implies, or unless otherwise specified, shall have the meanings as provided below. References to any statute or rules or guidelines or regulations or policies or Articles of Association or Memorandum of Association will include any amendments, clarifications, modifications, replacements or re-enactments thereto, from time to time. In case of any inconsistency between the definitions given below and the definitions contained in the General Information Document, the definitions given below shall prevail.

Unless the context otherwise indicates, all references to "the Company", "our Company" and "the Issuer", are references to SBFC Finance Limited, a company incorporated in India under the Companies Act, 1956, with its Registered and Corporate Office at 103, 1st Floor, C&B Square, Sangam Complex, Andheri Kurla Road, Village Chakala, Andheri (East), Mumbai 400 059, Maharashtra, India. Furthermore, unless the context otherwise indicates, all references to the terms "we", "us" and "our" are to our Company.

Notwithstanding the foregoing, terms used in the chapters/sections "Statement of Tax Benefits", "Industry Overview", "Key Regulations and Policies", "History and Certain Corporate Matters", "Financial Statements", "Basis for Offer Price", "Outstanding Litigation and Material Developments" and "Main Provisions of Articles of Association" will have the meaning ascribed to such terms in these respective chapters/ sections.

The words and expressions used but not defined in this Draft Red Herring Prospectus will have the same meaning as assigned to such terms under the Companies Act, 2013, the SEBI Act, the SEBI ICDR Regulations, the SCRA, the Depositories Act and the rules and regulations notified thereunder.

Company related terms

Term(s)	Description
Arpwood Group	Arpwood Capital Private Limited, Arpwood Partners Investment Advisors LLP and Eight45 Services LLP
"Articles of Association" or "Articles" or "AoA"	The articles of association of our Company
Audit Committee	The audit committee of the Board, as disclosed in "*Our Management*" on page 236
"Board" or "Board of Directors"	The board of directors of our Company, or a duly constituted committee thereof
Chairperson	The chairperson of our Company being, Neeraj Swaroop
"Chief Financial Officer" or "CFO"	The chief financial officer of our Company being, Narayan Barasia
Clermont Group	SBFC Holdings Pte. Ltd. and Clermont Financial Pte. Ltd.
Company Secretary and Compliance Officer	The company secretary and compliance officer of our Company being, Jay Mistry
CRISIL	CRISIL Limited appointed by the Company pursuant to the letter dated June 23, 2022
CRISIL Report	Industry Report titled, 'Analysis of NBFC sector and select asset classes in India' dated November, 2022, issued by CRISIL and commissioned by the Company for an agreed fees exclusively in connection with the Offer
Corporate Social Responsibility Committee	The corporate social responsibility committee of the Board, as disclosed in "*Our Management*" on page 236
Director(s)	The director(s) on our Board
Equity Shares	The equity shares of our Company bearing face value of ₹ 10 each
ESOP 2018 – I	SBFC Stock Option Policy I 2018
ESOP 2018 – II	SBFC Stock Option Policy II 2018
ESOP 2021 – I	SBFC Stock Option Policy 2021 – I
ESOP 2021 – II	SBFC Stock Option Policy 2021 – II
ESOP 2021 – III	SBFC Stock Option Policy 2021 – III – Special Grant
ESOP 2021 – IV	SBFC Stock Option Policy 2021 – IV
ESOP 2021 – V	SBFC Stock Option Policy 2021 – V
ESOP Schemes	Collectively, ESOP 2018 - I, ESOP 2018 - II, ESOP 2021- I, ESOP 2021 - II, ESOP 2021 - III, ESOP 2021 - IV, ESOP 2021 – V and the Trust Deed.
Executive Director(s)	The executive Directors on the Board
Group Companies	In terms of Regulation 2(1)(t) of the SEBI ICDR Regulations, the term "group companies" includes companies with which there were related party transactions as per Ind AS 24, and any other companies as considered material by the Board as per the Materiality Policy, in accordance with the resolution dated November 3, 2022, passed by the Board

Term(s)	Description
Independent Director(s)	The non-executive independent director(s) on our Board. For details, see "*Our Management*" on page 236
IPO Committee	The IPO Committee of our Board
"Key Managerial Personnel" or "KMP"	The key managerial personnel of our Company in terms of Regulation 2(1)(bb) of the SEBI ICDR Regulations and Section 2(51) of the Companies Act, 2013, and as disclosed in "*Our Management*" on page 236
Malabar Group	Malabar India Fund Limited, Malabar Select Fund and Malabar Midcap Fund
Managing Director and Chief Executive Officer ("**CEO**")	The managing director and chief executive officer of our Company being Aseem Dhru
Materiality Policy	The policy adopted by our Board on November 3, 2022 for identification of: material outstanding litigation, dues to material creditors and group companies, in accordance with the disclosure requirements under the SEBI ICDR Regulations
"Memorandum of Association" or "Memorandum" or "MoA"	The memorandum of association of our Company, as amended from time to time
Nomination and Remuneration Committee	The nomination and remuneration committee of our Board, as disclosed in "*Our Management*" on page 236
Nominee Director(s)	The non-executive nominee Directors on our Board
Non-executive Director(s)	The Nominee Director(s) and Independent Directors on our Board
Promoters	SBFC Holdings Pte. Ltd., Clermont Financial Pte. Ltd., Arpwood Partners Investment Advisors LLP, Arpwood Capital Private Limited and Eight45 Services LLP
Promoter Group	The persons and entities constituting the promoter group of our Company in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, as disclosed in "*Promoters and Promoter Group*" on page 252
Registered and Corporate Office	The registered and corporate office of our Company situated at 103, 1st Floor, C&B Square, Sangam Complex, Andheri Kurla Road, Village Chakala, Andheri (East), Mumbai 400 059
Restated Financial Information	The restated statement of assets and liabilities of the Company as at June 30, 2022, March 31, 2022, March 31, 2021 and March 31, 2020, the restated statement of profit and loss, the restated statement of changes in equity, the restated statement of cash flows, for the three-months ended June 30, 2022 and the years ended March 31, 2022, March 31, 2021 and March 31, 2020 have been prepared specifically for inclusion in this Draft Red Herring Prospectus in accordance with Section 26 of Part I of Chapter III of the Companies Act, 2013, the SEBI ICDR Regulations, and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the ICAI
Risk Management Committee	The risk management committee of our Board, as disclosed in "*Our Management*" on page 236
RoC	Registrar of Companies, Maharashtra at Mumbai
Shareholders' Agreement	Amended and restated shareholder's agreement dated February 22, 2022, by and amongst our Company, Arpwood Partners Investment Advisors LLP, Arpwood Capital Private Limited and Eight45 Services LLP, SBFC Holdings Pte. Ltd., Malabar India Fund Limited, Malabar Select Fund and Malabar Midcap Fund read with the amendment agreement dated October 18, 2022 entered into between the aforementioned parties.
Promoter Selling Shareholders	SBFC Holdings Pte. Ltd., Arpwood Partners Investment Advisors LLP, Arpwood Capital Private Limited and Eight45 Services LLP
Shareholders	The holders of the Equity Shares, from time to time
Stakeholders Relationship Committee	The stakeholders relationship committee of our Board, as disclosed in "*Our Management*" on page 236
Statutory Auditors	The statutory auditors of our Company being, M/s Suresh Surana & Associates LLP, Chartered Accountants
Trust Deed	The Trust Deed dated October 15, 2022 entered into between our Company and Vistra ITCL (India) Limited, in relation to the ESOP 2018 – I and ESOP 2021 – I.

Offer related terms

Term	Description
Abridged Prospectus	Abridged prospectus means a memorandum containing such salient features of prospectus as may be specified by SEBI in this behalf
Acknowledgment Slip	The slip or document to be issued by the respective Designated Intermediary(ies) to a Bidder as proof of registration of the Bid cum Application Form
Allotment Advice	The note or advice or intimation of Allotment, sent to each successful Bidder who has been or is to be Allotted the Equity Shares after approval of the Basis of Allotment by the Designated Stock Exchange
Allot or Allotted or Allotment	Unless the context otherwise requires, allotment of Equity Shares pursuant to the Fresh Issue and transfer of Offered Shares pursuant to the Offer for Sale to successful Bidders
Allottee	A successful Bidder to whom the Equity Shares are Allotted

Term	Description
Anchor Investor	A QIB, who applies under the Anchor Investor Portion in accordance with the requirements specified in the SEBI ICDR Regulations and the Red Herring Prospectus and who has Bid for an amount of at least ₹ 100 million
Anchor Investor Allocation Price	The price at which Equity Shares will be allocated to Anchor Investors on the Anchor Investor Bidding Date in terms of the Red Herring Prospectus and the Prospectus which will be decided by our Company and the Promoter Selling Shareholders, in consultation with the BRLMs.
Anchor Investor Application Form	The 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 Red Herring Prospectus and the Prospectus
Anchor Investor Bidding Date	The date one Working Day prior to the Bid/Offer Opening Date, on which Bids by Anchor Investors shall be submitted, prior to and after which the Book Running Lead Managers will not accept any Bids from Anchor investors, and allocation to the Anchor Investors shall be completed
Anchor Investor Offer Price	The final price at which the Equity Shares will be Allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which will be a price equal to or higher than the Offer Price but not higher than the Cap Price The Anchor Investor Offer Price will be determined by our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers
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 Offer Price a date being, not later than two Working Days after the Bid/Offer Closing Date
Anchor Investor Portion	Up to 60% of the QIB Category which may be allocated by our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers, to Anchor Investors, on a discretionary basis in accordance with the SEBI ICDR Regulations. One third of the Anchor Investor Portion is reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is made to Anchor Investors, which price shall be determined by our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers
Application Supported by Blocked Amount or ASBA	An application, whether physical or electronic, used by ASBA Bidders to make a Bid authorising the relevant SCSB to block the Bid Amount in the relevant ASBA Account and will include applications made by UPI Bidders using the UPI Mechanism where the Bid Amount will be blocked by SCSBs upon acceptance of UPI Mandate Request by UPI Bidders using the UPI Mechanism
ASBA Account	A bank account maintained with an SCSB by an ASBA Bidder, as specified in the ASBA Form submitted by ASBA Bidders for blocking the Bid Amount mentioned in the relevant ASBA Form and includes the account of a UPI Bidder which is blocked by SCSB upon acceptance of UPI Mandate Request by UPI Bidders using the UPI Mechanism
ASBA Bid	A Bid made by an ASBA Bidder
ASBA Bidders	All Bidders except Anchor Investors
ASBA Form(s)	An application form, whether physical or electronic, used by ASBA Bidders Bidding through the ASBA process, which will be considered as the application for Allotment in terms of the Red Herring Prospectus and the Prospectus
Axis	Axis Capital Limited
Banker(s) to the Offer	Collectively, the Escrow Collection Bank, the Public Offer Account Bank, the Refund Bank and the Sponsor Bank(s)
Basis of Allotment	The basis on which the Equity Shares will be Allotted to successful Bidders under the Offer, described in "*Offer Procedure*" on page 452
Bid	An indication to make an offer during the Bid/Offer Period by a Bidder (other than an Anchor Investor), or on the Anchor Investor Bidding Date by an Anchor Investor, pursuant to submission of a Bid cum Application Form, to subscribe for or purchase the Equity Shares at a price within the Price Band, including all revisions and modifications thereto, to the extent permissible under 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	The highest value of the Bids as indicated in the Bid cum Application Form and in the case of RIIs and Eligible Employees Bidding under the Employee Reservation Portion, Bidding at the Cut Off Price, the Cap Price multiplied by the number of Equity Shares Bid for by such Eligible Employees Bidding under the Employee Reservation Portion, and mentioned in the Bid cum Application Form and payable by the Bidder or as blocked in the ASBA Account of the Bidder, as the case may be, upon submission of the Bid in the Offer
Bid cum Application Form	The form in terms of which the Bidder shall make a Bid, including an ASBA Form, and which shall be considered as the application for the Allotment of Equity Shares pursuant to the terms of the Red Herring Prospectus and the Prospectus

Term	Description
Bid Lot	[•] Equity Shares and in multiples of [•] Equity Shares thereafter
Bid/Offer Closing Date	Except in relation to any Bids received from the Anchor Investors, the date after which the Designated Intermediaries will not accept any Bids, being [•], which shall be published in [•] editions of [•] (a widely circulated English national daily newspaper), [•] editions of [•] (a widely circulated Hindi national daily newspaper) and [•] editions of [•] (a widely circulated Marathi daily newspaper, Marathi being the regional language of Maharashtra, where the Registered and Corporate Office is located). In case of any revisions, the extended Bid/Offer Closing Date will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers and at the terminals of the other members of the Syndicate. Our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers may consider closing the Bid/Offer Period for the QIBs one Working Day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations
Bid/Offer Opening Date	Except in relation to any Bids received from the Anchor Investors, the date on which the Designated Intermediaries shall start accepting Bids, being [•], which shall be published in [•] editions of [•] (a widely circulated English national daily newspaper), [•] editions of [•] (a widely circulated Hindi national daily newspaper) and [•] editions of [•] (a widely circulated Marathi daily newspaper, Marathi being the regional language of Maharashtra, where the Registered and Corporate Office is located) and in case of any revisions, the extended Bid/Offer Closing Date shall also be notified on the websites and terminals of the Syndicate Members and also intimated to the Designated Intermediaries, as required under the SEBI ICDR Regulations
Bid/Offer Period	Except in relation to Bids received from the Anchor Investors, the period between the Bid/Offer Opening Date and the Bid/Offer Closing Date, inclusive of both days during which prospective Bidders (excluding Anchor Investors) can submit their Bids, including any revisions thereof, in accordance with the SEBI ICDR Regulations and the terms of the Red Herring Prospectus. Provided, however, that the Bidding shall be kept open for a minimum of three Working Days for all categories of Bidders, other than Anchor Investors. Our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers may consider closing the Bid/Offer Period for the QIBs one Working Day prior to the Bid/Offer Closing Date which shall also be notified in an advertisement in same newspapers in which the Bid/Offer Opening Date was published, in accordance with the SEBI ICDR Regulations. In cases of force majeure, banking strike or similar circumstances, our Company may, for reasons to be recorded in writing, extend the Bid / Offer Period for a minimum of three Working Days, subject to the Bid/ Offer Period not exceeding 10 Working Days
Bidder/ Applicants	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form and unless otherwise stated or implied, includes an Anchor Investor
Bidding Centres	Centres at which the Designated Intermediaries shall accept the Bid cum Application Forms, being the Designated SCSB Branches for SCSBs, Specified Locations for the Syndicate, Broker Centres for Registered Brokers, Designated RTA Locations for CRTAs and Designated CDP Locations for CDPs.
Book Building Process	The book building process as described in Part A of Schedule XIII of the SEBI ICDR Regulations, in terms of which the Offer is being made
"Book Running Lead Managers" or "BRLMs"	The book running lead managers to the Offer, being I-Sec, Axis and KMCC
Broker Centres	Broker centres of the Registered Brokers where Bidders (other than Anchor Investors) can submit the ASBA Forms to a Registered Broker. The details of such broker centres, along with the names and contact details of the Registered Brokers, are available on the respective websites of the Stock Exchanges
"CAN" or "Confirmation of Allocation Note"	Notice or intimation of allocation of the Equity Shares to be sent to Anchor Investors, who have been allocated the Equity Shares, after the Anchor Investor Bidding Date
Cap Price	The higher end of the Price Band above which the Offer Price and Anchor Investor Offer Price will not be finalised and above which no Bids will be accepted, including any revisions thereof. The Cap Price shall be atleast 105% of the Floor Price.
Cash Escrow and Sponsor Bank Agreement	The agreement dated [•], to be entered into among our Company, the Promoter Selling Shareholders, the Registrar to the Offer, the Book Running Lead Managers, and the Bankers to the Offer for collection of the Bid Amounts from Anchor Investors transfer of funds to the Public Offer Account and where applicable remitting refunds, if any, to such Bidders, on the terms and conditions thereof
Client ID	Client identification number of the Bidder's beneficiary account
"Collecting Depository Participants" or "CDPs"	A depository participant, as defined under the Depositories Act and 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 and the SEBI UPI Circulars, issued by SEBI

Term	Description
"Collecting Registrar and Share Transfer Agents" or "CRTAs"	Registrar and share transfer agents registered with SEBI and eligible to procure Bids at the Designated RTA Locations in terms of circular no. CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015 and the SEBI UPI Circulars, issued by SEBI
Cut-off Price	The Offer Price, finalised by our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers, which shall be any price within the Price Band. Only Retail Individual Investors in the Retail Category and Eligible Employees Bidding in the Employee Reservation Portion are entitled to Bid at the Cut-off Price. QIBs (including Anchor Investors) and Non-Institutional Investors are not entitled to Bid at the Cut-off Price
Demographic Details	The details of the Bidders including the Bidder's address, name of the Bidder's father/husband, investor status, occupation, bank account details and UPI ID, as applicable
Designated CDP Locations	Such centres of the CDPs where Bidders (except Anchor Investors) can submit the ASBA Forms. The details of such Designated CDP Locations, along with the names and contact details of the CDPs are available on the respective websites of the Stock Exchanges and updated from time to time
Designated Date	The date on which the funds from the Escrow Account are transferred to the Public Offer Account or the Refund Account, as appropriate, and the relevant amounts blocked in the ASBA Accounts are transferred to the Public Offer Account and/or are unblocked, as applicable, in terms of the Red Herring Prospectus and the Prospectus, after finalisation of the Basis of Allotment in consultation with the Designated Stock Exchange, following which the Board of Directors may Allot Equity Shares to successful Bidders in the Offer
Designated Intermediaries	Collectively, the members of the Syndicate, sub-syndicate members/agents, SCSBs, Registered Brokers, CDPs and CRTAs, who are authorised to collect Bid cum Application Forms from the Bidders (other than Anchor Investors), in relation to the Offer
Designated RTA Locations	Such centres of the CRTAs where Bidders (except Anchor Investors) can submit the Bid cum Application Forms. The details of such Designated RTA Locations, along with the names and contact details of the CRTAs are available on the respective websites of the Stock Exchanges (www.nseindia.com and www.bseindia.com) and updated from time to time
Designated SCSB Branches	Such branches of the SCSBs which shall collect the ASBA Forms, a list of which is available on the website of SEBI at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes or at such other website as may be prescribed by SEBI from time to time
Designated Stock Exchange	[•]
"Draft Red Herring Prospectus" or "DRHP"	This draft red herring prospectus dated November 5, 2022 filed with SEBI and issued in accordance with the SEBI ICDR Regulations, which does not contain complete particulars of the price at which the Equity Shares are offered and the size of the Offer, and includes any addenda or corrigenda thereto
Eligible Employees	Permanent employees, working in India or outside India, of our Company, or a Director of our Company, whether whole-time or not, as of the date of the filing of the Red Herring Prospectus with the RoC and who continues to be a permanent employee of our Company, respectively, but not including (i) the Promoters; (ii) the members of the Promoter Group; or (iii) the Directors who either themselves or through their relatives or through any body corporate, directly or indirectly, hold more than 10% of the outstanding Equity Shares. The maximum Bid Amount under the Employee Reservation Portion by an Eligible Employee shall not exceed ₹ 500,000 (net of Employee Discount, if any). However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000. Only in the event of an under-subscription in the Employee Reservation Portion post initial Allotment, such unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹200,000, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000 (net of Employee Discount, if any)
Eligible FPIs	FPIs 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 constitutes an invitation to subscribe to the Equity Shares
Eligible NRI	A non-resident Indian, resident in a jurisdiction outside India where it is not unlawful to make an offer or invitation under the Offer and in relation to whom the Red Herring Prospectus and the Bid Cum Application Form constitutes an invitation to subscribe or purchase for the Equity Shares
Employee Discount	A discount of up to [•]% to the Offer Price (equivalent of ₹[•] per Equity Share) as may be offered by our Company and the Promoter Selling Shareholders, in consultation with the BRLMs, to Eligible Employees and which shall be announced at least two Working Days prior to the Bid / Offer Opening Date.
Employee Reservation Portion	The portion of the Offer, being up to [•] Equity Shares aggregating up to ₹[•] million, not exceeding 5% of the post-Offer paid-up Equity Share capital of our Company, available for allocation to Eligible Employees, on a proportionate basis

Term	Description
Escrow Account(s)	Account opened with the Escrow Collection Bank for the Offer and in whose favour the Anchor Investors will transfer money through direct credit or NEFT or RTGS or NACH in respect of the Bid Amount when submitting a Bid
Escrow Collection Bank	The bank, which is a clearing member and registered with SEBI as a banker to an issue under the SEBI BTI Regulations and with whom the Escrow Account will be opened, in this case, being [•]
"First Bidder" or "Sole Bidder"	The Bidder whose name appears first in the Bid cum Application Form or the Revision Form and in case of joint Bids, whose name appears as the first holder of the beneficiary account held in joint names
Floor Price	The lower end of the Price Band, subject to any revisions thereof, at or above which the Offer Price and Anchor Investor Offer Price will be finalised and below which no Bids will be accepted and which shall not be less than the face value of the Equity Shares
Fraudulent Borrower	Fraudulent borrower as defined under Regulation 2(1)(lll) of the SEBI ICDR Regulations
Fresh Issue	Fresh issue of up to [•] Equity Shares by our Company aggregating up to ₹ 7,500 million to be issued by our Company as part of the Offer, in terms of the Red Herring Prospectus and the Prospectus If the Pre-IPO Placement is completed, the amount raised pursuant to the Pre-IPO Placement will be reduced from the Fresh Issue, subject to compliance with Rule 19(2)(b) of the SCRR
Fugitive Economic Offender	An individual who is declared a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018
"General Information Document" or "GID"	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 circular no. SEBI / HO / CFD / DIL2 / CIR / P / 2020 / 50 dated March 30, 2020, as amended by SEBI 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
KMCC	Kotak Mahindra Capital Company Limited
Monitoring Agency	[•]
Monitoring Agency Agreement	The agreement to be entered into between our Company and the Monitoring Agency
Mutual Fund Portion	5% of the Net QIB Category (excluding the Anchor Investor Portion) or [•] Equity Shares which shall be available for allocation to Mutual Funds only, on a proportionate basis, subject to valid Bids being received at or above the Offer Price
Net Offer	The Offer less the Employee Reservation Portion
Net Proceeds	Proceeds of the Offer that will be available to our Company, i.e., gross proceeds of the Fresh Issue, less Offer expenses to the extent applicable to the Fresh Issue.
Net QIB Category	The portion of the QIB Category less the number of Equity Shares Allocated to the Anchor Investors
"Non-Institutional Investors" or "NIIs"	All Bidders, including FPIs other than individuals, corporate bodies and family offices, registered with SEBI that are not QIBs (including Anchor Investors) or Retail Individual Investors, or the Eligible Employees Bidding in the Employee Reservation Portion who have Bid for Equity Shares for an amount of more than ₹ 200,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	The portion of the Offer, being not less than 15% of the Net Offer comprising of not less than [•] Equity Shares which shall be available for allocation to Non-Institutional Investors, 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 Investors shall be reserved for Bidders with Bid size of more than ₹ 200,000 and up to ₹ 1,000,000; (b) Two-third of the portion available to Non-Institutional Investors shall be reserved for Bidders with Bid size of more than ₹ 1,000,000. Provided that the unsubscribed portion in either of the sub-categories specified in clauses (a) or (b) above, may be allocated to Bidders in the other sub-category of Non-Institutional Investors, in accordance with the SEBI ICDR Regulations.
Offer	The public issue of [•] Equity Shares of face value of ₹ 10 each for cash at a price of ₹ [•] each, aggregating up to ₹ 16,000 million comprising the Fresh Issue and the Offer for Sale
Offer Agreement	The agreement dated November 5, 2022 entered into among our Company, the Promoter Selling Shareholders and the Book Running Lead Managers
Offer for Sale	The offer for sale of up to [•] Equity Shares aggregating up to ₹ 8,500 million by the Promoter Selling Shareholders
Offer Price	The final price (within the Price Band) at which Equity Shares will be Allotted to the successful Bidders (except Anchor Investors), as determined in accordance with the Book Building Process and determined by our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers, in terms of the Red Herring Prospectus on the Pricing Date.

Term	Description
	Equity Shares will be Allotted to Anchor Investors at the Anchor Investor Offer Price in terms of this Draft Red Herring Prospectus
Offered Shares	Up to [•] Equity Shares offered as part of the Offer for Sale, comprising up to [•] Equity Shares aggregating up to ₹ 3,981.91 million by Arpwood Partners Investment Advisors LLP, up to [•] Equity Shares aggregating up to ₹ 977.27 million by Arpwood Capital Private Limited, up to [•] Equity Shares aggregating up to ₹ 790.82 million by Eight45 Services LLP, up to [•] Equity Shares aggregating up to ₹ 2,750 million by SBFC Holdings Pte. Ltd.
Pre-IPO Placement	The private placement of Equity Shares for a cash consideration aggregating up to ₹ 1,500 million, which may be undertaken by our Company, at the discretion of the Company and the Promoter Selling Shareholders, to be completed prior to filing of the Red Herring Prospectus with the RoC and the details of which, if completed, will be included in the Red Herring Prospectus. The price of the Equity Shares allotted pursuant to the Pre-IPO Placement shall be determined by our Company and the Promoter Selling Shareholders, in consultation with the BRLMs. If the Pre-IPO Placement is completed, the amount raised pursuant to the Pre-IPO Placement will be reduced from the Fresh Issue, subject to compliance with Rule 19(2)(b) of the SCRR
Price Band	Price band ranging from a Floor Price of ₹ [•] per Equity Share to a Cap Price of ₹ [•] per Equity Share, including revisions thereof, if any. The Price Band will be determined by our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers, and the minimum Bid Lot size will be determined by our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers, and advertised in [•] editions of [•] (a widely circulated English national newspaper) [•] editions of [•] (a widely circulated Hindi national newspaper) and [•] editions of [•] (a widely circulated Marathi daily newspaper, Marathi being the regional language of Maharashtra, where the Registered and Corporate Office is situated), at least two Working Days prior to the Bid/Offer Opening Date, with the relevant financial ratios calculated at the Floor Price and at the Cap Price and shall be made available to the Stock Exchanges for the purpose of uploading on their websites
Pricing Date	The date on which our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers, shall finalise the Offer Price
Prospectus	The prospectus to be filed with the RoC for this Offer on or after the Pricing Date in accordance with the provisions of Section 26 of the Companies Act, 2013 and the SEBI ICDR Regulations, including any addenda or corrigenda thereto and containing the Offer Price, the size of the Offer and certain other information
Public Offer Account	The bank 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 the ASBA Accounts on the Designated Date
Public Offer Account Bank	The bank with whom the Public Offer Account is opened for collection of Bid Amounts from the Escrow Account and ASBA Accounts on the Designated Date, in this case being [•]
QIB Category	The portion of the Net Offer (including the Anchor Investor Portion) being not more than 50% of the Net Offer comprising [•] Equity Shares which shall be allocated to QIBs (including Anchor Investors), subject to valid Bids being received at or above the Offer Price
“Qualified Institutional Buyers” or “QIBs”	A qualified institutional buyer as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
“Red Herring Prospectus” or “RHP”	The red herring prospectus to be filed by our Company in accordance with the Companies Act, 2013, the SEBI ICDR Regulations which will not have complete particulars of the price at which the Equity Shares shall be allotted and which shall be filed with the RoC at least three Working Days before the Bid/Offer Opening Date and will become the Prospectus after filing with the RoC after the Pricing Date, including any addenda or corrigenda thereto
Refund Account(s)	The account opened with the Refund Bank from which refunds, if any, of the whole or part of the Bid Amount shall be made to Anchor Investors
Refund Bank(s)	The bank which are a clearing member registered with SEBI under the SEBI BTI Regulations, with whom the Refund Account will be opened, in this case being [•]
Registered Brokers	Stock brokers registered with the stock exchanges having nationwide terminals, other than the members of the Syndicate and eligible to procure Bids in terms of circular number no. CIR/CFD/14/2012 dated October 4, 2012 and the SEBI UPI Circulars, issued by SEBI
Registrar Agreement	The agreement dated October 21, 2022 entered into between our Company, the Promoter 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 lists available on the website of BSE and NSE, and the SEBI UPI Circulars.
Registrar to the Offer or Registrar	KFin Technologies Limited

Term	Description
"Retail Individual Investors" or "RIIs"	Bidders (including HUFs and Eligible NRIs) other than Eligible Employees Bidding in the Employee Reservation Portion, whose Bid Amount for Equity Shares in the Offer is not more than ₹ 200,000 in any of the Bidding options in the Offer (including HUFs applying through their karta and Eligible NRIs and does not include NRIs other than Eligible NRIs)
"Retail Portion" or "Retail Category"	Portion of the Net Offer being not less than 35% of the Net Offer consisting of [•] Equity Shares which shall be available for allocation to Retail Individual Bidders (subject to valid Bids being received at or above the Offer Price), which shall not be less than the minimum Bid Lot subject to availability in the Retail Portion
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form, as applicable. QIBs Bidding in the QIB category and Non-Institutional Investors Bidding in the Non-Institutional Category are 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 and Eligible Employees Bidding in the Employee Reservation Portion can revise their Bids during Bid/Offer period and withdraw their Bids until Bid/Offer Closing Date
SCORES	Securities and Exchange Board of India Complaints Redress System
SEBI UPI Circulars	Circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018 issued by SEBI as amended or modified by SEBI from time to time, including circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019, circular no. SEBI/HO/CFD/DIL2/CIR/P/2020/50 dated March 30, 2020, circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021, the circular no. SEBI/HO/CFD/DIL2/P/CIR/2021/570 dated June 2, 2021, the circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/45 dated April 5, 2022, the circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022, the circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022 and any other circulars issued by SEBI or any other governmental authority in relation thereto from time to time
"Self-Certified Syndicate Banks" or "SCSBs"	(i) The banks registered with SEBI, offering services in relation to ASBA (other than through UPI Mechanism), 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 or https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=35, as applicable, or such other website as updated from time to time, and (ii) The banks registered with SEBI, enabled for UPI Mechanism, a list of which is available on the website of SEBI at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40 Applications through UPI in the Offer could be made only through the SCSBs mobile applications (apps) whose name appears on SEBI website. A list of SCSBs and mobile application, which, are live for applying in public issues using UPI Mechanism is appearing in the "list of mobile applications for using UPI in public issues" displayed on SEBI website. The said list shall be updated on SEBI website
Share Escrow Agent	[•]
Share Escrow Agreement	The agreement to be entered into by and among the Promoter Selling Shareholders, our Company and the Share Escrow Agent in connection with the transfer of the Offered Shares by the Promoter Selling Shareholders and credit of such Equity Shares to the demat account of the Allottees
Specified Locations	Bidding Centres where the Syndicate shall accept Bid cum Application Forms, a list of which is which is available on the website of SEBI (www.sebi.gov.in) and updated from time to time
Sponsor Bank(s)	A Banker to the Offer registered with SEBI, which has been appointed by our Company and the Promoter Selling Shareholders to act as a conduit between the Stock Exchanges and NPCI in order to push the mandate collect requests and / or payment instructions of the Retail Individual Investors and carry out any other responsibilities, in terms of the SEBI UPI Circulars, in this case being [•]
Stock Exchanges	Together, BSE and NSE
"Syndicate" or "members of the Syndicate"	Collectively, the Book Running Lead Managers and the Syndicate Members
Syndicate Agreement	The agreement to be entered into among the members of the Syndicate, our Company, the Promoter Selling Shareholders and the Registrar to the Offer in relation to the collection of Bid cum Application Forms by the Syndicate
Syndicate Members	Intermediaries registered with SEBI and permitted to carry out activities as an underwriter, in this case being [•]
Underwriters	[•]

Term	Description
Underwriting Agreement	The agreement to be entered into among our Company, the Promoter Selling Shareholders, Registrar to the Offer and the Underwriters, on or after the Pricing Date but before filing of the Prospectus
UPI	Unified Payments Interface which is an instant payment mechanism, developed by NPCI
UPI Bidders	Collectively, individual investors who applied as (i) Retail Individual Investors in the Retail Category, (ii) Eligible Employees, under the Employee Reservation Portion, and (iii) Individuals applying as Non-Institutional Investors with an application size of up to ₹500,000 in the Non-Institutional Category, and Bidding under the UPI Mechanism through ASBA Form(s) submitted with Syndicate Members, Registered Brokers, Collecting Depository Participants and Collecting Registrar and Share Transfer Agents. 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 are required to use the UPI Mechanism and are required to 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 ID	Identity document created on UPI for single-window mobile payment system developed by the NPCI
UPI Mandate Request	A request (intimating the UPI Bidders, by way of a notification on the UPI application and by way of a SMS directing the UPI Bidders to such UPI application) to the UPI Bidders initiated by the Sponsor Bank to authorise blocking of funds equivalent to the Bid Amount in the relevant ASBA Account through the UPI application equivalent to Bid Amount, and the subsequent debit of funds in case of Allotment
UPI Mechanism	The Bidding mechanism that is used by UPI Bidders to make Bids in the Offer in accordance with the SEBI UPI Circulars
UPI PIN	Password to authenticate UPI transaction
Wilful Defaulter	A wilful defaulter, as defined under the SEBI ICDR Regulations
Working Day(s)	All days on which commercial banks in Mumbai are open for business; provided however, with reference to (a) announcement of Price Band; and (b) Bid/Offer Period, the term Working Day shall mean all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business; and (c) 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, as per circulars issued by SEBI, including the SEBI UPI Circulars

Industry and business related terms

Term	Description
ALM	Asset-liability management
API	Application Programming Interface
ATS	Average ticket size
AUM	Assets under management
BES	Business Expectations Survey
CAD	Current Account Deficit
CAPEX	Capital Expenditure
CCTV	Closed-circuit television
CIBIL	TransUnion CIBIL Limited
Cost of borrowings	Interest paid, divided by average of deposits and borrowings
Cost to income	Operating expenses, divided by the sum of net interest income and other income
CPs	Commercial Papers
CRAR	Capital to risk (weighted) assets ratio, or capital adequacy ratio
Credit cost	Provisions/ average total assets on book
CSR	Corporate social responsibility
Debt to Equity	Total borrowings divided by total shareholder equity of the same Fiscal
DPD	Days past due
ECL	Expected credit loss
ECLGS	Emergency Credit Line Guarantee Scheme
EM	Enterprise Memorandum
EMI	Equated monthly instalments
ERP	Enterprise resource planning
FPI	Foreign Portfolio Investor
GDP	Gross Domestic Product

Term	Description
GeM	Government e-Marketplace
Gross NPA	Gross Non-Performing Assets
Gross Loan Book	Gross Loan Book represents the aggregate of future principal outstanding, principal overdue, interest overdue and interest accrued but not due from borrowers pertaining to loans held in our books as on the last day of the relevant period
HFCs	Housing finance companies
ICRA	ICRA Limited
India Ratings	India Ratings and Research Private Limited
KYC	Know your customer
LLP	Loan Loss Provision
Loan against Gold	Loans secured with gold jewellery as collateral
LTV	Loan-to-value ratio
MPC	Monetary Policy Committee
MSF	Marginal Standing Facilities
MSME	Micro, small and medium enterprise
NBFC	Non-banking financial company
NBFC-ND-SI	Systemically important non-banking financial company as defined under Regulation 2(1)(iii) of the SEBI ICDR Regulations
NCDs	Non-Convertible Debentures
Net Owned Funds	Net Owned Fund, as defined in section 45-IA of the RBI Act, 1934, which means – (a) the aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance-sheet of the company after deducting there from– (i) accumulated balance of loss; (ii) deferred revenue expenditure; and (iii) other intangible assets; and (b) further reduced by the amounts representing 1. investments of such company in shares of– (i) its subsidiaries; (ii) companies in the same group; (iii) all other non-banking financial companies; and 2. the book value of debentures, bonds, outstanding loans and advances (including hire-purchase and lease finance) made to, and deposits with,– (i) subsidiaries of such company; and (ii) companies in the same group, to the extent such amount exceeds ten per cent of (a) above. Our Company, in its calculation of NOF has considered the above formulae to the extent applicable to it
Net Interest Income	Difference between the interest earned from loans (i.e., interest income on loan portfolio) and the interest paid on interest-bearing liabilities (i.e., finance costs)
NIM	Net Interest Margin, calculated as interest income less interest paid, divided by average of total assets on book
Net NPA	Net Non-Performing Assets
NPA	Non-Performing Assets
NSO	National Statistical Office
Opex	Operating expenditure (sum of employee expenses, depreciation and amortization expense, fees and commission expenses and other expenses), divided by average total assets on book
Opex to AUM ratio	Operating expenditure (employee expenses, plus depreciation and amortization expense, plus fees and commission expenses plus other expenses), divided by AUM for the Fiscal or period
Opex to disbursement ratio	Operating expenditure (employee expenses, plus depreciation and amortization expense, plus fees and commission expenses plus other expenses), divided by disbursement for the Fiscal or period
PAT	Profit after tax
PBT	Profit before tax
PLI	Production-Linked Incentive
PMJDY	Pradhan Mantri Jan Dhan Yojana
PMJJBY	Pradhan Mantri Jeevan Jyoti Bima Yojana
PMSBY	Pradhan Mantri Suraksha Bima Yojana
PPP	Purchasing Power Parity
PTC	Pass-through Certificate
ROA	Return on assets, being profit after tax/ average of total assets on book
ROE	Return on equity, being profit after tax/ average net worth
SDF	Standing Deposit Facility
Secured MSME Loans	Secured loans extended to small business owners and self-employed segment. This also includes loans given to salaried individuals considering the family income of the borrowers

Term	Description
Stage 3 loans	Stage 3 loans refers to Stage 3 loans under our Gross Loan Book as of the last day of the relevant period, or closing balance of Gross Loan Book, which are Non-Performing Assets as defined in the master circular dated July 1, 2015 "Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" issued by RBI, as amended
Tangible Net Worth	The sum of equity share capital and other equity and reduced by goodwill as of the last day of the relevant period.
TReDS	Trade Receivables and Discounting System
UDYAM	Registration for MSMEs on the UDYAM portal of the Ministry of Micro, Small and Medium Enterprises, Government of India
Yield on advances	Interest earned on loans and advances/ average of total advances on book

Conventional and general terms and abbreviations

Term	Description
AIF(s)	Alternative Investment Funds as defined in and registered with SEBI under the SEBI AIF Regulations
AGM	Annual general meeting
Bn	Billion
BSE	BSE Limited
CAGR	Compounded annual growth rate
CBDT	Central Board of Direct Taxes
CDSL	Central Depository Services (India) Limited
CIN	Corporate identity number
Companies Act, 1956	The Companies Act, 1956, read with the rules, regulations, clarifications and modifications notified thereunder
Companies Act, 2013	The Companies Act, 2013, read with the rules, regulations, clarifications and amendments notified thereunder
Consolidated FDI Policy	The consolidated FDI Policy, effective from October 15, 2020, issued by the DPIIT, and any amendments or substitutions thereof, issued from time to time
Copyright Act	Copyright Act, 1957
COVID-19	The novel coronavirus disease, which was declared as a Public Health Emergency of International Concern on January 30, 2020, and a pandemic on March 11, 2020, by the World Health Organisation
Depositories Act	Depositories Act, 1996, read with the rules, regulations, amendments and modifications notified thereunder
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996
Depository Participant or DP	A depository participant as defined under the Depositories Act
DIN	Director Identification Number
DP ID	Depository Participant's identity number
DPIIT	Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India
EBITDA	Earnings before interest, taxes, depreciation and amortisation (Restated profit/ (loss) for the year/ period + tax expense + exceptional items + Finance costs + depreciation and amortisation
EGM	Extraordinary general meeting
EPS	Earnings per share
ESIC	Employees' State Insurance Corporation
FCNR Account	Foreign Currency Non-Resident (Bank) Account established in accordance with provisions of FEMA
FDI	Foreign direct investment
FEMA	Foreign Exchange Management Act, 1999, read with rules and regulations notified thereunder
FEMA Rules	Foreign Exchange Management (Non-debt Instruments) Rules, 2019
"Financial Year" or "Fiscal" or "FY"	The period of 12 months commencing on April 1 of the immediately preceding calendar year and ending on March 31 of that particular calendar year
FIR	First information report
FPIs	A foreign portfolio investor who has been registered pursuant to the SEBI FPI Regulations
FVCI	Foreign Venture Capital Investors (as defined under the SEBI FVCI Regulations) registered with SEBI
GAAR	General Anti-Avoidance Rules
Gazette	Official gazette of India
GDP	Gross Domestic Product

Term	Description
"Government of India" or "Central Government" or "GoI"	The Government of India
GST	Goods and Services Tax
HUF(s)	Hindu undivided family(ies)
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
Income Tax Act	Income-tax Act, 1961
Ind AS	The Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 and referred to in the Ind AS Rules
Ind AS 24	Indian Accounting Standard 24 on Related Party Disclosure issued by the MCA
Ind AS Rules	Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time
Indian GAAP/ IGAAP	Generally Accepted Accounting Principles in India notified under Section 133 of the Companies Act, 2013 and read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016
"INR" or "Rupee" or "₹" or "Rs."	Indian Rupee, the official currency of the Republic of India
IPO	Initial public offering
IST	Indian Standard Time
IT	Information Technology
IVR	Interactive Voice Response
MCA	Ministry of Corporate Affairs, Government of India
Mn.	Million
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
N.A.	Not applicable
NACH	National Automated Clearing House
NAV	Net Asset Value
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 (last updated on September 29, 2022)
NCLT	National Company Law Tribunal
NEFT	National Electronic Fund Transfer
NPCI	National Payments Corporation of India
"NR" or "Non-resident"	A person resident outside India, as defined under the FEMA and includes a Non-Resident Indian
NRI	Non-Resident Indian
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
"OCB" or "Overseas Corporate Body"	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under FEMA. OCBs are not allowed to invest in the Offer
ODI	Offshore derivative instruments
p.a.	Per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
RBI	The Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934
Regulation S	Regulation S under the U.S. Securities Act
RoNW	Return on Net Worth
RTGS	Real Time Gross Settlement
Rule 144A	Rule 144A under the U.S. Securities Act
SBO Rules	Companies (Significant Beneficial Owners) Rules, 2018, as amended
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SMS	Short Message Service
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 Investment Funds) Regulations, 2012
SEBI BTI Regulations	Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994

Term	Description
SEBI Debt Listing Regulations	Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021
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 Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI Merchant Bankers Regulations	Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992
SEBI SBEB Regulations	Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
SEBI VCF Regulations	Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996, as repealed pursuant to the SEBI AIF Regulations
STT	Securities Transaction Tax
Systematically Important NBFC	Systematically important non-banking financial company as defined under regulation 2(1)(iii) of the SEBI ICDR Regulations
TAN	Tax Deduction and Collection Account Number
U. S. Securities Act	United States Securities Act, 1933
US$ or USD or US Dollar	United States Dollar, the official currency of the United States of America
USA or U.S. or US	United States of America
U.S. Investment Company Act	Investment Company Act of 1940, as amended
VAT	Value added tax
VCFs	Venture capital funds as defined in and registered with SEBI under the SEBI VCF Regulations or the SEBI AIF Regulations, as the case may be

CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA AND CURRENCY OF PRESENTATION

Certain conventions

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

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

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

Financial data

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

Unless stated or the context requires otherwise, the financial data in this Draft Red Herring Prospectus is derived from the Restated Financial Information. The Restated Financial Information included in this Draft Red Herring Prospectus are as at and for the three-months ended June 30, 2022, Fiscals 2022, 2021 and 2020, and have been prepared in accordance with Ind AS prescribed under Section 133 of Companies Act, 2013 read with the Ind AS Rules and other relevant provisions of the Companies Act, 2013 and the guidance notes issued by ICAI. For further information, see "*Financial Statements*" beginning on page 276.

The Restated Financial Information have been prepared in accordance with Ind AS. There are significant differences between the Ind AS, the International Financial Reporting Standards ("**IFRS**") and the Generally Accepted Accounting Principles in the United States of America ("**U.S. GAAP**"). Accordingly, the degree to which the financial information included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with accounting standards in India, the Ind AS, the Companies Act, 2013 and the SEBI ICDR Regulations, on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. We have not attempted to quantify the differences between the financial data (prepared under Ind AS) and IFRS/U.S. GAAP, nor have we provided a reconciliation thereof. We urge the Investors to consult their respective advisors regarding such differences and their impact on our financial data. For risks relating to significant differences between Ind AS and other accounting principles, see "*Risk Factors - **Significant differences exist between Ind AS used to prepare our financial information and other accounting principles, such as U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition***" on page 62.

Unless the context otherwise indicates, any percentage or amounts, as set forth in "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 25, 193 and 373, respectively, and elsewhere in this Draft Red Herring Prospectus have been calculated on the basis of the Restated Financial Information.

Certain figures contained in this Draft Red Herring Prospectus, including the Restated Financial Information, have been subject to rounding-off adjustments. All decimals have been rounded off to two decimal points. In this Draft Red Herring Prospectus, any discrepancies in any table between the sums of the amounts listed in the table and totals are due to rounding off. However, where any figures that may have been sourced from the CRISIL Report are rounded off to other than two decimal points in their respective sources, such figures appear in this Draft Red Herring Prospectus as rounded-off to such number of decimal points as provided in such respective sources.

Industry and market data

For the purpose of confirming our understanding of the industry in connection with the Offer, we appointed CRISIL pursuant to an engagement letter dated June 23, 2022 and have commissioned a report titled ‘Analysis of NBFC sector and select asset classes in India’ released on November, 2022 (“**CRISIL Report**”), prepared by CRISIL. CRISIL has required us to include the following disclaimer in connection with the **CRISIL Report**:

“*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. CRISIL especially states that it has no liability whatsoever to the subscribers / users / transmitters/ distributors of this Report. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary permission and/or registration to carry out its business activities in this regard. SBFC 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’s 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’s Ratings Limited / CRIS. No part of this Report may be published/reproduced in any form without CRISIL’s prior written approval.*”

The extent to which the industry and market data presented in this Draft Red Herring Prospectus is meaningful depends upon the reader’s familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business and methodologies and assumptions may vary widely among different market and industry sources. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those disclosed in “*Risk Factors*” on page 25. Accordingly, no investment decision should be solely made on the basis of such information.

The CRISIL Report is also available on our Company’s website at https://www.sbfc.com/for-investors.

Other than the engagement described above, CRISIL is independent and has no direct or indirect association with the Company, its Directors, Promoters and Book Running Lead Managers.

In accordance with the SEBI ICDR Regulations, “*Basis for Offer Price*” on page 109 includes information relating to our listed peer group companies and industry averages. Such information has been derived from publicly available sources and verified by M/s Suresh Surana & Associates LLP, Chartered Accountants, the Statutory Auditors. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in “*Risk Factors – “**Industry information included in this Draft Red Herring Prospectus has been derived from an industry report prepared by CRISIL Limited exclusively commissioned and paid for by us for such purpose***” on page 46.

Currency and units of presentation

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

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

In this Draft Red Herring Prospectus, our Company has presented certain numerical information. All figures have been expressed in millions, except where specifically indicated. One million represents 10 lakhs or 1,000,000 and ten million represents 1 crore or 10,000,000. However, where any figures that may have been sourced from third party industry sources are expressed in denominations other than millions in their respective sources, such figures appear in this Draft Red Herring Prospectus expressed in such denominations as provided in such respective sources.

Exchange rates

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

Unless stated otherwise, the information with respect to the exchange rate between the Indian Rupee and the U.S. Dollar, as on the dates indicated, is set forth below:

(in ₹)

Currency	Exchange rate as on June 30, 2022	Exchange rate as on March 31, 2022	Exchange rate as on March 31, 2021	Exchange rate as on March 31, 2020
1 US$	78.94	75.81	73.50	75.39

Source: www.rbi.org.in and www.fbil.org.in
Note: Exchange rate is rounded off to two decimal places.

Notice to Prospective Investors in the United States

The Equity Shares offered in the Offer have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Draft Red Herring Prospectus or approved or disapproved the Equity Shares. Any representation to the contrary is a criminal offence in the United States. In making an investment decision, investors must rely on their own examination of our Company and the terms of the Offer, including the merits and risks involved. The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any other applicable law 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 state securities laws. Accordingly, the Equity Shares are being offered and (a) only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this Draft Red Herring Prospectus as "U.S. QIBs") in transactions exempt from the registration requirements of the U.S. Securities Act, (b) QPs, as defined in Section 2(a)(51) of the U.S. Investment Company Act (persons who are both a U.S. QIB and a QP are referred to as "Entitled QPs"), and (b) outside the United States in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales are made. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs".

Each purchaser is hereby notified that sellers of Equity Shares maybe relying on an exemption from the provisions of Section 5 of the U.S. Securities Act.

Until the expiry of 40 days after the date of commencement of the Offer, an offer or sale of the Equity Shares within the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the U.S. Securities Act.

Our Company has not been and will not be registered under the U.S. Investment Company Act and investors will not be entitled to the benefits of the U.S. Investment Company Act. Our Company is relying on the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act, and as a result the Equity Shares are being offered and sold in the United States and to U.S. Persons only to persons who are Entitled QPs.

Our Company may be a "covered fund" for purposes of the "Volcker Rule" contained in the Dodd-Frank Act (Section 619:Prohibitions on Proprietary Trading and Certain Relationships with Hedge Funds and Private Equity Funds). Accordingly, entities that may be "covered banking entities" for the purposes of the Volcker Rule may be restricted from holding the Company's securities and should take specific advice before making an investment in our Company.

FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain "forward-looking statements". All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements, which include statements with respect to our business strategy, our expected revenue and profitability, our goals and other matters discussed in this Draft Red Herring Prospectus regarding matters that are not historical facts. These forward-looking statements can generally be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "likely to", "objective", "plan", "propose", "project", "will continue", "seek to", "will pursue" or other words or phrases of similar import. Similarly, statements which describe our strategies, objectives, plans or goals are also forward-looking statements.

These forward-looking statements are based on our current plans, estimates and expectations and actual results may differ materially from those suggested by such forward-looking statements. All forward-looking statements 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. This could be due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes in the industry we operate in 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 that may have an impact on our business or investments, monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates and prices, the general performance of Indian and global financial markets, changes in the competitive landscape and incidence of any natural calamities and/or violence. Significant factors that could cause our actual results to differ materially from our expectations include, but are not limited to:

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

- We depend on the accuracy and completeness of information provided by our customers and certain third party service providers and our reliance on any erroneous or misleading information may affect our judgement of their creditworthiness, as well as the value of and title to the collateral.

- The quality of our portfolio may be impacted due to higher levels of NPAs and our business may be adversely affected if we are unable to provide for such higher levels of NPAs.

- Our inability to assess and 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.

- 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 is particularly vulnerable to interest rate risk, and volatility in interest rates for both lending and treasury operations, could have an adverse effect on our net interest income and net interest margin, thereby affecting our results of operations and cash flows.

- 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.

- We are subject to laws and regulations governing the financial services industry and our operations in India, including laws in relation to capital adequacy ratios. Changes in, and differing interpretations of, laws and regulations governing us could adversely affect our business, results of operations and prospects.

- As an NBFC, we are subject to periodic inspections by the RBI. Non-compliance with observations made by the RBI during these inspections could expose us to penalties and restrictions.

- We derive a significant portion of our AUM from our loans against gold and the loss of business in relation to such loans against gold could adversely affect our business and prospects.

For a further discussion of factors that could cause our actual results to differ, see "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 25, 193 and 373, 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. Forward-looking statements reflect our current views as on the date of this Draft Red Herring Prospectus and are not a guarantee of future performance. We cannot assure investors that the expectations reflected in these forward-looking statements will prove to be correct.

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 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 Promoter Selling Shareholders, the Promoters, the Directors, the Book Running Lead Managers 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 the Red Herring Prospectus until the date of Allotment. In accordance with requirements of SEBI and as prescribed under applicable law, each of the Promoter Selling Shareholders, severally and not jointly, shall, in respect of statements made by them in this Draft Red Herring Prospectus, keep the Company informed of material developments from the date of the Red Herring Prospectus until the date of Allotment.

Only statements and undertakings which are specifically confirmed or undertaken by each Promoter Selling Shareholder, severally and not jointly, in relation to itself as a Promoter Selling Shareholder and its respective portion of the Offered Shares, as the case may be, in this Draft Red Herring Prospectus shall be deemed to be statements made by such Promoter Selling Shareholder.

SUMMARY OF THE OFFER DOCUMENT

The following is a general summary of the terms of the Offer and is not exhaustive, nor does it purport to contain a summary of all the disclosures in this Draft Red Herring Prospectus or all details relevant to prospective investors. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Draft Red Herring Prospectus, including "*Risk Factors*", "*The Offer*", "*Capital Structure*", "*Objects of the Offer*", "*Industry Overview*", "*Our Business*", "*Outstanding Litigation and Material Developments*", "*Offer Procedure*", *"Restated Financial Information"* and "*Main Provisions of the Articles of Association*" on pages 25, 65, 81, 105, 120, 193, 410, 452, 281 and 471 respectively.

Summary of Business

We are a systematically important, non-deposit taking non-banking finance company offering loans including secured Micro, Small and Medium Enterprises loans and loans against gold, with a majority of our borrowers being entrepreneurs, small business owners, self-employed individuals, salaried and working class individuals. Among MSME-focused NBFCs in India, we have one of the highest assets under management growth, at a CAGR of 40% in the period from Fiscal 2019 to Fiscal 2022. We have also witnessed robust disbursement growth, at a CAGR of 39% between Fiscal 2019 and Fiscal 2022. (Source: CRISIL Report)

Summary of Industry

In the Indian financial system, NBFCs have grown in importance by catering to customers in underbanked regions or those who would not be catered to by traditional financial institutions, due to absence of credit history or lack of proper collateral records. Systemic credit and NBFC credit are expected to grow at 9% - 10% CAGR between Fiscal 2022 and Fiscal 2025. Credit growth is expected to be driven by the retail vertical, including housing, gold and auto segments. Rapid revival in the economy is expected to drive consumer demand in Fiscal 2023, leading to healthy growth for banks and NBFCs. (Source: CRISIL Report)

For further information, see "*Industry Overview*" and "*Our Business*" on pages 120 and 193, respectively.

Promoters

The Promoters are SBFC Holdings Pte. Ltd., Clermont Financial Pte. Ltd., Arpwood Partners Investment Advisors LLP, Arpwood Capital Private Limited and Eight45 Services LLP. For further information, see "*Promoters and Promoter Group*" on page 252.

Offer size

The details in relation to the Offer are set forth below:

Offer	Up to [•] Equity Shares aggregating up to ₹ 16,000 million
of which	
(i) Fresh Issue(1)(2)	Up to [•] Equity Shares aggregating up to ₹ 7,500 million
(ii) Offer for Sale(3)	Up to [•] Equity Shares aggregating up to ₹ 8,500 million
Employee Reservation Portion(4)	Up to [•] Equity Shares aggregating up to ₹ [•] million
Net Offer	Up to [•] Equity Shares aggregating up to ₹ [•] million

(1) The Offer has been authorized by a resolution dated October 14, 2022 passed by our Board and the Fresh Issue has been approved by a special resolution dated October 15, 2022 passed by our Shareholders.

(2) Our Company may, at the discretion of the Company and the Promoter Selling Shareholders, consider a Pre-IPO Placement aggregating to ₹ 1,500 million, prior to the filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is completed, the amount raised pursuant to the Pre-IPO Placement will be reduced from the Fresh Issue, subject to compliance with Rule 19(2)(b) of the SCRR.

(3) Each of the Promoter Selling Shareholders has, severally not jointly, specifically confirmed that its respective portion of the Offered Shares are eligible to be offered for sale in the Offer in accordance with Regulation 8 of the SEBI ICDR Regulations. For details on the authorisation of each of the Promoter Selling Shareholders in relation to the Offered Shares, see "The Offer" on page 65.

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

The Offer and Net Offer shall constitute [•]% and [•]% of the fully diluted post-Offer paid up equity share capital of our Company, respectively. For further details, see "*The Offer*" on page 65.

Objects of the Offer

The details regarding the use of the Net Proceeds are set forth below:

(in ₹ million)

Particulars	Amount
Augmenting the capital base of our Company^	[•]

^ To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC.

For further details, see "*Objects of the Offer*" on page 105.

Aggregate pre-Offer shareholding of the Promoters, the members of the Promoter Group and the Promoter Selling Shareholders as a percentage of the paid-up Equity Share capital of our Company

The aggregate pre-Offer shareholding of Promoters, Promoter Group and Promoter Selling Shareholders as on the date of this Draft Red Herring Prospectus is set forth below:

S. No.	Category of Shareholders	Number of Equity Shares held	% of total paid up pre-Offer Equity Share capital
	Promoter Selling Shareholders		
1.	SBFC Holdings Pte. Ltd.	657,040,000	73.25
2.	Arpwood Partners Investment Advisors LLP	122,217,177	13.62
3.	Arpwood Capital Private Limited	29,995,300	3.34
4.	Eight45 Services LLP	24,272,805	2.71
	Sub-Total (A)	**833,525,282**	**92.92**
	Promoter		
1.	Clermont Financial Pte. Ltd.	Nil	Nil
	Sub-Total (B)	**Nil**	**Nil**
	Promoter Group		
1.	Arpwood Consultants LLP	Nil	Nil
2.	Vastrapur Investment Advisors LLP	Nil	Nil
3.	Dalmia Family Office Trust	Nil	Nil
4.	Clermont Corporation Pte. Ltd.	Nil	Nil
5.	Indie Holdings Pte. Ltd.	Nil	Nil
	Sub-Total (C)	**Nil**	**Nil**
	Total (A + B + C)	**833,525,282**	**92.92**

Summary of selected financial information

The summary of the selected financial information of the Company as per the Restated Financial Information is set forth below:

(in ₹ million, other than share data)

Particulars	For the three-month period ended June 30, 2022	As of / for the year ended		
		March 31, 2022	March 31, 2021	March 31, 2020
Equity share capital	8,697.24	8,068.00	7,966.74	7,423.20
Tangible Net Worth	13,114.84	10,267.75	9,447.16	7,520.85
Total income	1,601.23	5,307.02	5,115.33	4,448.46
Restated Profit/(loss) after tax	320.66	645.21	850.10	354.95
EPS (basic) (₹)*	0.37	0.81	1.09	0.49
EPS (diluted) (₹)*	0.36	0.79	1.06	0.48
NAV per equity share (₹)	17.52	15.42	14.66	13.19
Total borrowings	28,232.88	29,488.18	27,725.52	30,563.77

**Earnings per Equity Share not annualised for the period ended June 30, 2022*

Notes:

a. Basic earnings per share (₹) = Restated profit for the year attributable to equity shareholders / Weighted average number of equity shares in calculating basic EPS

b. Diluted earnings per share (₹) = Restated profit for the year attributable to equity shareholders / Weighted average number of equity shares in calculating diluted EPS

c. Basic and diluted earnings/ (loss) per equity share: Basic and diluted earnings/ (loss) per equity share are computed in accordance with Indian Accounting Standard 33 notified under the Companies (Indian Accounting Standards) Rules of 2015 (as amended)

d. Net asset value per share (₹) = Net worth/ Number of equity shares as the end of the year/period

e. Tangible Net worth represents the sum of equity share capital and other equity and reduced by goodwill as of the last day of the relevant period

f. Total borrowings represents the aggregate of debt securities, borrowings (other than debt securities) and collateralised borrowing principal outstanding as of the last day of the relevant period.

Qualifications of the Statutory Auditors which have not been given effect to in the Restated Financial Information

The Statutory Auditors have not made any qualifications in the examination report that have not been given effect to in the Restated Financial Information.

Summary of outstanding litigation and material developments

A summary of outstanding litigation proceedings involving our Company, the Promoters and the Directors, such proceedings which have material impact on our Company, as on the date of this Draft Red Herring Prospectus, is set forth below:

Name of the Entity	Criminal Proceedings	Tax Proceedings	Action taken by statutory or regulatory proceedings	Disciplinary actions by SEBI or stock exchanges against our Promoters	Material civil litigation	Aggregate amount involved* (₹ in million)
Company						
By the Company	1,958	1	Nil	N.A.	11	896.26
Against the Company	6	Nil	Nil	N.A.	4	88.12
Directors						
By the Directors	Nil	Nil	Nil	N.A	Nil	Nil
Against the Directors	Nil	Nil	Nil	N.A	Nil	Nil
Promoters						
By the Promoters	Nil	Nil	Nil	Nil	Nil	Nil
Against the Promoters	Nil	Nil	Nil	Nil	Nil	Nil

** To the extent quantifiable.*

For further details of the outstanding litigation proceedings, see "*Outstanding Litigation and Material Developments*" on page 410.

Risk factors

Specific attention of the Investors is invited to the section "*Risk Factors*" on page 25 to have an informed view before making an investment decision.

Summary of contingent liabilities

The summary of the contingent liabilities (claims/ demands not acknowledged as debt) of our Company, as of June 30, 2022 is set forth below:

(*in ₹ million*)

Particulars	As at June 30, 2022
(a) Contingent liabilities	
Claims against the Company not acknowledged as Debts	3.32

For details of the contingent liabilities and as reported in the Restated Financial Information, see "*Financial Statements – Notes to Restated Financial Information - Note 47(a)*" on page 339.

Summary of capital commitments

The summary of the capital commitments of our Company, as of June 30, 2022 is set forth below:

(*in ₹ million*)

Particulars	As at June 30, 2022
(a) Capital commitments	
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	0.75

For details of the capital commitments and as reported in the Restated Financial Information, see "*Financial Statements – Notes to Restated Financial Information - Note 47(b)*" on page 339.

Summary of related party transactions

The summary of the related party transactions entered into by our Company with related parties is set forth below:

(in ₹ million)

Particulars		For the three-month period ended June 30, 2022	Fiscals		
Nature of transaction	**Related parties with whom transactions have taken place**		**2022**	**2021**	**2020**
Sitting Fees	Mr. Neeraj Swaroop	0.50	2.90	2.70	2.60
Sitting Fees	Mr. Amitabh Mohanty	-	-	0.60	0.90
Sitting Fees	Mr. Rajesh Mannalal Agrawal	0.20	1.60	0.80	-
Sitting Fees	Mr. Sridhar Srinivasan	-	-	-	0.20
Remuneration to KMPs	Mr. Aseem Dhru	19.49	33.65	45.94	31.73
Remuneration to KMPs	Mr. Narayan Barasia	4.43	20.38	17.98	17.48
Remuneration to KMPs	Mr. Jay Mistry	0.49	1.48	-	-
Remuneration to KMPs	Mrs. Swati Amey Morajkar	-	0.08	1.02	0.83
Employee Share Based Payment	Mr. Aseem Dhru	7.29	7.99	20.12	59.86
Employee Share Based Payment	Mr. Narayan Barasia	1.70	3.27	3.35	1.68
Employee Share Based Payment	Mr. Jay Mistry	0.02	0.02	-	-
ESOP exercise through ESOP Trust	Mr. Narayan Barasia	-	14.00	-	-
Issue of Equity Share Capital	Mr. Narayan Barasia	-	2.82	-	-
Issue of Equity Share Capital	Mr. Aseem Dhru	-	22.52	-	60.43
Loan Given (Controlled Employee Welfare Trust)	Trustee of Employee welfare Trust	-	53.68	-	-
Loan Repaid (Controlled Employee Welfare Trust)	Trustee of Employee welfare Trust	5.29	72.37	-	-
Gratuity (Post Employment Benefit plan)	SBFC Finance Private Limited Employees GGCA Scheme	2.47	5.29	3.03	0.42
Issue of Equity Share Capital (Holding Company)	SBFC Holdings Pte. Ltd.	2,000.00	-	763.96	-
Issue of Equity Share Capital (Entities in which KMP Exercise Significant Influence)	Arpwood Partners Investment Advisors LLP	-	-	-	572.14
Issue of Equity Share Capital (Entities in which KMP Exercise Significant Influence)	Arpwood Capital Private Limited	-	-	223.61	218.77
Issue of Equity Share Capital (Entities in which KMP Exercise Significant Influence)	Eight45 Services LLP	-	-	17.00	-
Total		**2,041.88**	**242.05**	**1,100.11**	**967.04**

For details of the related party transactions and as reported in the Restated Financial Information, see "*Financial Statements – Notes to Restated Financial Information – Note 43*" on page 336.

Financing arrangements

There have been no financing arrangements whereby the Promoters, members of the Promoter Group, the Directors and their relatives (as defined in the Companies Act, 2013) and the directors of the corporate Promoters have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during a period of six months immediately preceding the date of this Draft Red Herring Prospectus.

Weighted average price at which the Equity Shares were acquired by the Promoters and the Promoter Selling Shareholders in the one year preceding the date of this Draft Red Herring Prospectus

The weighted average price at which the Equity Shares were acquired by the Promoters and the Promoter Selling Shareholders in the one year preceding the date of this Draft Red Herring Prospectus is as follows:

S. No.	Name of Promoter Selling Shareholder	Number of Equity Shares acquired	Weighted average price of acquisition per Equity Share (₹)
1.	SBFC Holdings Pte. Ltd.	57,000,000	42.46

The above details have been certified by our Statutory Auditors, by way of their certificate dated November 5, 2022.

Except SBFC Holdings Pte. Ltd., none of our Promoters or Promoter Selling Shareholders have acquired securities in the last one year preceding the date of this Draft Red Herring Prospectus.

Average cost of acquisition of Equity Shares of the Promoters and the Promoter Selling Shareholders

The average cost of acquisition per equity share to the Promoters and the Promoter Selling Shareholders as at the date of this Draft Red Herring Prospectus is set forth below:

S. No.	Name	Number of Equity Shares acquired	Average cost of acquisition per equity share (₹)
Promoters and Promoter Selling Shareholders			
1.	SBFC Holdings Pte. Ltd.	657,040,000	16.08
2.	Clermont Financial Pte. Ltd.	Nil	Nil
3.	Arpwood Partners Investment Advisors LLP	122,217,177	12.69
4.	Arpwood Capital Private Limited	29,995,300	15.98
5.	Eight45 Services LLP	24,272,805	12.73

The above details have been certified by our Statutory Auditors, by way of their certificate dated November 5, 2022.

Details of price at which specified securities were acquired by the members of our Promoter Group, the Promoter Selling Shareholders and Shareholders with special rights in the three years preceding the date of this Draft Red Herring Prospectus

Except as disclosed below there are no Equity Shares of our Company acquired by the members of our Promoter Group, the Promoter Selling Shareholders, and Shareholders with special rights, in the three years preceding the date of this Draft Red Herring Prospectus:

Sr. No	Name of the acquirer/ Shareholder	Nature of securities	Face value (in ₹)	Date of acquisition of securities	Number of securities acquired	Acquisition price per security (in ₹)
Promoter Selling Shareholders						
1.	SBFC Holdings Pte. Ltd.	Equity Shares	10	June 25, 2020	40,040,000	19.08
		Equity Shares	10	April 8, 2022	50,000,000	40.00
		Equity Shares	10	September 20, 2022	4,000,000	60.00
		Equity Shares	10	September 20, 2022	3,000,000	60.00
2.	Arpwood Capital Private Limited	Equity Shares	10	June 25, 2020	11,719,790	19.08
		Equity Shares	10	August 4, 2020	3,700,000	19.18
3.	Eight45 Services LLP	Equity Shares	10	June 25, 2020	890,986	19.08
4.	Arpwood Partners Investment Advisors LLP	Nil	Nil	Nil	Nil	Nil
Promoter Group						
1.	Arpwood Consultants LLP	Nil	Nil	Nil	Nil	Nil
2.	Vastrapur Investment Advisors LLP	Nil	Nil	Nil	Nil	Nil
3.	Dalmia Family Office Trust	Nil	Nil	Nil	Nil	Nil
4.	Clermont Corporation Pte. Ltd.	Nil	Nil	Nil	Nil	Nil
5.	Indie Holdings Pte. Ltd.	Nil	Nil	Nil	Nil	Nil

The above details have been certified by our Statutory Auditors, by way of their certificate dated November 5, 2022.

Details of pre-IPO placement

Our Company may, at the discretion of the Company and the Promoter Selling Shareholders, consider issuing Equity Shares on a private placement basis for cash consideration aggregating up to ₹1,500 million. The Pre-IPO

Placement, if undertaken, shall be undertaken at the discretion of our Company and the Promoter Selling Shareholders and the price of the Equity Shares allotted pursuant to the Pre-IPO Placement shall be determined by our Company and the Promoter Selling Shareholders, in consultation with the BRLMs. If the Pre-IPO Placement is completed, the amount raised pursuant to the Pre-IPO Placement will be reduced from the Fresh Issue, subject to compliance with Rule 19(2)(b) of the SCRR. Details of the Pre-IPO Placement, if undertaken, shall be included in the RHP to be filed with the RoC.

Issue of Equity Shares for consideration other than cash in the last one year

Our Company has not issued any Equity Shares for consideration other than cash in the one year preceding the date of this Draft Red Herring Prospectus.

Split/Consolidation of Equity Shares in the last one year

Our Company has not undertaken a split or consolidation of the Equity Shares in the one year preceding the date of this Draft Red Herring Prospectus.

Exemption from complying with any provisions of securities laws, if any, granted by SEBI

Our Company has not made any application under the SEBI ICDR Regulations for seeking exemption from complying with any provisions of securities laws, as on the date of this Draft Red Herring Prospectus.

SECTION II - RISK FACTORS

*An investment in equity shares involves a high degree of risk. Investors should carefully consider all the information in this Draft Red Herring 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, the industry in which we operate or to India. Additional risks and uncertainties, not currently known to us or that we currently do not deem material may also adversely affect our business, results of operations, cash flows and financial condition. If any of the following risks, or other risks that are not currently known or are not currently deemed material, actually occur, our business, results of operations, cash flows and financial condition could be adversely affected, the price of our Equity Shares could decline, and investors may lose all or part of their investment. To the extent the novel coronavirus ("**COVID-19**") pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in this section. In order to obtain a complete understanding of our Company and our business, prospective investors should read this section in conjunction with "Industry Overview", "Our Business", "Restated Financial Information", "Selected Statistical Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and on pages 120, 193, 281, 259 and 373, respectively, as well as the other financial and statistical information contained in this Draft Red Herring Prospectus. In making an investment decision, prospective investors must rely on their own examination of us and our business and the terms of the Offer including the merits and risks involved.*

Prospective investors should consult their tax, financial and legal advisors about the particular consequences of investing in the Offer. Unless specified or quantified in the relevant risk factors below, we are unable to quantify the financial or other impact of any of the risks described in this section. Prospective investors should 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 Draft Red Herring Prospectus also contains certain forward-looking statements that involve risks, assumptions, estimates and uncertainties. Our actual results could differ from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Red Herring Prospectus. For further information, see "Forward-Looking Statements" on page 17.

Unless otherwise indicated, the financial information included herein is based on our Restated Financial Information included in this Draft Red Herring Prospectus. For further information, see "Restated Financial Information" on page 281. Unless the context otherwise requires, in this section, references to "the Company", "our Company", "we", "us" and "our", are to SBFC Finance Limited.

*Unless otherwise indicated, industry and market data used in this section has been derived from the industry report titled "Analysis of NBFC sector and select asset classes in India" dated November, 2022 (the "**CRISIL Report**") prepared and issued by CRISIL Limited, appointed by us pursuant to letter dated June 23, 2022 and exclusively commissioned and paid for by us in connection with the Offer. The data included herein includes excerpts from the CRISIL Report and may have been re-ordered by us for the purposes of presentation. There are no parts, data or information (which may be relevant for the proposed Offer), that has been left out or changed in any manner. Unless otherwise indicated, financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant calendar year. A copy of the CRISIL Report is available on the website of our Company at https://www.sbfc.com/for-investors. Also see, "Certain Conventions, Presentation of Financial, Industry and Market Data and Currency of Presentation – Industry and Market Data" on page 14.*

Internal Risks

Risks Relating to the Business of our Company

1. 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, salaried or working class individuals, and self-employed individuals. A significant portion of our customer base is typically less economically stable than large corporates, and as a result, is usually adversely affected by declining economic conditions. Earning capacity of customers in these segments depends on various macro and micro economic factors that affect them from time to time. Our customers may 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 may have limited credit histories that would enable us to assess their creditworthiness. Further, we may not receive updated information regarding change in the financial condition of our customers and 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.

We also provide loans to customers who are self-employed. As of June 30, 2022, 80.23% of our total number of Secured MSME Loan customers are self-employed. During the period from April 1, 2020 to June 30, 2022, 78.39% of the loans disbursed (in terms of count of loans) by us were to self-employed customers and amounted to ₹ 24,239.12 million. We also have a concentration of loans to MSMEs. Self-employed customers and MSMEs are often perceived to be higher risk customers (*Source: CRISIL Report*) than large corporate borrowers 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 and MSMEs, 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 AUM has grown steadily and was ₹ 16,482.07 million, ₹ 22,213.23 million, ₹ 31,921.81 million and ₹ 36,282.62 million as of March 31, 2020, March 31, 2021, March 31, 2022 and June 30, 2022, respectively, and we anticipate that the size of our loan portfolio will continue to grow in the future as we pursue our expansion strategy. For further information, see "*Our Business – Business Strategies - Leverage our pan-India network to deepen our penetration in our target customer segment*" on page 203. Our ability to manage the credit quality of our loans, which we measure through assets that are more than 90 days past due ("**DPD**", and such assets, "**NPAs**"), is a key driver of our results of operations. In Fiscal 2020 and 2021, we classified loans that are more than 90 DPD as "Stage 3 assets" (in accordance with Ind AS) and its equivalent, "NPA" (in accordance with the Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances issued by RBI, as amended). For further information, see "*Key Regulations and Policies*" on page 217. As of March 31, 2022 and as of June 30, 2022, our Stage 3 assets and NPAs also include linked loans (where one customer has more than one loan with our Company, if one loan becomes NPA, all other linked loans also become NPA), and loans that have been 90 DPD and have rolled back but not become current. Set forth below are details of our Gross NPA and Gross NPA ratio, as of each of the corresponding periods:

Particulars	**As of March 31,**			**As of June 30, 2022**
	2020	**2021**	**2022**	
Gross NPA(1) (₹ million)	356.87	666.55	828.94	914.07
Gross NPA ratio(2) (%)	2.28%	3.16%	2.74%	2.68%

(1) Gross NPA represents Gross Loan Book pertaining to loans which are required to be classified as NPA as per the Income Recognition, Asset Classification and Provisioning norms issued and modified by RBI from time to time.

(2) Gross NPA ratio (%) represents the Gross NPA to the Gross Loan Book as of the last day of the relevant period.

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 cannot assure you that we will be able to maintain or reduce 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 also unexpectedly increase delinquency rates.

Further, we have certain customers who are first-time borrowers from the formal secured lending ecosystem. As of June 30, 2022, we had 2,490 loans, comprising 7.59% of our total advances for Secured MSME Loans, extended to borrowers who were new to the formal secured lending ecosystem. Such customers may have a high 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. Set forth below are our average LTV ratios for the corresponding periods:

Product Wise average LTV on AUM on Origination Basis (%)	**As of March 31,**			**As of June 30, 2022**
	2020	**2021**	**2022**	
	(Percentages)			
Secured MSME Loans	46.62%	45.17%	43.42%	43.21%
Loan against Gold	65.95%	67.88%	69.47%	69.43%

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 losses on account of customer defaults, increasing our Net NPA and adversely affecting our business, results of operations and financial condition.

The rise in interest rates may adversely affect our customers' cash flows and increase our NPAs. Due to the circumstances of our customers and our lending practices, we may, in the future, experience increased levels of NPAs and related provisions and write-offs that may adversely affect our business, financial condition and results of operations. We cannot assure you that our monitoring and risk management controls will be sufficient to prevent future losses on account of customer defaults, thereby increasing our Gross NPAs and adversely affecting our business, results of operations and financial condition. We cannot assure you that there will not be a significant increase in the portion of our loans that are classified as NPAs as our loan portfolio matures.

2. We depend on the accuracy and completeness of information provided by our customers and certain third party service providers and our reliance on any erroneous or misleading information may affect our judgement of their creditworthiness, 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 Know Your Customer ("**KYC**") guidelines prescribed by RBI for potential customers, verify their place of employment and residence, as applicable. We may also rely on certain representations from customers as to the accuracy and completeness of that information. For ascertaining creditworthiness of customers and encumbrances on the collateral provided, we depend on the respective registrars and sub-registrars of assurances, local legal agencies and lawyers, credit information companies or credit bureaus, and on independent valuers in relation to the value of the collateral. Our reliance on erroneous or misleading information may affect our judgement of credit worthiness of potential customers, and the value of and title to collateral. Further, since we cater to customers from tier II and tier III cities with partially documented formal sources of income, we may have customers who are unable to document their entire income comprehensively. Further, 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. (*Source: CRISIL Report*) In addition, as of June 30, 2022, 7.59% of our customers do not have any credit history in the formal secured lending ecosystem. Accordingly, we may not be able to assess their income or ability to repay our loans accurately. Our risk management measures may not be adequate to prevent or deter such activities in all cases, which may adversely affect our business, results of operations and financial condition. 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 fraudulent misrepresentation by our customers or employees. Moreover, the availability of accurate and comprehensive credit information on retail customers in India is more limited than for larger corporate customers, which reduces our ability to accurately assess the credit risk associated with such lending. Although as part of our credit policy, we 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 available, 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 NPAs, which could adversely affect our business and results of operations.

3. The quality of our portfolio may be impacted due to higher levels of NPAs and our business may be adversely affected if we are unable to provide for such higher levels of NPAs.

Set forth below are details of our asset quality ratios as of each of the corresponding periods:

Particulars	As of March 31,			As of June 30,
	2020	2021	2022	2022
Gross NPA[1] (₹ million)	356.87	666.55	828.94	914.07
Gross NPA ratio[2] (%)	2.28%	3.16%	2.74%	2.68%
Net NPA[3] (₹ million)	246.94	411.59	493.72	534.33
Net NPA ratio[4] (%)	1.58%	1.95%	1.63%	1.57%

(1) Gross NPA represents Gross Loan Book pertaining to loans which are required to be classified as NPA as per the Income Recognition, Asset Classification and Provisioning norms issued and modified by RBI from time to time.

(2) Gross NPA ratio (%) represents the Gross NPA to the Gross Loan Book as of the last day of the relevant period.

(3) Net NPA represents Gross NPA reduced by NPA provisions as of the last day of relevant period

(4) Net NPA ratio (%) represents the Net NPA to the Gross Loan Book as of the last day of the relevant period.

However, there can be no assurance that our future NPA ratios will be consistent with our past experience or at levels that will maintain our profitability. Also, there can be no assurance that we will be able to maintain our NPA ratios at levels with the credit performance of our customers, or at which our credit and our underwriting analysis, servicing and collection systems and controls will be adequate. We may not be successful in our efforts to improve collections and/or recover existing NPAs. In addition, we may experience greater defaults in principal and/or interest repayments in future. Thus, if we are unable to maintain our level of NPAs, the overall quality of our loan portfolio may deteriorate and our results of operations may be adversely affected. Moreover, there can also be no assurance that there will be no deterioration in our provisioning coverage as a percentage of gross NPAs or otherwise, or that the percentage of NPAs that we will be able to recover will be similar to our past experience of recoveries of NPAs. In the event of any further deterioration in our NPA portfolio, or if our provisioning coverage is insufficient to cover our existing or future levels of NPAs, our ability to raise additional capital and debt funds as well as our business prospects, financial condition and results of operations could be adversely affected.

In addition, any adverse regulatory developments relating to the assessment and recognition of NPAs and provisioning therefore may have an adverse effect on our financial performance. For example, on November 12, 2021, the RBI issued a circular which clarified that the classification of borrower accounts as special mention accounts or NPAs will be on a day-end position basis and accounts can only be upgraded from an NPA to a 'standard' asset after the clearance of all overdues (in other words, only if the entire arrears of interest and principal are paid by the borrower). For further information, see "*Key Regulations and Policies*" on page 217. Our repayment schedules may not be adequate to cater to any losses that may arise out of similar unanticipated adverse regulatory developments. Growth of our business and AUM may be adversely affected in the event our NPA levels increase, which could materially and adversely affect our business prospects, financial condition and results of operations. For further information of the impact on such increase of NPAs on our obligations under our debt financing arrangements, see "*– 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 39.

4. Our inability to assess and 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.

We provide secured loans to small business owners, salaried or working class individuals, and self-employed individuals. Our loan products also include Loans against Gold to customers. Such Loans against Gold are secured by gold jewellery provided as collateral. As of June 30, 2022, 93.49% of our Gross Loan Book was secured. As of June 30, 2022, set forth below are our average LTV ratios on AUM on origination basis for the corresponding periods:

Product Wise average LTV on AUM on Origination Basis (%)	**As of March 31**			**As of June 30, 2022**
	2020	**2021**	**2022**	
	(percentage)			
Secured MSME Loans	46.62%	45.17%	43.42%	43.21%
Loan against Gold	65.95%	67.88%	69.47%	69.43%

The value of the collateral used to back loans extended by us may not be adequate and may not accurately reflect its liquidation value. We may face difficulties in recovering the amounts against gold jewellery and property collateral for various reasons, as specified below:

- ***Risk arising from collateral for our portfolio, other than Loans against Gold***

  The value of the collateral, if immovable property is provided as security, 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. Further, certain ownership documents of immovable properties that are mortgaged to us may not be duly registered or adequately stamped. Failure to adequately stamp and register a document renders the document inadmissible in evidence, unless stamped prior to enforcement with payment of requisite penalties. 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. Consequently, should any default arise in relation to the corresponding loans, we may be unable to, or may incur additional expenses to, enforce our rights in relation to such mortgaged properties.

- ***Risk arising from gold provided as collateral***

  An economic downturn or sharp downward movement in the price of gold could result in a fall in collateral value. In the event of any decrease in the price of gold, customers may not repay their loans and the value of collateral gold jewellery securing such loans may decrease, resulting in losses which we may not be able to support.

  Although our risk management system is data driven and follows strict internal risk management guidelines on portfolio monitoring, no assurance can be given that if the price of gold decreases significantly, our financial condition and results of operations would not be adversely affected. The impact on our financial position and results of operations of a decrease in gold prices cannot be reasonably estimated because the market and competitive response to changes in gold prices is not pre-determinable.

  Additionally, we may not be able to realise the assessed or full value of our collateral, due to, among other things, defects in the quality of gold or wastage on melting gold jewellery into gold bars. In case of a default where we are unable to recover principal and interest payments from the customer, we sell the collateral gold jewellery through auctions done based on a bidding process guided by the regulator. There can be no assurance that we will be able to sell such gold jewellery at prices sufficient to cover the amounts under default. Moreover, there may be delays associated with such auction process. A failure to recover the expected value of collateral security could expose us to a potential loss. Any such losses could adversely affect our financial condition and results of operations.

  We may also be affected by failure of employees to comply with internal procedures, or fail to make an accurate appraisal of credit or financial worth of our clients. We are subject to the risk that our employees may engage in fraud regarding their estimation of the value of pledged gold. Failure by our employees to properly appraise the value of the collateral provides us with no recourse against the borrower and the loan sanctioned may eventually result in bad debt in our books of accounts.

In addition, there may be delays associated with recovery processes. Further, if any of our borrowers take recourse of arbitration or litigation against our repayment claims, it may cause a further delay in our recovery process, leading to depreciation of the secured asset. A failure or delay in recovering the expected value from sale of collateral security could expose us to potential loss. Any such losses could adversely affect our business prospects, financial condition and results of operations. As a result, 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. Further, we deploy collection agencies to assist our in-house collections team, and as of June 30, 2022, we have engaged nine such agencies which are dedicated to our Secured MSME Loans portfolio. We may be exposed to the risk of fraud by any of these collection agencies or their respective personnel if we are unable to monitor their operations adequately.

While we have largely been able to recover the principal loan amount 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 the principal loan amount 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. 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, results of operations and financial condition.

5. 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 for our capital requirements have historically been met from several sources, including term loans, proceeds from loans securitized, mutual funds, and debt securities. For further information on our indebtedness, see "*Financial Indebtedness*" on page 370. Our business thus depends on, and will continue to depend on, our ability to continually access these sources of capital and secure 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 cost of our borrowings may increase due to market volatility or changes in the risk premiums required by lenders or if traditional sources of debt capital are unavailable. Volatility or depressed valuations or trading prices in the equity markets may similarly adversely affect our ability to obtain equity financing. If we raise additional funds through further issuances of equity or convertible debt securities, our existing shareholders could suffer significant dilution. The terms of any additional financing may also place limits on our financial and operational flexibility.

In the past, certain NBFCs in India have defaulted in the repayment of their borrowings, which has adversely affected the availability and cost of borrowings to NBFCs in general. Any such events in the future may lead to adverse perceptions about the retail loan industry, and the financial services sector as a whole, thereby affecting our ability to obtain financing at commercially reasonable terms. Furthermore, we may seek to expand or modify our existing debt facilities to, among other things, provide additional capacity, increase the maximum percentage of collateral that may be financed, expand loan eligibility, add new debt facilities or replace or renew debt facilities scheduled to expire, enter into additional securitizations or increase the size of existing securitizations, or increase the size of, or replace, our corporate debt facility.

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. 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.

6. Our business is particularly vulnerable to interest rate risk, and volatility in interest rates for both lending and treasury operations, could have an adverse effect on our net interest income and net interest margin, thereby affecting our results of operations and cash flows.

Our results of operations depend to a large extent on the amount of our net interest income as our primary revenue source is interest income. Set forth below are details of our interest income for each of the corresponding periods:

Fiscal						**For the three months ended June 30, 2022**	
2020		**2021**		**2022**			
Interest income (₹ million)	**Interest income as a percentage of total income (%)**	**Interest income (₹ million)**	**Interest income as a percentage of total income (%)**	**Interest income (₹ million)**	**Interest income as a percentage of total income (%)**	**Interest income (₹ million)**	**Interest income as a percentage of total income (%)**
4,096.83	92.10%	4,631.66	90.54%	4,731.47	89.16%	1,394.88	87.11%

Net interest income is the difference between the interest we earn from loans (i.e., interest income on loan portfolio) and the interest we pay on interest-bearing liabilities (i.e., finance costs). An increase in interest rate can add to the financial stress of our borrowers given that they are mostly small business owners, salaried or working class individuals, and self-employed individuals, and in turn lead to higher delinquencies. An increase in interest rates applicable to our liabilities, without a corresponding increase in interest rates applicable to our assets, will result in a decline in our net interest income.

Interest rates are highly sensitive and fluctuations thereof are dependent upon many factors which are beyond our control, including the monetary policies of the RBI, various directives issued by the RBI in response to macroeconomic events such as COVID-19, de-regulation of the financial services sector in India, domestic as well as international economic and political conditions, inflation and other factors. Due to these factors, interest rates in India have historically experienced a relatively high degree of volatility. For instance, in August 2022, the RBI raised the key interest rate by 50 basis points, making it the third interest rate hike in Fiscal 2022. Changes in market interest rates affect the interest rates we charge on our loans differently from the interest rates we pay on our interest-bearing liabilities. An increase in interest rates could result in an increase in interest expense relative to interest income if we are not able to increase the rates charged on our portfolio loans and advances, or if the volume of our interest-bearing liabilities is larger or growing faster than the volume of our loans. Further, such increase in interest rates could affect our ability to raise low cost funds as compared to some of our competitors who may have access to lower cost deposits. Our cost of funds and operating expenses may increase to a level where it is difficult to comply with the directions issued by the RBI. If this occurs, we may experience pressure on our operating margins, our business, financial condition, results of operations and cash flows may be adversely affected. We attempt to ensure that the interest rates we charge are in line with the market and similar to those charged by our competitors. 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 loans, it could lead to a reduction in our net interest income and net interest margin.

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 only at fixed interest rates. Of our Secured MSME Loans extended as on June 30, 2022, 96.34% in terms of Gross Loan Book was based on a floating rate of interest and 3.66% in terms of Gross Loan Book was based on a fixed rate of interest. While a floating interest rate is linked to market parameters and can account for market circumstances to an extent, our fixed interest rate loans may have lower interest yield compared to our interest expenses, resulting in lower profitability. An increase in general interest rates in the economy could also reduce the overall demand for retail loans and impact our growth. Further, changes in interest rates could affect our treasury income. If we are unable to effectively manage our interest rate risks or pass on interest rate increases to customers appropriately, it could have an adverse effect on our net interest income and net interest margin, thereby affecting our business, financial condition, results of operations and cash flows.

7. COVID-19 has had and could continue to have certain adverse effects on our business, operations, cash flows and financial condition.

The global impact of the COVID-19 pandemic has been rapidly evolving and public health officials and governmental authorities have responded by taking 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 may continue to operate, among other measures. The World Health Organization declared the outbreak of COVID-19 a global pandemic on March 11, 2020. In India, the Government imposed a nationwide lockdown beginning in March 2020 on all services except essential services (which included bank branches and ATMs), lasting until May 2020, and certain restrictions were extended periodically by varying degrees by state governments and local administrations. Further, from March 2021 due to an increase in the number of daily COVID-19 cases, several state governments in India re-imposed lockdowns, curfews and other restrictions to curb the spread of the virus. The lifting of the lockdown across various regions has been regulated with limited and progressive relaxations being granted for movement of goods and people in other places and calibrated re-opening of businesses and offices. India also witnessed a second wave of COVID-19, leading to state governments imposing curfews and lockdowns in an attempt to control the spread of COVID-19.

Despite the lifting of the lockdown, there is significant 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 will have on our business and operations in the future. Our operations were also affected by the COVID-19 pandemic, and we witnessed increases in our Gross NPA ratio from 2.28% as of March 31, 2020 to 3.16% as of March 31, 2021. The COVID-19 pandemic may continue to affect our business, results of operations and financial condition in a number of ways such as:

- It led to a closure of all our offices and branches for the first half of Fiscal 2021 and we moved to a work-from-home model for those months. 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;

- 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 DPD as of March 31, 2020, 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 would be excluded from DPD calculation for the purpose of asset classification under the Income Recognition and Asset Classification norms;

- To support 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 a mix of moratorium on instalment dues and incremental credit to endure their temporary cash flow issues;

- 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 was intended to limit the potential increase in NPAs out of restructured loan accounts till a revised repayment schedule could be agreed with such customers;

- 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, from March 01, 2020 to August 31, 2020, to borrowers in specified loan accounts ("**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 ₹ 28.87 million to the borrower accounts as on March 31, 2021 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, in accordance with the judgment of Supreme Court of India in Small Scale Industrial Manufacturers Association v. Union of India, W.P. (C) No. 476 of 2020, dated March 23, 2021, required all lending institutions 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 had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Further, lending institutions were required 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 had formulated a Board approved policy for refund of interest on interest, in line with which, an amount of ₹ 1.90 million was credited to the borrower accounts.

- By way of circular dated May 5, 2021 on 'Resolution Framework 2.0 – Resolution of COVID-19 related stress of Individuals and Small Businesses' (the "**May 5 Circular**"), the RBI advised that banks and NBFCs could restructure loans of individuals who have availed personal and business loans and small businesses 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 was not restructured in terms of the circulars DOR.No.BP.BC/13/21.04.048/2020-21 dated September 7, 2020, 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 and 20% post implementation of the restructuring plan. The last day for the invocation of the resolution process was September 30, 2021. Thereafter, the resolution plan would be implemented within 90 days. 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 was not restructured in terms of the May 5 Circular or the Restructuring Circulars. Further, through the circular dated August 6, 2021, the RBI deferred the target date from March 31, 2022 to October 1, 2022, for meeting the specified thresholds in respect of the four operational parameters, (i) total debt/EBITDA; (ii) current ratio; (iii) debt service coverage ratio; and (iv) average debt service coverage ratio;

- With the onset of the second wave of COVID-19 during the first quarter of Fiscal 2022, we experienced an adverse impact on our business and collections operations with our Secured MSME Loan disbursals during the first quarter of Fiscal 2022 reducing to ₹ 1,375.09 million compared to ₹ 3,255.68 million during the fourth quarter of Fiscal 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 Fiscal 2022, in line with our Board approved policy, we restructured ₹ 494.32 million as of March 31, 2021. 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 Fiscal 2022, our average monthly collection efficiency dropped to 86.97% (calculated using instalment dues for non-restructured loans only) and our Gross NPA and Net NPA increased to 3.16% and 1.95%, respectively as of March 31, 2021.

- 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;

- inherent challenges to productivity, connectivity and oversight due to an increase in number of individuals working from home;

- increased vulnerability to cyber-security threats and potential breaches, including phishing attacks, malware and impersonation tactics, resulting from the increase in numbers of individuals working from home;

- uncertainty regarding the conditions that must be satisfied before government authorities completely lift stay-at-home orders and further imposition of such orders as a result of the resurgence of COVID-19 since April 2021;

- potential negative impact on the health and safety of our personnel, particularly because a number of them were and could in future be afflicted by COVID-19, which could result in a deterioration in our ability to ensure business continuity during this disruption.

Our inability to access debt and equity capital on acceptable terms, or at all, and a further disruption and instability in the global financial markets or deterioration in credit and financing conditions or downgrade of our or India's credit rating 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 tightening in our liquidity position as of March 31, 2020. While COVID-19 has directly affected our business and operations, there is significant uncertainty regarding the duration and impact of the COVID-19 pandemic, as well as possible future responses, which makes it impossible for us to predict with certainty the impact that COVID-19 will have on us and our customers at this time. The impact of COVID-19 pandemic, will depend on the future developments, which are highly uncertain and cannot be predicted, including:

- any new information as to the scope, severity, and duration of the pandemic or the efficacy of vaccines;

- any actions taken by governments, the RBI and other authorities, businesses and individuals in response to the pandemic;

- the effect on customer demand, and their ability to repay the principal amount or interest, for our products;

- disruptions or restrictions on the ability to work and travel of our employees, customers and partners;

- volatility in foreign exchange rates, interest rates and availability of adequate liquidity in the financial system;

- any extended period of remote work arrangements; and

- strain on our business counterparties' continuity plans, and resultant operational risk, 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, our existing insurance coverage may not provide protection for all costs that may arise from all such possible events. 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 this section. Further, the outbreak, or threatened outbreak, of any severe communicable disease or pandemic, as seen in the recent outbreak and aftermath of COVID19, could adversely affect overall business sentiment and environment across industries.

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 information on our current credit ratings, see "*Our Business – Credit Ratings*" on page 212. 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. For information on our borrowings, see "*Financial Indebtedness*" on page 370.

We have received a credit rating of Ind A/ Stable in Fiscal 2018, and have subsequently been upgraded to Ind A+/Stable in Fiscal 2022 by India Rating. We have received a credit rating upgrade of [ICRA] A+ (Stable) in October 2022 from [ICRA] A (Positive) in October 2021.

In addition, our borrowing costs and our access to debt capital markets depend significantly on the credit ratings of India. There can be no assurance that India's credit ratings will not be revised or changed by S&P, Fitch or Moody's or any of the other global rating agencies.

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. We are subject to laws and regulations governing the financial services industry and our operations in India, including laws in relation to capital adequacy ratios. Changes in, and differing interpretations of, laws and regulations governing us could adversely affect our business, results of operations and prospects.

As an NBFC, we have to mandatorily obtain a certificate of registration issued by the RBI. 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. We are also required to have a Net Owned Fund of at least ₹ 20 million. 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 capital adequacy ratio 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% and Tier II capital should not exceed Tier I capital. For further information, see "*Key Regulations and Policies*" on page 217. As of June 30, 2022, our capital adequacy ratio was 31.97%, with Tier I capital comprising 31.63% and Tier II capital comprising 0.34%. 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 capital adequacy ratios. 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. In addition, any change in RBI or other government regulations in relation to securitizations by NBFCs could have an adverse impact on our securitization plans in the future. This could result in non–compliance with applicable capital adequacy ratios, which could have a material adverse effect on our business prospects, financial condition and results of operations.

Additionally, the RBI has been given a wider role in the management of NBFCs in adverse situations pursuant to the Finance Act, 2019, amending the Reserve Bank of India Act, 1934 which came into force on August 1, 2019. The RBI has been empowered to, among other things, remove and replace a director or supersede the board of directors of NBFCs in public interest, remove or debar auditors, frame schemes for amalgamation, reconstruction or splitting of the NBFC into viable and non – viable businesses to preserve the continuity of the activities of the NBFCs.

In addition, we are also subject to the corporate laws, taxation laws and other laws in effect in India which require continued monitoring and compliance on our part. The introduction of additional government control or newly implemented laws and regulations, depending on the nature and extent thereof and our ability to make corresponding adjustments, may adversely affect our business, results of operations and financial condition. In particular, decisions taken by regulators concerning economic policies or goals that are inconsistent with our interests could adversely affect our results of operations. These laws and regulations and the way in which they are implemented and enforced may change from time to time and we cannot assure you that future legislative or regulatory changes will not have an adverse effect on our business, financial condition, cash flows and results of operations. Additionally, we are required to make various filings with the regulators pursuant to the provisions of RBI regulations, the Companies Act and other regulations under various laws applicable to the Company. If we fail to comply with these requirements, or a regulator alleges we have not complied with these requirements, we may be subject to penalties and compounding proceedings.

10. As an NBFC, we are subject to periodic inspections by the RBI. Non-compliance with observations made by the RBI during these inspections could expose us to penalties and restrictions.

Under section 45N of the Reserve Bank of India Act, 1934, we are subject to periodic inspections by the RBI as an NBFC-ND-SI, wherein the RBI inspects our books of accounts and other records to verify the correctness or completeness of any statement, information or particulars furnished to the RBI, or for the purpose of obtaining any statements, information or particulars which our Company has failed to furnish on being called upon to do so. In its past inspection report, dated July 4, 2019, RBI has recommended action by our Company in relation to *inter alia* the following concerns: (i) reduction in interest rates of certain accounts by more than 3.50%, up to 7%; (ii) excess collection on auction of gold as on March 31, 2018, without adequate evidence to show that multiple communication methods had been attempted with customers whose accounts had credit balance from gold auctions; (iii) an independent director being authorised to represent a shareholder in the AGM of the Company; and (iv) absence of a board-approved internal audit process, with defined scope and timelines, for Fiscal 2018 and Fiscal 2019. There can be no assurance that the RBI will not make other observations in the future. For instance, we have, in the past, received complaints forwarded by the RBI in relation to foreclosure, collections and disbursements, amongst others. While we believe these complaints were adequately responded to and we have taken appropriate steps for redressal, we cannot assure you that we will not receive such complaints in future which may have an impact on our business. Further, while we attempt to comply with all regulatory provisions, directions or observations applicable to us, including in connection with RBI's inspection reports described immediately above, which have all been resolved by way of responses to the RBI, we could be subject to penalties and restrictions which may be imposed by the RBI. If we are unable to resolve such deficiencies to RBI's satisfaction, our ability to conduct out business may be adversely affected. Imposition of any penalty or adverse findings by the RBI during the ongoing or any future inspections may have an adverse impact on our reputation, business prospects, financial condition, cash flows and results of operations.

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

We face potential liquidity risks because our assets and liabilities mature over different periods. Asset and liability mismatch, 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. As of June 30, 2022, we had a negative asset liability mismatch of ₹ 1,040.63 million and ₹ 2,810.70 million for over one year and up to three years maturity, and for over three years and up to five years maturity, respectively.

A significant proportion of the Loans against Gold we offer are due within six to nine months of disbursement, and a failure to disburse new loans may result in a reduction of our loan portfolio and a corresponding decrease in our interest income. The relatively short term nature of such Loans against Gold may lead to either a mismatch in the asset-liability position of our Company, since a portion of our borrowings are typically for longer duration or, affect our ability to ascertain steady long terms revenues. In addition, our existing customers may not obtain new gold loans from us upon maturity of their existing gold loans, particularly if competition increases.

We meet a significant portion of our financing requirements through long term and short-term borrowings from banks, issuance of debt securities and through securitization of our loans. Any mismatch in the maturity profile of our assets and liabilities may lead to a liquidity risk and have an adverse effect on our business and results of operations.

12. We have experienced growth in recent years and we may not be able to sustain our growth or manage it effectively or execute our growth strategy effectively.

We have experienced growth in recent years and we have significantly expanded our operations and branch network. Set forth below are details of our total income, profit after tax and AUM as of the corresponding periods:

Particulars	**As of/ For the year ended March 31,**			**As of/ For the three months ended June 30, 2022**
	2020	**2021**	**2022**	
	(in ₹ million)			
Total income	4,448.46	5,115.33	5,307.02	1,601.23
Profit after tax	354.95	850.10	645.21	320.66
AUM	16,482.07	22,213.23	31,921.81	36,282.62

The number of our branches has grown from 96 on March 31, 2020 to 135 branches as on June 30, 2022. 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, at the same rate or at all. For information regarding our growth strategy, see "*Our Business – Business Strategies - Leverage our pan-India network to deepen our penetration in our target customer segment*" on page 203.

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, credit ratings and results of operations. We intend to achieve a profitable and sustainable growth of our loan assets by, among other things, focusing on the performance of our branch network and extracting operating leverage, expanding our branch network and continuing to invest in our technology and digitization initiatives. Our ability to execute our growth strategies will depend, among other things, on our ability to grow our customer base, improve customer experience, avail cost-effective funding and scale up and grow our branch network efficiently. We will also need to manage relationships with a greater number of customers, service providers, lenders and other parties as we expand. As part of our growth strategy, and having taken into consideration the relevant market conditions and opportunities, we may change the composition of our AUM which may result in a change in the proportions of Secured MSME Loans, Loans against Gold and other unsecured loans in our AUM. Any such change in the composition of our AUM may impact our profitability, our asset-liability maturity profile and NPA levels. Further, we may undertake certain operations that we subsequently discontinue, such as our purchase of a special commercial vehicles portfolio, which we have now written-off, and which represented ₹ 11.10 million, ₹ 3.49 million, ₹ 2.28 million and ₹ 2.31 million of our AUM as of March 31, 2020, March 31, 2021, March 31, 2022 and as of June 30, 2022, respectively.

Further, we have entered into a co-origination agreement with ICICI Bank Limited in 2019, through which the bank co-originates loans against property with our Company at a mutually agreed ratio. This enables us to extend priority sector loans jointly with the leading bank, creating a seamless flow of funds. Loans sourced through the co-origination agreement are serviced entirely by us, and accordingly reflect as assets in our financial statements. In Fiscal 2020, 2021, 2022 and the three months ended June 30, 2022, we sourced Secured MSME Loan disbursements amounting to ₹ 1,011.14 million, ₹ 516.15 million, ₹ 937.78 million and ₹ 821.89 million, or 22.70%, 8.67%, 7.04% and 16.58%, respectively, of our Secured MSME Loans disbursed in the corresponding periods from the co-origination agreement. As of March 31, 2020, March 31, 2021, March 31, 2022 and as of June 30, 2022, we sourced Secured MSME Loan AUM of ₹ 1,013.98 million, ₹ 1,389.48 million, ₹ 2,035.87 million and ₹ 2,763.69 million, or 9.40%, 9.63%, 8.75% and 10.25%, respectively of our Secured MSME Loans AUM as of the corresponding dates from the co-origination agreement.

For further information, see "*Selected Statistical Information - Secured MSME Loans – Upto ₹ 3.00 Million*" on page 269. The termination of our co-origination agreement or similar agreements that we may enter into, may adversely affect our growth and prospects.

In order to manage our growth effectively, we must implement, upgrade and improve our operational systems, processes, procedures and controls on a timely basis. If we fail to implement these systems, processes, procedures and controls on a timely basis, 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, investing in talent and employee training and maintaining effective risk management policies 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 retail loans in India, domestic economic growth, the RBI's monetary and regulatory policies, RBI regulations and 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.

13. We handle high volumes of cash and gold jewellery in a dispersed network of branches. Accordingly, we are exposed to operational risks, including employee negligence, fraud, petty theft, burglary and embezzlement, which could harm our results of operations and financial position.

Our business involves carrying out cash and gold jewellery transactions that expose us to the risk of fraud by employees, agents, customers or third parties, theft and burglary. 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 significant levels of responsibility we delegate to our employees and the geographically-dispersed nature of our network.

As of June 30, 2022, we held cash in hand balance of ₹ 89.17 million. 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. We have been the subject of few instances of fraud in the past, amounting to ₹ 45.17 million across four instances, between April 1, 2020 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 endeavour to increase our non-cash collections, we cannot guarantee that we will be successful in our efforts to move towards digital collections. Also, while we retain insurance to mitigate cash and gold 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. Our insurance policies, security systems and measures undertaken to detect and prevent these risks may not be sufficient to prevent or detect such activities in all cases, which may adversely affect our operations and profitability. For further information, see "- *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.*" on page 40. Our employees may also become targets of the theft, burglary and other crimes if they are present when these crimes are committed, and may sustain physical and psychological injuries as a result. For further information, see "*Outstanding Litigation and Material Developments – Litigation involving our Company*" on page 410. We may encounter difficulties recruiting and retaining qualified employees due to this risk and our business and operations may be adversely affected. Publicity arising from such disclosure of fraud may also have an adverse impact on our customers' confidence in our security measures.

Further, we may be subject to regulatory or other proceedings in connection with any unauthorized transaction, fraud or misappropriation by our representatives and employees, which could adversely affect our goodwill. The nature and size of the items provided as collateral allow these items to be misplaced or mistakenly delivered, which may have a negative impact on our operations and result in losses.

14. *Our inability to compete effectively in an increasingly competitive industry may adversely affect our net interest margins, income and market share.*

The financial services market is being served by a range of financial entities, including traditional banking institutions, captive finance affiliates of players in various industries, NBFCs and small finance banks approved by RBI to enhance credit penetration. For example, we compete with Five-Star Business Finance Limited, Veritas Finance Private Limited, IIFL Finance and Fedbank Financial Services Limited in the Secured MSME Loans segment (*Source: CRISIL Report*), and Muthoot Finance, Manappuram Finance, IIFL Finance, Fedbank Financial Services Limited and Shriram City Union Finance in the Loan against Gold segment. (*Source: CRISIL Report*). Majority of small finance banks which received approval for commencement of operations from RBI are focused on the low and middle income individuals and micro, small and medium enterprises. Many of these competitors may have greater financial resources, may be larger in terms of business volume and may have significantly lower cost of funds compared to us. Many of them may also have greater geographical reach, long-standing partnerships and may offer their customers other forms of financing that we may not be able to provide. Moreover, interest rate is the most significant factor that determines customer decision-making in selecting a financier, and real estate companies, may offer loans at lower rates to retain market share. There can be no assurance that we will be able to compete successfully with such competitors and gain market share. 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 funding, and the interest rates at which we extend loans to our customers. Our ability to increase interest rates on the loans we extend, however, is limited by the increasing popularity of standardized and variable interest rate financing products, variable payment terms and lower processing fees introduced by our competitors. Any increase in the interest rates on the loans we extend may also result in a decrease in business. There can be no assurance that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive financial services sector.

Further, in Fiscal 2021 and 2022, banks have witnessed a faster growth in gold loans as compared to NBFCs on account of increasing LTV offered by banks (till March 2021), rising gold prices, demand from small businesses for cash and increasing focus of banks towards this asset class. Banks' gold Loan AUM increased by approximately 20% and NBFCs' AUM increased by 11% in Fiscal 2022. (*Source: CRISIL Report*) Additionally, we are subject to the potential increase in competition brought about by changes in the laws and regulations governing our business and those adjacent to ours. In particular, there are opportunities for regulatory arbitrage by commercial banks and NBFCs, given that we operate in a highly regulated industry. Any changes in the relevant laws or regulations by the RBI to correct, clarify or amend such regulatory subject matters may result in the diminishment of the available opportunities for regulatory arbitrage. For example, from August 6, 2020 to March 31, 2021, the RBI permitted banks to provide gold loans with a LTV of up to 90% for non-agricultural purposes, while the LTV requirements for NBFCs remained unchanged. We cannot assure you that changes in the relevant laws and regulations in the future may not result in an increase in competition from other players and impact the way we conduct our business in respect of, among others, branch opening licensing requirements, prudential norms for various loan products and monthly interest servicing.

Liberalization of the Indian financial services sector could also lead to a greater presence or new entries of Indian and foreign banks, NBFCs, and other entities operating in the financial services sector offering a wider range of products and services. This could adversely affect our competitive environment. There can be no assurance that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive retail and MSME loans business. Increasing competition may also result in slower growth and a reduction in our net interest margin and market share, and consequently may have an adverse effect on our results of operations and financial condition. Our inability to compete effectively in the increasingly competitive market may adversely affect our net interest margins, income and market share.

15. *We derive a portion of our AUM from our Loans against Gold and the loss of business in relation to such Loans against Gold could adversely affect our business and prospects*

We derive a portion of our revenues from Loans against Gold. Set forth below are details of the contribution of our Loan against Gold portfolio to our AUM:

As of/ For the year ended March 31,						As of/ For the three months ended June 30, 2022	
2020		2021		2022			
Loans against Gold (₹ million)	Loans against Gold as a percentage of AUM (%)	Loans against Gold (₹ million)	Loans against Gold as a percentage of AUM (%)	Loans against Gold (₹ million)	Loans against Gold as a percentage of AUM (%)	Loans against Gold (₹ million)	Loans against Gold as a percentage of AUM (%)
3,665.24	22.24%	5,600.50	25.21%	6,395.64	20.04%	7,112.18	19.60%

However, our revenue from gold loan products may decline as a result of increased competition, regulatory action, litigation, or fluctuation in the demand for such products, as well as fluctuations in gold prices which may adversely affect our business, results of operations, cash flows and financial condition.

As a result of increased competition in the Loan against Gold industry, such loans are becoming increasingly standardised and variable interest rate, payment terms and waiver of processing fees are becoming increasingly common in the Loan against Gold industry in India. There can be no assurance that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive Loans against Gold industry. Increasing competition may have an adverse effect on the demand for the Loans against Gold extended by us, and if we are unable to compete successfully, our market share may decline as the origination of new loans declines.

16. 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 ₹ 28,232.88 million. For further information, see "*Financial Indebtedness*" on page 370. 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. Our financing agreements contain certain restrictive covenants that limit our ability to undertake certain types of transactions, any of which could adversely affect our business and financial condition. We are required to obtain prior approval from certain of our lenders, as well as send prior intimation to certain of our lenders for, among other things:

- making any amendments to the constitutional documents of our Company, including the memorandum of association and articles of association of our Company;
- effecting any adverse changes to or effecting a major change in our capital structure, including by way of fresh issuance of equity shares by our Company and sub-division of the equity shares;
- issuing any debentures, raising loans, accepting deposits from the public, issuing equity or preferential share capital;
- formulating or effecting any scheme of amalgamation or merger or undertake a buyback;
- effecting any change in the constitution of our Company, including its shareholding pattern, ownership, controlling interest and control, which may include reduction/dilution in the shareholding of the existing shareholders of our Company;
- changing the corporate name, registered office, or substantial general nature of the business of our Company;
- effecting any changes in the management of our Company, including changes in the composition of the Board of Directors and key managerial personnel and change in the practice with regard to remuneration of directors;
- incurring further indebtedness by our Company, except as permitted under the relevant loan documentation; and
- making any prepayment or repayment of amounts due under the facilities.

We have applied to our lenders and we have received consents from the relevant lenders, to the extent required, in relation to this Offer. However, we cannot assure you that such consents will be granted in the future or at all. Under these agreements, certain lenders also require us to maintain certain financial ratios such as asset coverage ratio and security cover ratio. Our failure to meet our obligations under our financing agreements could have an adverse effect on our business, results of operations and financial condition. If the obligations under any of our financing agreements are accelerated, we may have to dedicate a substantial portion of our cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for our working capital requirements and other general corporate purposes.

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.

17. Some of the loans we provide are unsecured and are susceptible to certain operational and credit risks which may result in increased levels of NPAs, which may adversely affect our business, prospects, results of operations and financial condition.

Our Secured MSME Loans are given to customers who primarily include small and medium sized manufacturers, dealers and service providers. In addition, we offer certain 'other' loans, which are unsecured in nature. We may not be able to recover these loans through our standard recovery proceedings. As of June 30, 2022, our unsecured loan portfolio was ₹ 2,217.46 million, or 6.11% out of our AUM of ₹ 36,282.62 million. These unsecured loans present a higher risk of loss in case of a credit default, compared to loans to customers in other asset-backed financing products. We have discontinued disbursal of other unsecured loans from September 2022, which constituted 12.28%, 9.86%, 7.09% and 6.12% of our AUM as of March 31, 2020, March 31, 2021, March 31, 2022 and June 30, 2022, respectively.

In addition, there can be no assurance that our monitoring and risk management procedures will succeed in effectively predicting the right income levels of these customers or that our loan loss reserves will be sufficient to cover any actual losses. If our recovery team is unable to recover payments under these unsecured loans, we typically initiate legal action in respect of dishonoured non-cash instruments. However, there can be no assurance that these legal proceedings would be commercially feasible or conclude in a manner favourable to us in a timely manner or at all. If there is a default by customers on repayment of such unsecured loans or if we are unable to recover our principal and interest through such legal proceedings, we may experience increased levels of NPAs and we may be required to make related provisions and write-offs that may have an adverse effect on our business prospects, financial condition and results of operations.

18. 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 measures commensurate with the size and complexity of our operations. We have been the subject of few instances of fraud in the past, amounting to ₹ 45.17 million across four instances, between April 1, 2020 and June 30, 2022 (as has been reported to RBI). 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, 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 further information in relation to inspection by RBI pertaining to fraud, see "- *As an NBFC, we are subject to periodic inspections by the RBI. Non-compliance with observations made by RBI during these inspections could expose us to penalties and restrictions.*" on page 35.

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. For example, in March 2019, we received a whistle blower complaint involving certain employees of our Company who had undertaken certain fraudulent activities while availing a new gold loan. While there was no major instance of fraud or absence of jewellery which came to light post the audit review, occurrence of such instances in the future may adversely affect our reputation, business and results of operations. We cannot assure you 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.

19. There are certain defaults/ delay in payment of statutory dues by us. Any further default/ delay in payment of statutory dues may attract financial penalties from the respective government authorities and in turn may have a material adverse impact on our financial condition and cash flows.

We have had instances of defaults/delay in the payment of certain statutory dues with respect to non-payment of GST, TDS, provident fund and professional tax, amongst others amounting to ₹0.47 million as on June 30, 2022. There can be no assurance that such defaults/ delay may not arise in the future. This may lead to financial penalties from respective government authorities which may have a material adverse impact on our financial condition and cash flows. For further details, see "*Restated Financial Information – Note 19 – Statement of Restated Financial Information*" on page 311.

20. We participate in markets with continuously evolving technology and customer needs, and if we do not compete effectively with such established companies and new market entrants, our business, results of operations, cash flows and financial condition could be adversely affected.

Our competitors include established banks, NBFCs, small finance banks, lending platforms and the private unorganized and informal financiers who principally operate in the local market. 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. (*Source: CRISIL Report*) Our business model is considered to be phygital, where we have a mix of technological involvement and human intervention in order to understand the relevant customer profile. This necessarily involves carrying out certain due diligence processes at both sales and underwriting stages, which we believe can only be done through in-person visits. Many of our competitors may have operational advantages in terms of access to cost-effective technology, implementing new technologies and rationalizing related operational costs.

In addition, our continued success will depend, in part, on our ability to respond to technological advances, changing customer needs and emerging industry standards and practices on a cost-effective and timely basis. Technological innovation such as digital wallets, mobile operator banking, payment banks, internet banking through smart phones, could disrupt the financial services industry and increase competition as a whole. If we fail to adapt to such technological advances quickly and effectively it could affect the performance and features of our product offerings and services and reduce our attractiveness to existing and potential customers hereby adversely affecting our business, financial condition, results of operations, and cash flows.

Our competitors may also make more significant and effective investments in innovation, growth of their businesses and enhancing their customer reach and engagement and may outcompete us in any of these areas. They may also be able to obtain certain licenses that we may be unable to obtain in the future, which may hinder our ability to offer certain services or access certain funding options that are the subject of such licenses. Increased investments made or innovative services offered by our competitors may require us to divert significant managerial, financial and human resources in order to remain competitive, and ultimately may reduce our market share and negatively impact the revenues growth and profitability of our business. Further, due to competitive pressures, we may be unable to successfully execute our growth strategy and offer products and services profitably or at reasonable returns and this may adversely affect our business, financial condition, results of operations and cash flows.

21. Our inability to expand 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 branch network across regions in India where we have a presence and expand to adjacent geographies by evaluating areas with established credit culture. 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 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. As we plan to expand our geographic footprint, we may be exposed to additional challenges, including identifying and collaborating with local business partners with whom we may have no previous business relations, obtaining necessary governmental approvals, successfully marketing our brand and products in markets in which we have no familiarity, attracting customers in a market in which we do not have significant experience or visibility, being subject to additional local taxes, attracting and retaining new employees, expanding our technological infrastructure, maintaining standardized systems and procedures and adapting our marketing strategy and operations to new markets in India in which different languages are spoken. For instance, a number of states in India have enacted laws to regulate money-lending transactions and there are civil and criminal penalties prescribed for non-compliance with the relevant money lending statutes. These laws also establish a maximum rate of interest that can be charged to customers. There is however, ambiguity on whether NBFCs are required to comply with provisions of these state money-lending laws and are pending determination before various judicial forums in India. If it is judicially determined or clarified by relevant authorities that such statutes apply to NBFCs, our business in such states could be affected. To address these challenges, we may have to make significant investments that may not yield desired results or incur costs that we may not be able to recover. Our inability to expand our current operations or the sub-optimal performance of our new branches may adversely affect our business, financial condition, results of operations and cash flows.

22. Our Promoters have limited experience in certain functional areas of our business operations.

We have expanded the geographical and functional areas in which we undertake our operations. We have expanded and are in the process of expanding our presence across various states and districts in India. Our Promoters may have limited background and experience in these areas.

23. We rely on our internal credit policy to make credit decisions. If we do not make accurate credit decisions, our business and financial results will be adversely affected, and the impact could be material.

In making a decision whether to extend credit to prospective customers, we rely upon data received from our customers and third-party intermediaries to assess credit handling ability, debt servicing capacity, and overall risk level to determine lending exposure and loan pricing in accordance with our internal credit policy. The data we receive and rely upon includes data from the credit bureaus, our API stack enabling independent validation from source, customer financials, observations from our front end teams, feedback from credit and underwriting teams, and other sources of income and value of collateral. If the components or analytics are either unstable, biased, or missing key pieces of information, the wrong decisions will be made which will negatively affect our financial results. If we are unable to properly assess the creditworthiness of our customers, including a failure to predict a customer’s true credit risk profile and/or ability to repay their loan, we may need to record additional provision expense and/or experience higher than forecasted losses. Additionally, if any portion of the information pertaining to the prospective customer is false, inaccurate or incomplete, and we did not detect such falsities, inaccuracies or incompleteness, or any or all of the other components of our credit decision process fails, we may experience higher than forecasted losses. Furthermore, if we are unable to access the third-party data used in our decision structure, or our access to such data is limited, our ability to accurately evaluate potential customers will be compromised, and we may be unable to effectively predict probable credit losses inherent in our loan portfolio, which would negatively impact our results of operations, which could be material.

24. 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 origination, underwriting, branch operations, risk management, customer service, collections and to perform data analytics. We have developed and used proprietary tools, cloud services, cloud-based central repository and mobility applications. We have systems for certain aspects of our customer engagement such as lead management, loan origination, loan management, as well as mobile applications, such as ‘Leviosa’, our loan origination platform. Similarly, we have set up a dedicated ‘Gold Genie’ sales application, enabling gold loan disbursal at a customer’s home. Our operations depend on our ability to process a high volume of transactions across our network of branches, which are connected through computer systems, servers as well as on the cloud. We intend to further develop and invest in our information technology systems and create an end-to-end digital process.

We may be subject to disruptions, failures or infiltrations of our information technology systems arising from events that are wholly or partially beyond our control (including, for example, damage or incapacitation by human error, natural disasters, electrical or telecommunication outages, sabotage, computer viruses, hacking, cyberattacks or similar events, or loss of support services from third-parties, such as internet backbone providers), for which we may be held liable. The size and complexity of our computer systems may make them potentially vulnerable to breakdowns, system integration problems, malicious intrusion and computer viruses. Our financial, accounting or other data processing systems may fail to operate adequately, or at all, as a result of events that are beyond our control, including a disruption of electrical or communications services in markets in which we primarily operate. Our ability to operate and remain competitive will depend in part on our ability to maintain and upgrade our information technology systems on a timely and cost-effective basis. Although we have not experienced any significant disruptions to our information technology systems in the past, we cannot assure you that we will not encounter disruptions in the future. In addition, our systems are potentially vulnerable to data security breaches, whether by employees, who may have a lack of experience with our newer information technology systems, or others, that may expose sensitive or confidential data to unauthorized persons. Data security breaches could lead to the loss of intellectual property, or could lead to the public exposure of personal information (including sensitive financial and personal information) of our customers and employees, which could result in breaches of applicable data security 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. In addition, 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, 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, which may have an adverse effect on our business, results of operations and reputation.

In addition, we, among other things, use third party software, platforms, services and data storage services, on-cloud and on-premises data centres. An infiltration of our information technology systems or the information technology systems of such third parties may compromise information and may result in significant data losses or theft of our or our customers' proprietary business or personally identifiable information. This could result in other negative consequences, including exposure to litigations, liabilities, remediation costs, disruption of internal operations, weakening of our competitive position, increased cybersecurity protection costs, damage to our reputation and loss of customer confidence, any of which could have a material adverse effect on our business, financial condition and results of operations. For example, under the Information Technology Act, 2000, we are subject to civil liability for wrongful loss or gain arising from any negligence by us in implementing and maintaining reasonable security practices and procedures with respect to sensitive personal data or information on our computer systems, networks, databases and software.

Although we intend to continue to implement security technology and establish operational procedures to prevent break-ins, damage and failures, there can be no assurance that these security measures will always be adequate or successful. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period. There is also the risk that we may lose customers for a cyber-incident, which might have occurred on the customer's own system or that of an unrelated third-party. Any cyber security breach could also subject us to additional regulatory scrutiny. Failed security measures could have a material adverse effect on our business, financial condition and results of operations.

We are dependent on various external vendors for certain elements of our operations, such as our cloud as well as digital channels for online payments, which we use and access through agreements with these external vendors. We are exposed to the risk that (i) external vendors or service providers may be unable to fulfil their contractual obligations to us (or will be subject to the same risk of operational errors by their respective employees); (ii) the vendors or their employees may be involved in any fraud or wilful default and (iii) the risk that their (or their vendors') business continuity and data security systems prove to be inadequate. Failure to perform any of these functions by our external vendors or service providers could have a material adverse effect on our business, results of operations and cash flows. Certain of our external vendors operate in jurisdictions other than India, and some or all of the data and information stored by us on, among other things, the servers and data centres of such external vendors may be subject to information technology, and data protection laws of countries other than India. Any breach of such laws by us or the external vendor may expose us to liability under such laws, and/or trigger indemnity provisions under our arrangements with such vendors.

Any such adverse developments may adversely affect our results of operations. As our technology infrastructure, products and services expand and become increasingly complex, we face increasingly serious risks to the performance and security of our technology infrastructure, products and services that may be caused by these third-party-developed components, including risks relating to incompatibilities among these components, service failures or delays or back-end procedures on hardware and software. We also need to continuously enhance our existing technology. We face the risk of our technology infrastructure becoming unstable and susceptible to security breaches. This instability or susceptibility could create serious challenges to the security and uninterrupted operation of our platforms, products and services, which would adversely affect our business and reputation.

25. *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 from our loan portfolio to banks and other financial institutions to obtain funding and minimize our risk. Banks purchase our portfolio to meet their priority sector and retail lending commitments. 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 Fiscal 2020, 2021 and 2022 and the three months ended June 30, 2022, we securitized assets worth ₹ 1,641.50 million, ₹ 752.04 million, ₹ 588.30 million and ₹ 548.32 million, which represented 9.96%, 3.39%, 1.84% and 1.51% of our AUM as of March 31, 2020, March 31, 2021, March 31, 2022 and June 30, 2022, respectively. Any change in regulations framed by 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.

Further, any deterioration in the performance of any batch of receivables assigned to banks could adversely affect our credibility and hence our ability to conduct further securitizations. We may also be named as a co-plaintiff in legal proceedings initiated by an assignee in relation to the securitized assets. Also, there can be no assurance that our future NPA ratios will be consistent with prior experience or at levels that will enable us to maintain our current quality of loan portfolio. This could have an adverse impact on our business prospects, financial condition and results of operations and our securitization plans in the future.

26. *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 SEBI registered mutual funds, 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, interest rate volatility and monetary policies. Any decline in the value of these investments may have an adverse effect on our results of operations and financial condition.

27. *Certain statutory and regulatory licenses and approvals are required for conducting our business and any failure or omission to obtain, maintain or renew these licenses and approvals in a timely manner, or at all, could adversely affect our business and results of operations.*

Our operations in India are subject to government regulation and we are required to obtain and maintain certain statutory and regulatory licenses and approvals and we have obtained the necessary licenses and approvals required under central, state and local government regulations in India for our operations. For further information, see "*Government and Other Approvals*" on page 415. In addition, we may apply for additional licenses and approvals, including the renewal of certain approvals which may expire from time to time, and approvals in the ordinary course of business. If we are unable to obtain, maintain or renew all necessary licenses and approvals required for our continued operations or for continued provision of the services being offered by us, this may have consequences on our operations, which may be limited or suspended to that extent, which in turn may have an adverse impact on our business and results of operations.

In the future, we may be required to obtain new registrations, permits and approvals for our business, as a result of change in current regulations or for any proposed expansion strategy or diversification into additional business lines or new financial products. There can be no assurance that the relevant authorities will issue any permits or approvals required by us in a timely manner, or at all, and/or on favorable terms and conditions. As part of our business operations, we have various branches spread across India. Certain approvals that are required to operate such branches expire from time to time. Accordingly, we have either made an application to the appropriate authorities for renewal of such approvals/ seeking fresh approvals or are in the process of making such applications. There can be no assurance that the relevant authorities will renew such approvals in a timely manner or at all. If we fail to obtain any applicable approvals, licenses, registrations or consents in a timely manner or at all, some of our contracts with third parties may be terminated and we may not be able to undertake certain operations of our business which may affect our business, results of operations and cash flows.

A majority of these approvals are granted for a limited duration and are subject to numerous conditions. For example, our Company has a certificate of registration from the RBI to operate as an NBFC-ND-SI, which requires our Company to comply with certain terms and conditions for our Company to continue our operations as an NBFC-ND-SI. The RBI conducts an annual inspection of our Company's books of accounts and other records relating to our financial position every year. For further information, see "*– As an NBFC, we are subject to periodic inspections by the RBI. Non-compliance with observations made by RBI during these inspections could expose us to penalties and restrictions*" on page 35. 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.

28. 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 asset management policy, credit 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, 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 behaviour 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. Our earnings are dependent upon the effectiveness of our management of changes in asset quality and risk concentrations, the accuracy of our valuation models and our critical accounting estimates and the adequacy of our allowances for loan losses. To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses. If we fail to effectively implement our risk management policies, it could have an adverse effect on our business, results of operations and financial condition.

29. 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. 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.

30. We have geographic concentration in certain states and therefore are dependent on the general economic conditions and activities in these states.

As of June 30, 2022, 78.54% of our AUM is from eight states. For further information, see "*Selected Statistical Information - AUM by State/Territory*" on page 274. While our branches are spread across 16 states in India (with no state contributing more than 16.98% AUM as of June 30, 2022), our concentration in these states exposes us to any adverse geological, ecological, economic and/or political circumstances in those respective regions. If there is a sustained downturn in the economy of those regions or a sustained change in financial patterns in those regions for any reason, including consequences of the COVID-19 pandemic, our financial position may be adversely affected.

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

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.

32. Industry information included in this Draft Red Herring Prospectus has been derived from an industry report prepared by CRISIL Limited exclusively commissioned and paid for by us for such purpose.

We have used the report titled "*Analysis of NBFC sector and select asset classes in India*" dated November, 2022 ("**CRISIL Report**") prepared by CRISIL Limited ("**CRISIL**") appointed by us pursuant to letter dated June 23, 2022, 2022 for purposes of inclusion of such information in this Draft Red Herring Prospectus, and exclusively commissioned by our Company for purposes of inclusion of such information in the Offer documents at an agreed fees to be paid by our Company. We have no direct or indirect association with CRISIL Limited other than as a consequence of such an engagement. The report is a paid report and is subject to various limitations and based upon certain assumptions, parameters and conditions that are subjective in nature. It also uses certain methodologies for market sizing and forecasting. Although we believe that the data and contents of the CRISIL Report may be considered to be reliable, the accuracy, completeness and underlying assumptions are not guaranteed, and dependability cannot be assured. Given the scope and extent of the CRISIL Report, disclosures are limited to certain excerpts and the CRISIL Report has not been reproduced in its entirety in this Draft Red Herring Prospectus, but is available on the website of the Company at https://www.sbfc.com/for-investors. Further, there is no assurance that such information is stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In addition, statements from third parties that involve estimates, projections, forecasts and assumptions are subject to change, and actual amounts may differ materially from those included in this Draft Red Herring Prospectus.

You should consult your own advisors and undertake an independent assessment of information in this Draft Red Herring Prospectus based on, or derived from, the CRISIL Report before making any investment decision regarding the Offer. For the disclaimer associated with the CRISIL Report, see, "*Certain Conventions, Presentation of Financial, Industry and Market Data – Industry and Market Data*" on page 14.

33. 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 of June 30, 2022, we employed 2,377 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 may 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.

34. 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, such as the COVID-19 pandemic, credit loss, loss of profit and are subject to certain deductibles, exclusions and limits on coverage. We have obtained coverages for our assets (carrying value of insured assets) amounting to ₹ 161.10 million, ₹ 271.68 million, ₹ 307.96 million and ₹ 332.49 million, covering 0.41%, 0.69%, 0.73% and 0.76% of the total assets of our Company (excluding goodwill, building-right of use assets and intangible assets) as of March 31, 2020, March 31, 2021, March 31, 2022 and as of June 30, 2022, respectively. 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 honoured fully, in part or on time, or that we have obtained sufficient insurance to cover all potential losses. While we obtain separate insurance for the gold that is provided in connection with our Loan against Gold portfolio, there can be no assurance that such insurance will be adequate to cover the existing market value of gold. 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 information in relation to our insurance coverage, see "*Our Business – Insurance*" on page 215.

35. Any negative cash flows in the future would adversely affect our cash flow requirements, which may adversely affect our ability to operate our business and implement our growth plans, thereby affecting our financial condition.

The following table sets forth certain information relating to our cash flows for the periods indicated:

Particulars	**Fiscal 2020**	**Fiscal 2021**	**Fiscal 2022**	**Three months ended June 30, 2022**
		(₹ million)		
Net cash flows from/ (used in) operating activities	(3,834.49)	(2,751.96)	(8,216.44)	(3,641.26)
Net cash flows from/ (used in) investing activities	(18,628.62)	3,750.58	6,518.16	1,833.98
Net cash flows from/ (used in) financing activities	22,913.02	(1,866.65)	1,830.32	1,228.97

Negative cash flows over extended periods, or significant negative cash flows in the short term, could materially impact our ability to operate our business and implement our growth plans. As a result, our cash flows, business, future financial performance and results of operations could be materially and adversely affected. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Cash Flows*" on page 404.

36. As of June 30, 2022, we had contingent liabilities which have not been provided for in our financial statements and could adversely affect our financial condition.

As of June 30, 2022, our contingent liabilities as per the Restated Financial Information, were as follows:

Particulars	**As of June 30, 2022 (₹ million)**
Contingent liabilities	
Claims against the Company not acknowledged as debts	3.32

If a significant portion of these liabilities materialize, it could have an adverse effect on our business, financial condition and results of operations. For further information, see "*Restated Financial Information – Note 47*" on page 339.

37. Our Statutory Auditors have included certain emphasis of matter in connection with Fiscal 2020 and Fiscal 2021 in their examination report on the Restated Financial Information and have included certain remarks in connection with the Companies (Auditor's Report) Order, 2020/ Companies (Auditor's Report) Order, 2016.

Our Statutory Auditors have included the following emphasis of matters in their examination report on the Restated Financial Information for Fiscal 2020:

For the year ended March 31, 2021:

"We draw attention to Note 6 of the special purpose financial statements, which describes the continuing uncertainties arising from the COVID 19 pandemic and particularly the impairment provisions are dependent on future developments, which are highly uncertain. Our opinion is not modified in respect of this matter."

For further information, see, "*Financial Information*" and "*Management's Discussion and Analysis of Financial Conditions and Results of Operations*" beginning on pages 276 and 373, respectively.

In addition, our Statutory Auditors are required to comment upon the matters included in the Companies (Auditor's Report) Order, 2020/ Companies (Auditor's Report) Order, 2016 (together, the "**CARO Report**") issued by the Central Government of India under Section 143(11) of the Companies Act, 2013 on the audited financial statements as at and for Fiscal 2020, Fiscal 2021 and Fiscal 2022, respectively.

For a complete reproduction of the statements/comments included in the CARO Report, which do not require any adjustments in our Restated Financial Information, please see "*Restated Financial Information"* on page 281.

For the year ended March 30, 2020:

"*We draw attention to Note 6 to the special purpose financial statements, which fully describes that the Company has recognised provision on loans to reflect the adverse business impact and uncertainties arising from the COVID-19 pandemic. Such estimates are based on current facts and circumstances and may not necessarily reflect the future uncertainties and events arising from the full impact of the COVID-19 pandemic. Our opinion is not modified in respect of this matter*."

There can be no assurance that any similar emphasis of matters or other matters prescribed under the Companies (Auditor's Report) Order, 2020, will not form part of our financial statements for the future fiscal periods, which could subject us to additional liabilities due to which our reputation and financial condition may be adversely affected.

38. 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, salaried or working class individuals and self-employed customers in urban and semi-urban areas in India, comprising Tier – 2 and Tier – 3 cities, and are increasingly serving those in rural areas where there is scope for faster growth in bank credit activity as financial awareness increases. (*Source: CRISIL Report*) 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.

39. Our Company is or may be involved in certain legal and regulatory proceedings. Any adverse decision in such proceedings may have a material adverse effect on our business, financial condition, cash flows and results of operations.

There are outstanding legal and regulatory proceedings involving our Company, which are pending at different levels of adjudication before various courts, tribunals and other authorities. Such proceedings could divert the management's time and attention and consume financial resources in their defence or prosecution. The amounts claimed in these proceedings have been disclosed to the extent that such amounts are ascertainable and quantifiable and include amounts claimed jointly and severally, as applicable. Any unfavourable decision in connection with such proceedings, individually or in the aggregate, could adversely affect our reputation, business, financial condition and results of operations. The summary of such outstanding material legal and regulatory proceedings as on the date of this Draft Red Herring Prospectus is set out below:

Name of the Entity	Criminal Proceedings	Tax Proceedings	Action taken by statutory or regulatory proceedings	Disciplinary actions by SEBI or stock exchanges against our Promoters	Material civil litigation	Aggregate amount involved* (₹ in million)
			Company			
By the Company	1,958	1	Nil	N.A.	11	896.26
Against the Company	6	Nil	Nil	N.A.	4	88.12
			Directors			
By the Directors	Nil	Nil	Nil	N.A	Nil	Nil
Against the Directors	Nil	Nil	Nil	N.A	Nil	Nil
			Promoters			
By the Promoters	Nil	Nil	Nil	Nil	Nil	Nil
Against the Promoters	Nil	Nil	Nil	Nil	Nil	Nil

** To the extent quantifiable*

We cannot assure you that any of these on-going matters will be settled in favour of our Company, or that no additional liability will arise out of these proceedings. Further, we cannot assure you that there will be no new legal and regulatory proceedings involving our Company or even our Promoters and Directors in the future. An adverse outcome in any such proceedings may have an adverse effect on our business, financial position, prospects, results of operations and our reputation. For further information, see "*Outstanding Litigation and Material Developments*" on page 410.

40. We are dependent on our senior management team, and Key Managerial Personnel, and the loss of, or our inability to hire, retain, train, and motivate qualified personnel could adversely affect our business, results of operations, and financial condition.

As of June 30, 2022, we employed 2,377 full-time employees. Our ability to compete depends upon our ability to attract, motivate, and retain qualified personnel. We are dependent on the continued contributions of our CEO, Aseem Dhru, who has more than 25 years of experience, and was previously Group Head - Business Banking, Working Capital and Retail Agri business at HDFC Bank. He has also been the Managing Director and CEO of HDFC Securities Limited and was a director on the board of HDB Financial Services Limited. We also rely on Narayan Barasia, our CFO, who has experience in financial management, accounts, tax, treasury, secretarial and legal matters and is currently in charge of finance and treasury functions; as well as Jay Mistry, our Company Secretary, who joined us in 2021 and is in charge of secretarial and corporate compliance operations. In addition, we are also guided by other senior management and key managerial personnel with diversified experience. We believe that the inputs and experience of our senior management and key managerial personnel are valuable for the growth and development of business and operations and the strategic directions taken by our Company. We cannot assure you that we will be able to retain these employees or find adequate replacements in a timely manner, or at all. In Fiscal 2020, 2021, 2022 and the three months ended June 30, 2022, our employee attrition rate (calculated as employees who terminated their employment post a three month training period in the relevant period divided by total number of employees in the relevant period) was 39.25%, 31.68%, 40.09% and 50.32%, respectively, which we believe was owing to increased competition and more attractive remuneration being offered to employees.

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 the services of such persons may have an adverse effect on our business, our results of operations and our cash flows. For information in relation to change in our KMPs in the last three years, see "*Our Management - Changes in the Key Managerial Personnel during the last three years*" on page 251.

The continued operations and growth of our business is dependent upon our ability to attract and retain personnel. Competition for qualified personnel with relevant industry expertise in India is intense. A loss of the services of our key personnel may adversely affect our business, results of operations, cash flows and financial condition.

41. 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.

Our Registered and Corporate Office, as well as all of our branches, are located on leased or licensed premises. The lease deed for the Registered Office and Corporate Office is valid till June 1, 2024. The typical period for which leases are generally entered into by our Company for its branches ranges from 11 months to nine years. The lease agreements can be terminated, and any such termination could result in any of our branches 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 branches 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 information in relation to our premises, see "*Our Business – Properties*" on page 216.

42. Certain of our Directors are on the board of directors of companies engaged in a line of business similar to that of ours. 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 ours. 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.

43. Our funding requirements and proposed deployment of the Net Proceeds are based on management estimates and may be subject to change based on various factors, some of which are beyond our control.

We intend to use the Net Proceeds for the purposes described in "*Objects of the Offer*" on page 105. As on the date of this Draft Red Herring Prospectus, our funding requirements are based on management estimates in view of past expenditures, and have not been appraised by any bank or financial institution. Our funding requirements and proposed deployment of the Net Proceeds are based on current conditions and are subject to change in light of changes in external circumstances, costs, business initiatives, other financial conditions or business strategies. While we will use the Net Proceeds for augmenting the capital base of our Company in the manner specified in "*Objects of the Offer*" on page 105, the amount of Net Proceeds to be actually used will be based on our management's discretion. However, the deployment of the Net Proceeds will be monitored by a monitoring agency appointed pursuant to the SEBI ICDR Regulations. Our internal management estimates may exceed fair market value or the value that would have been determined by third-party appraisals, which may require us to reschedule or reallocate our capital expenditure and may have an adverse impact on our business, financial condition, results of operations and cash flows. We may have to reconsider our estimates or business plans due to changes in underlying factors, some of which are beyond our control, such as interest rate fluctuations, and other financial and operational factors. Accordingly, prospective investors in the Offer will need to rely upon our management's judgment with respect to the use of Net Proceeds. If we are unable to deploy the Net Proceeds in a timely or an efficient manner, it may affect our business and the results of operations.

44. Any variation in the utilization of the Net Proceeds would be subject to certain compliance requirements, including prior shareholders' approval.

We propose to utilize the Net Proceeds towards augmenting the capital base of our Company in the manner specified in "*Objects of the Offer*" on page 105. At this stage, we cannot determine with any certainty if we would require the Net Proceeds to meet any other expenditure or fund any exigencies arising out of competitive environment, business conditions, economic conditions or other factors beyond our control. In accordance with Sections 13(8) and 27 of the Companies Act 2013, we cannot undertake any variation in the utilization of the Net Proceeds without obtaining the shareholders' approval through a special resolution. In the event of any such circumstances that require us to undertake variation in the disclosed utilization of the Net Proceeds, we may not be able to obtain the shareholders' approval in a timely manner, or at all. Any delay or inability in obtaining such shareholders' approval may adversely affect our business or operations.

In light of these factors, we may not be able to undertake variation of objects of the Offer to use any unutilized proceeds of the Offer, if any, or vary the terms of any contract referred to in the Red Herring Prospectus, even if such variation is in the interest of our Company. This may restrict our Company's ability to respond to any change in our business or financial condition by re-deploying the unutilized portion of Net Proceeds, if any, or varying the terms of contract, which may adversely affect our business and results of operations.

45. Certain of our Directors and Key Managerial Personnel are interested in our Company's performance in addition to their remuneration and reimbursement of expenses.

In addition to regular remuneration or benefits and reimbursement of expenses, certain of our Directors and KMPs of our Company are interested in our Company, to the extent of their shareholding in our Company, their rights to the extent of any dividends, bonuses or other distributions on such Equity Shares. We cannot assure you that our Directors and Key Managerial Personnel, if they are also our shareholders, will exercise their rights as shareholders to the benefit and best interest of our Company. For further information on the interest of our Directors of our Company, other than reimbursement of expenses incurred or normal remuneration or benefits, see "*Our Management*" on page 236.

46. Our non-convertible debentures are listed on the BSE and we are subject to rules and regulations with respect to such listed non-convertible debentures. If we fail to comply with such rules and regulations, we may be subject to certain penal actions, which may have an adverse effect on our business, results of operations, financial condition and cash flows.

Our Company has issued secured, redeemable, rated and non-convertible debentures ("**NCDs**"). The debenture trust deeds entered into by our Company in relation to these NCDs include restrictive covenants that require us to *inter alia* intimate or obtain the consent of the debenture trustee before undertaking certain corporate actions, such as making material changes in the nature and scope of the business of our Company, carrying out any amalgamations, mergers, demergers or corporate restructuring and making material changes in the composition of our Board of Directors. Failure to obtain consents, make intimations or comply with such covenants may adversely impact our business and operations.

Further, these NCDs are listed on the debt segment of BSE. We are required to comply with various applicable rules and regulations, including the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and applicable provisions of the Listing Regulations, in terms of our listed NCDs. We have had instances of non-compliances in the past, such as delay in furnishing intimation about meeting of shareholders or holders of NCDs and non-submission of annual reports within the period prescribed under the Listing Regulations, and have paid the fines imposed upon us for such non-compliance. While there are currently no continuing instances of non-compliances, if we fail to comply with such rules and regulations, we may be subject to certain penal actions, including, without limitation, restrictions on the further issuance of securities and the freezing of transfers of securities, which may have an adverse effect on our business, results of operations, financial condition and cash flows. As a result of having our NCDs listed, our Company is subject to the continuous disclosure obligations under the SEBI Listing Regulations. This requires us to publish our quarterly financial results, subjected to a limited review by our statutory auditors, for every quarter within 45 days from the completion of the previous quarter, as well as submit a copy of the financial results to the debenture trustees on the same day the information is submitted to stock exchanges. Our results of operations in one quarter may not accurately reflect the trends for the entire financial year and may not be comparable with our results of operations for other quarters. Such fluctuations may impact comparison of our reported quarterly financial performance across quarters. For more information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Developments After June 30, 2022 that may Affect our Future Results of Operations*" on page 409.

For details of such listed non-convertible debentures, see "*Financial Indebtedness*" on page 370.

47. *The average cost of acquisition of Equity Shares may be less than the Offer Price.*

The average cost of acquisition of Equity Shares by the Promoter Selling Shareholders may be less than the Offer Price. The details of the average cost of acquisition of Equity Shares held by the Promoter Selling Shareholders are set out below:

S. No.	Name of the Promoter Selling Shareholder	Number of Equity Shares held on a fully diluted basis	Average cost of acquisition per Equity Shares* (₹)
1.	SBFC Holdings Pte. Ltd.	657,040,000	16.08
2.	Arpwood Partners Investment Advisors LLP	122,217,177	12.69
3.	Arpwood Capital Private Limited	29,995,300	15.98
4.	Eight45 Services LLP	24,272,805	12.73

* *As certified by our Statutory Auditors, by way of their certificate dated November 5, 2022.*

48. *We may enter into related party transactions in the ordinary course of our business and we cannot assure you that such transactions will not have an adverse effect on our results of operation and financial condition.*

We may, from time to time, enter into related party transactions in the future. All related party transactions that we may enter into post-listing, will be subject to an approval by our Audit Committee, Board, or Shareholders, as required under the Companies Act and the SEBI Listing Regulations. For information on the related party transactions, see "*Restated Financial Information – Note 43. Related Party Disclosures*" on page 336. Such related party transactions in the future or any other future transactions may potentially involve conflicts of interest which may be detrimental to the interest of our Company and we cannot assure you that such transactions, individually or in the aggregate, will always be in the best interests of our minority shareholders and will not have an adverse effect on our business, financial condition, results of operations, cash flows and prospects.

49. *We will not receive any proceeds from the Offer for Sale. The Promoter Selling Shareholders will receive the net proceeds from the Offer for Sale.*

The Offer consists of an Offer for Sale of up to ₹ 8,500 million by the Promoter Selling Shareholders along with the Fresh Issue. The Promoter Selling Shareholders, shall be entitled to the net proceeds from the Offer for Sale, which comprise proceeds from the Offer for Sale net of Offer expenses for the share of the Offer for Sale, and our Company will not receive any proceeds from the Offer for Sale. For further information, see "*Objects of the Offer – Offer for Sale* " on page 105.

50. *Our Company may not be able to pay dividends in the future. Our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures and the terms of our financing arrangements.*

Any dividends to be declared and paid in the future are required to be recommended by our Company's Board of Directors and approved by its Shareholders, at their discretion, subject to the provisions of the Articles of Association and applicable law, including the Companies Act. Further, the RBI has issued 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 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, onwards. Our Company's ability to pay dividends in the future will depend upon our future results of operations, financial condition, cash flows, sufficient profitability, working capital requirements and capital expenditure requirements. We cannot assure you that we will generate sufficient revenues to cover our operating expenses and, as such, pay dividends to our Company's shareholders in future consistent with our past practices, or at all. 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. For information pertaining to dividend declared by our Company in the past, see "*Dividend Policy*" on page 258 of this Draft Red Herring Prospectus.

51. We may be unable to adequately protect our intellectual property and may be subject to risks of infringement claims.

Our trademark name and logo SBFC is registered with the Trade Marks Registry of India. As of the date of this Draft Red Herring Prospectus, our Company has registered for three trademarks in India under various classes, including our logo. For further information, see "*Government and Other Approvals*" on page 415. There can be no assurance that third parties will not infringe upon our intellectual property, causing damage to our business prospects, reputation, and goodwill. Our efforts to protect our intellectual property may not be adequate and may lead to erosion of our business value and our operations could be adversely affected. We may need to litigate in order to determine the validity of such claims and the scope of the proprietary rights of others.

Further, while we take care to ensure that we comply with the intellectual property rights of third parties, we cannot determine with certainty whether we are infringing upon any existing third-party intellectual property rights. While we have not been involved in any intellectual property disputes in the past, we cannot assure you that we will not be involved in such disputes in the future, including disputes relating to our pending trademark applications.

Any intellectual property claims, with or without merit, could be very time-consuming, could be expensive to settle or litigate and could divert our management's attention and other resources. These claims could also subject us to significant liability for damages, potentially including enhanced statutory damages if we are found to have wilfully infringed intellectual property rights. While such claims by third parties have not been made to us historically, the occurrence of any of the foregoing would adversely affect our business operations and financial results.

52. 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. 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 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.

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

Certain non-GAAP financial measures and certain other industry measures relating to our operations and financial performance have been included in this Draft Red Herring Prospectus. We compute and disclose such non-GAAP financial measures and such other industry related statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of Indian retail credit and financial services industry, many of which provide such non-GAAP financial measures and other industry related statistical and operational information. Such supplemental financial and operational information is therefore of limited utility as an analytical tool, and investors are cautioned against considering such information either in isolation or as a substitute for an analysis of our audited financial statements as reported under applicable accounting standards disclosed elsewhere in this Draft Red Herring Prospectus.

These non-GAAP financial measures and such other industry related statistical and other 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 industry related statistical information of similar nomenclature that may be computed and presented by other companies. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Measures*" on page 393.

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

In the preceding one year from the date of this Draft Red Herring Prospectus, our Company has issued Equity Shares at a price that may be lower than the Offer Price. The price at which Equity Shares have been issued by our Company in the preceding one year is not indicative of the price at which they will be issued or traded after listing. For details on such allotments, see "*Capital Structure*" on page 81. Our Company may continue to issue Equity Shares, including under the existing ESOP policy, at a price below the market price of Equity Shares at the time of issuance.

External Risks

Risks Related to India

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

The Indian economy and its securities markets are influenced by economic developments, political and market conditions in India and globally, including adverse geopolitical conditions and volatility in securities markets in other countries. Investors' reactions to developments in one country may have adverse effects on the market price of securities of companies located in other countries, including India. Negative economic developments, such as rising fiscal or trade deficits, or a default on national debt, in other emerging market countries may also affect investor confidence and cause increased volatility in Indian securities markets and indirectly affect the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy, including the movement of exchange rates and interest rates in India and could then adversely affect our business, financial performance, shareholders' equity and the price of our Equity Shares.

Large budget deficits and rising public debts in recent years, for example in Europe, have triggered sovereign debt finance crises that resulted in the bailouts of European economies and elevated the risk of government debt defaults, forcing governments to undertake aggressive budget cuts and austerity measures, in turn underscoring the risk of global economic and financial market volatility. Financial markets and the supply of credit could continue to be negatively impacted by ongoing concerns surrounding the sovereign debts and/or fiscal deficits of several countries in Europe, the possibility of further downgrades of, or defaults on, sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the stability and overall standing of the European Monetary Union. Increased budget deficits and the incurrence of additional public debt in Europe and other developed markets as a result of the COVID-19 pandemic may exacerbate these risks and uncertainties.

As a result, we are highly dependent on prevailing economic conditions in India and our results of operations and cash flows are significantly affected by factors influencing the Indian economy. Factors that may adversely affect the economy, and hence our results of operations and cash flows, may include:

- 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 trade barriers have led to increased incidents of social unrest in India over which we have no control;

- the macroeconomic climate, including any increase in Indian interest rates or inflation;

- instability in other countries and adverse changes in geopolitical situations;

- civil unrest, local agitation, acts of violence, terrorist attacks, regional conflicts or situations or war;

- India has experienced epidemics, and natural calamities such as earthquakes, tsunamis, floods, and drought in recent years; 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.

Further deterioration in the global economy as a result of COVID-19 or otherwise, or the perception that any of them could occur may continue to have an adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have an adverse effect on our business, financial condition and results of operations and reduce the price of our equity shares. Any financial disruption could have an adverse effect on our business, future financial performance, shareholders' equity and the price of our Equity Shares.

56. Natural or man-made disasters, fires, epidemics, pandemics, acts of war, terrorist attacks, civil unrest and other events could materially and adversely affect our business.

Natural disasters (such as cyclones, typhoons, flooding, storms, tsunamis, tornadoes, fires, explosions, and/or earthquakes), epidemics, pandemics such as COVID-19, and man-made disasters, including acts of war, terrorist attacks, and other events, many of which are beyond our control, may lead to economic instability, including in India or globally, which may in turn materially and adversely affect our business, financial condition, and results of operations. Recent developments in the ongoing conflict between Russia and Ukraine, since February 2022, has resulted in and may continue to result in a period of sustained instability across global financial markets. Following the invasion of Ukraine, countries like the United States, the EU, Canada, Japan, Australia and some other countries have made announcements regarding imposition of sanctions and sanctions have been implemented in the meantime. The imposition of sanctions could lead to unpredictable reactions from Russia. If any sanction risk materializes, this could induce volatility in commodity prices, adversely impact availability of natural gas, increase in supply chain, logistics times and costs, increase borrowing costs, cause outflow of capital from emerging markets and may lead to overall slowdown in economic activity in India and have a material adverse effect on our business, cash flows, financial condition and results of operations.

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. The sovereign rating downgrades for Brazil and Russia (and the imposition of sanctions on Russia) have also added to the growth risks for these markets. These factors may also result in a slowdown in India's export growth. 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, cash flows and results of operation.

Our operations may be adversely affected by fires, natural disasters, and/or severe weather, which can result in damage to our property, and may require us to evacuate personnel and suspend operations. Any terrorist attacks or civil unrest as well as other adverse social, economic, and political events in India could have a negative effect on us. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse effect on our business and the price of the Equity Shares. A number of countries in Asia, including India, as well as countries in other parts of the world, are susceptible to contagious diseases and, for example, have had confirmed cases of diseases such as the highly pathogenic H7N9, H5N1, and H1N1 strains of influenza in birds and swine and more recently, the SARS-CoV-2 virus. A worsening of the current outbreak of the COVID-19 pandemic or future outbreaks of SARS-CoV-2 virus or a similar contagious disease could adversely affect the global economy and economic activity in the region. As a result, any present or future outbreak of a contagious disease could have a material adverse effect on our business and the trading price of the Equity Shares.

57. Any downgrading of India's sovereign debt rating by an international rating agency could have a negative impact on our business and results of operations.

Our borrowing costs and our access to the debt capital markets depend significantly on the credit ratings of India. Any adverse revisions to credit ratings for India and other jurisdictions we operate in by international rating agencies may adversely impact our ability to raise additional financing. This could have an adverse effect on our ability to fund our growth on favourable terms and consequently adversely affect our business and financial performance and the price of the Equity Shares.

58. Changing regulations in India could lead to new compliance requirements that are uncertain.

The regulatory environment in which we operate is evolving and is subject to change. The GoI may implement new laws or other regulations that could affect the industry in which we operate, which could lead to new compliance requirements, including requiring us to obtain additional approvals and licenses from the Government and other regulatory bodies, or impose onerous requirements, which can lead to uncertainty in our operations and could adversely affect our business, prospects and results of operations. New compliance requirements could increase our costs or otherwise adversely affect our business, financial condition and results of operations.

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. For instance, the Supreme Court of India has in a decision clarified the components of basic wages which need to be considered by companies while making provident fund payments, which resulted in an increase in the provident fund payments to be made by companies. Any such decisions in future or any further changes in interpretation of laws may have an impact on our results of operations.

Similarly, changes in other laws may require additional compliances and/or result in us incurring additional expenditure. For instance, the Government of India has notified four labour codes which are yet to come into force as on the date of this Draft Red Herring Prospectus, namely, (i) the Code on Wages, 2019, (ii) the Industrial Relations Code, 2020; (iii) the Code on Social Security, 2020; and (iv) the Occupational Safety, Health and Working Conditions Code, 2020. These codes consolidate and subsume numerous existing central labor legislations and will replace the existing legal framework governing rights of workers and labour relations. While the rules for implementation under these codes have not been notified, we are yet to determine the impact of all or some such laws on our business and operations which may restrict our ability to grow our business in the future and increase our expenses. Further, a draft of the Personal Data Protection Bill, 2019 has been introduced before the Lok Sabha on December 11, 2019, which has been referred to a joint parliamentary committee by the Parliament. We may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects.

Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent may be time consuming as well as costly for us to resolve and may impact the viability of our current businesses or restrict our ability to grow our businesses in the future.

59. Changes in the taxation system in India could adversely affect our business.

The Income Tax Act, 1961 ("**IT Act**") was amended to provide domestic companies an option to pay corporate income tax at the effective rate of approximately 25.17% (inclusive of applicable surcharge and health and education cess), as compared to effective rate of 34.94% (inclusive of applicable surcharge and health and education cess), provided such companies do not claim certain specified deductions or exemptions. Further, where a company has opted to pay the reduced corporate tax rate, the minimum alternate tax provisions would not be applicable. Any such future amendments may affect our ability to claim exemptions that we have historically benefited from, and such exemptions may no longer be available to us. Any adverse order passed by the appellate authorities/ tribunals/ courts would have an effect on our profitability. Due to the COVID -19 pandemic, the Government of India had also passed the Taxation and Other Laws (Relaxation of Certain Provisions) Act, 2020, implementing relaxations from certain requirements under, amongst others, the Central Goods and Services Tax Act, 2017 and Customs Tariff Act, 1975.

Further, as GST is implemented, there can be no assurance that we will not be required to comply with additional procedures or obtain additional approvals and licenses from the government and other regulatory bodies or that they will not impose onerous requirements and conditions on our operations. With the implementation of GST, we are obligated to pass on any benefits accruing to us as result of the transition to GST to the consumer thereby limiting our benefits. In order for us to utilise input credit under GST, the entire value chain has to be GST compliant, including us. While we are and will continue to adhere to the GST rules and regulations, there can be no assurance that our suppliers and dealers will do so. Any such failure may result in increased cost on account of non-compliance with the GST and may adversely affect our business and results of operations.

Earlier, distribution of dividends by a domestic company was subject to Dividend Distribution Tax ("**DDT**"), in the hands of the company at an effective rate of 20.56% (inclusive of applicable surcharge and health and education cess). Such dividends were generally exempt from tax in the hands of the shareholders. However, the Government of India has amended the IT Act to abolish the DDT regime. Accordingly, any dividend distributed by a domestic company is subject to tax in the hands of the investor at the applicable rate. Additionally, the Company is required to withhold tax on such dividends distributed at the applicable rate.

Further, the Government of India has notified the Finance Act, 2022 ("**Finance Act**"), which has introduced various amendments to the IT Act. As such, there is no certainty on the impact that the Finance Act may have on our business and operations or on the industry in which we operate. In addition, unfavourable changes in or interpretations of existing, or the promulgation of new laws, rules and regulations including foreign investment laws governing our business, operations, and group structure could result in us being deemed to be in contravention of such laws or may require us to apply for additional approvals. We may incur increased costs relating to compliance with such new requirements, which may also require management time and other resources, and any failure to comply may adversely affect our business, results of operations and prospects. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body, of administrative or judicial precedent, may be time consuming as well as costly for us to resolve and may affect the viability of our current business or restrict our ability to grow our business in the future. For instance, the Supreme Court of India has in a decision clarified the components of basic wages which need to be considered by companies while making provident fund payments, which resulted in an increase in the provident fund payments to be made by companies. Any such decisions in future or any further changes in interpretation of laws may have an impact on our results of operations.

60. If inflation were to rise in India, we might not be able to increase the prices of our services at a proportional rate thereby reducing our margins.

Inflation rates in India have been volatile in recent years, and such volatility may continue in the future. India has experienced high inflation in the recent past. Increased inflation can contribute to an increase in interest rates and increased costs to our business, including increased costs of transporting people and equipment, electricity, internet bandwidth, wages, and other expenses relevant to our business. 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 expenses, which we may not be able to adequately pass on to our customers, whether entirely or in part, and may adversely affect our business and financial condition. In particular, we might not be able to reduce our costs or entirely offset any increases in costs. In such case, our business, results of operations, cash flows and financial condition may be adversely affected. Further, the Government has previously initiated economic measures to combat high inflation rates, and it is unclear whether these measures will remain in effect. There can be no assurance that Indian inflation levels will not worsen in the future.

61. Investors may not be able to enforce a judgment of a foreign court against us, our Directors and executive officers in India, except by way of a law suit in India.

Our Company is a company incorporated under the laws of India as a company limited by shares and majority of our Directors are located in India. As of the date of this Draft Red Herring Prospectus, our assets, our Key Managerial Personnel, senior management personnel and officers are also located in 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 judgments obtained against such parties outside India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court was of the view that the amount of damages awarded was excessive or inconsistent with public policy, or if judgments are in breach or contrary to Indian law. In addition, a party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to execute such a judgment or to repatriate outside India any amounts recovered.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908. India is not party to any international treaty in relation to the recognition or enforcement of foreign judgments. India has reciprocal recognition and enforcement of judgments in civil and commercial matters with only a limited number of jurisdictions, such as the United Kingdom, United Arab Emirates, Singapore and Hong Kong. The United States and India do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States on civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not be enforceable in India. However, the party in whose favor such final judgment is rendered may bring a new suit in a competent court in India based on a final judgment that has been obtained in the United States.

In order to be enforceable, a judgment from a jurisdiction with reciprocity must meet certain requirements established in the Indian Code of Civil Procedure, 1908. The CPC only permits the enforcement and execution of monetary decrees in the reciprocating jurisdiction, 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 directly 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. The party in whose favour a final foreign judgment in a non-reciprocating territory is rendered may bring a fresh suit in a competent court in India based on the final judgment within three years of obtaining such final judgment. However, 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 the public policy in India. Further, there is no assurance that a suit brought in an Indian court in relation to a foreign judgment will be disposed of in a timely manner. In addition, any person seeking to enforce a foreign judgment in India is required to obtain the prior approval of the RBI under the FEMA to repatriate any amount recovered, and we cannot assure that such approval will be forthcoming within a reasonable period of time, or at all, or that conditions of such approval would be acceptable. Such amount may also be subject to income tax in accordance with applicable law.

Risks Relating to the Equity Shares and this Offer

62. The trading volume and market price of the Equity Shares may be volatile following the Offer.

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

- quarterly variations in our results of operations;
- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates by research analysts and investors;
- a change in research analysts' recommendations;

- announcements by us or our competitors of significant acquisitions, strategic alliances, joint operations or capital commitments;
- announcements by third parties or governmental entities of significant claims or proceedings against us;
- new laws and governmental regulations applicable to our industry;
- additions or departures of key management personnel;
- changes in exchange rates;
- fluctuations in stock market prices and volume; and
- general economic and stock market conditions.

Changes in relation to any of the factors listed above could adversely affect the price of the Equity Shares.

63. Our Equity Shares have never been publicly traded, and after the Offer, the Equity Shares may experience price and volume fluctuations, and an active trading market for the Equity Shares may not develop. Further, the Offer Price may not be indicative of the market price of the Equity Shares after the Offer.

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 determination of the Price Band is based on various factors and assumptions, and will be determined by our Company in consultation with the Book Running Lead Managers. Furthermore, the Offer Price of the Equity Shares will be determined by our Company in consultation with the Book Running Lead Managers through the Book Building Process. These will be based on numerous factors, including factors as described under "*Basis for Offer Price*" beginning on page 109 and may not be indicative of the market price for the Equity Shares after the Offer.

In addition to the above, the current market price of securities listed pursuant to certain previous initial public offerings managed by the Book Running Lead Managers is below their respective issue price. For further details, see "*Other Regulatory and Statutory Disclosures – Price information of past issues handled by the Book Running Lead Managers*" commencing on page 436. The market price of the Equity Shares may be subject to significant fluctuations in response to, among other factors, the failure of security analysts to cover the Equity Shares after this Offer, or changes in the estimates of our performance by analysts, the activities of competitors, future sales of the Equity Shares by our Company or our shareholders, 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. We cannot assure you that an active market will develop or sustained trading will take place in the Equity Shares or provide any assurance regarding the price at which the Equity Shares will be traded after listing.

In addition, the stock market often experiences price and volume fluctuations that are unrelated or disproportionate to the operating performance of a particular company. These broad market fluctuations and industry factors may materially reduce the market price of the Equity Shares, regardless of our Company's performance. There can be no assurance that the investor will be able to resell their Equity Shares at or above the Offer Price.

64. 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 taken for such conversion may reduce the net dividend to foreign investors. In addition, any adverse movement in currency exchange rates during a delay in repatriating the proceeds from a sale of Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares may reduce the proceeds received by Shareholders. For example, the exchange rate between the Indian Rupee and the U.S. dollar has fluctuated substantially 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.

65. 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 is generally taxable in India. A securities transaction tax ("**STT**") is levied on and collected by an Indian stock exchange on which equity shares are sold. Any gain realized on the sale of listed equity shares held for more than 12 months immediately preceding the date of transfer may be subject to long-term capital gains tax in India at the specified rates depending on certain factors, such as STT paid, the quantum of gains, whether the sale is undertaken on or off the Stock Exchanges and any available treaty exemptions. Accordingly, you may be subject to payment of long-term capital gains tax in India, in addition to payment of STT, on the sale of any Equity Shares held for more than 12 months immediately preceding the date of transfer. In terms of the Finance Act, 2018 and with effect from April 1, 2018, taxes payable by an assessee on the capital gains arising from transfer of long-term capital assets (introduced as Section 112A of the Income-Tax Act, 1961) shall be calculated on such long-term capital gains at the rate of 10%, where the long-term capital gains exceed ₹100,000, subject to certain exceptions in case of resident individuals and Hindu Undivided Families. Furthermore, 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. While non-residents may claim tax treaty benefits in relation to such capital gains income, generally, Indian tax treaties do not limit India's right to impose tax on capital gains arising from the sale of shares of an Indian company. Further, any capital gains realized on the sale of listed equity shares held for a period of 12 months or less immediately preceding the date of transfer will be subject to short term capital gains tax in India.

Capital gains arising from the sale of the Equity Shares will not be chargeable to tax in India in cases where relief from such taxation in India is provided under a treaty between India and the country of which the seller is resident and the seller is entitled to avail benefits thereunder, subject to certain conditions. 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.

The Finance Act, 2020 ("**Finance Act 2020**") had stipulated that the sale, transfer and issue of certain securities through exchanges, depositories or otherwise to be charged with stamp duty. The Finance Act 2020 also clarified that, in the absence of a specific provision under an agreement, the liability to pay stamp duty in case of sale of certain 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 certain securities, other than debentures, on a delivery basis is currently specified under the Finance Act 2020 at 0.015% and on a non-delivery basis is specified at 0.003% of the consideration amount. These amendments have come into effect from July 1, 2020. Under the Finance Act 2020, any dividends paid by an Indian company will be subject to tax in the hands of the shareholders at applicable rates. Such taxes will be withheld by the Indian company paying dividends. Further, the Finance Act, 2021 ("**Finance Act 2021**"), which followed, removed the requirement for 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. The Company may or may not grant the benefit of a tax treaty (where applicable) to a non-resident shareholder for the purposes of deducting tax at source pursuant to any corporate action including dividends. Investors are advised to consult their own tax advisors and to carefully consider the potential tax consequences of owning Equity Shares.

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.

66. 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. The Allotment of Equity Shares in the Offer and the credit of such Equity Shares to the applicant's demat account with depository participant could take approximately 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. 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.

67. Any future issuance of Equity Shares, or convertible securities or other equity linked instruments by us may dilute your shareholding and sale of Equity Shares by shareholders with significant shareholding may adversely affect the trading price of the Equity Shares.

We may be required to finance our growth, whether organic or inorganic, through future equity offerings. Any future equity issuances by us, including a primary offering of Equity Shares, convertible securities or securities linked to Equity Shares including through exercise of employee stock options, may lead to the dilution of investors' shareholdings in our Company. Any future equity issuances by us or sales of our Equity Shares by our shareholders may adversely affect the trading price of the Equity Shares, which may lead to other adverse consequences including difficulty in raising capital through offering of our Equity Shares or incurring additional debt. In addition, any perception by investors that such issuances or sales might occur may also affect the market price of our Equity Shares. There can be no assurance that we will not issue Equity Shares, convertible securities or securities linked to Equity Shares or that our Shareholders will not dispose of, pledge or encumber their Equity Shares in the future.

68. 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.

Foreign investment in Indian securities is subject to regulation by Indian regulatory authorities. Under foreign exchange regulations currently in force in India, transfer of shares between non-residents and residents are freely permitted (subject to certain restrictions), if they comply with the pricing guidelines and reporting requirements specified by the RBI. If the transfer of shares, which are sought to be transferred, is not in compliance with such pricing guidelines or reporting requirements or falls under any of the exceptions referred to above, then a prior regulatory approval will be required. Additionally, shareholders who seek to convert 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. 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. Additionally, the GoI may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the GoI experiences extreme difficulty in stabilizing the balance of payments, or where there are substantial disturbances in the financial and capital markets in India.

In addition, pursuant to the Press Note No. 3 (2020 Series), dated April 17, 2020, issued by the DPIIT, the Consolidated FDI Policy and the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2020 which came into effect from April 22, 2020, , all investments under the foreign direct investment route by entities of a country which shares land border with India or where the beneficial owner of the Equity Shares is situated in or is a citizen of any such country, can only be made through the Government approval route, as prescribed in the Consolidated FDI Policy dated October 15, 2020 and the FEMA Rules. 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 aforesaid restriction/purview, such subsequent change in the beneficial ownership will also require approval of the Government of India.

Additionally, the Indian government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Indian government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Indian government's approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

We cannot assure investors that any required approval from the RBI or any other governmental agency can be obtained on any particular terms or at all. For further information, see "*Restrictions on Foreign Ownership of Indian Securities*" on page 469.

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

69. Significant differences exist between Ind AS used to prepare our financial information and other accounting principles, such as U.S. GAAP and IFRS, which investors may be more familiar with and may consider material to their assessment of our financial condition.

Our Restated Financial Information for Fiscal 2020, 2021 and 2022 and for the three months ended June 30, 2022, included in this Draft Red Herring Prospectus have been prepared and presented in conformity with Ind AS, restated in accordance with the requirements of Section 26 of part I of the Companies Act, 2013, the SEBI ICDR Regulations and the Guidance Note on "Reports in Company Prospectuses (Revised 2019)" issued by the ICAI. Ind AS differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. We have not attempted to quantify the impact of U.S. GAAP or IFRS on the financial data included in this Draft Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those of U.S. GAAP or IFRS. U.S. GAAP and IFRS differ in significant respects from Ind AS. Accordingly, the degree to which the Ind AS financial statements, which are restated as per the SEBI ICDR Regulations included in this Draft Red Herring Prospectus, will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. If our financial statements were to be prepared in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. Prospective investors should review the accounting policies applied in the preparation of our financial statements and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should be limited accordingly.

70. The determination of the Price Band is based on various factors and assumptions and the Offer Price of the Equity Shares may not be indicative of the market price of the Equity Shares after the Offer. Further, the current market price of some securities listed pursuant to certain previous issues managed by the BRLMs is below their respective issue prices.

The determination of the Price Band is based on various factors and assumptions, and will be determined by our Company in consultation with the BRLMs. Furthermore, the Offer Price of the Equity Shares will be determined by our Company and Promoter Selling Shareholders in consultation with the BRLMs through the Book Building Process. These will be based on numerous factors, including factors as described under "*Basis for the Offer Price*" on page 109 and may not be indicative of the market price for the Equity Shares after the Offer.

In addition to the above, the current market price of securities listed pursuant to certain previous initial public offerings managed by the BRLMs is below their respective issue price. For further information, see "*Other Regulatory and Statutory Disclosures – Price information of past issues handled by the BRLMs*" on page 436. The factors that could affect the market price of the Equity Shares include, among others, broad market trends, financial performance and results of our Company post-listing, and other factors beyond our control. We cannot assure you that an active market will develop or sustained trading will take place in the Equity Shares or provide any assurance regarding the price at which the Equity Shares will be traded after listing.

71. QIBs and Non-Institutional Bidders are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid amount) at any stage after submitting a bid, and Retail Individual Bidders are not permitted to withdraw their Bids after Bid/Offer Closing Date.

Pursuant to the SEBI ICDR Regulations, QIBs and Non-Institutional Bidders are required to block the Bid amount on submission of the Bid and are not permitted to withdraw or lower their Bids (in terms of quantity of equity shares or the Bid Amount) at any stage after submitting a Bid. Similarly, Retail Individual Bidders can revise or withdraw their Bids at any time during the Bid/Offer Period and until the Bid/ Offer Closing date, but not thereafter. Therefore, QIBs and Non-Institutional Investors will not be able to withdraw or lower their Bids following adverse developments in international or national monetary policy, financial, political or economic conditions, our business, results of operations, cash flows or otherwise at any stage after the submission of their Bids. While we are required to complete all necessary formalities for listing and commencement of trading of the Equity Shares on all Stock Exchanges where such Equity Shares are proposed to be listed, including Allotment, within six Working Days from the Bid/ Offer Closing Date or such other period as may be prescribed by the SEBI, events affecting the investors' decision to invest in the Equity Shares, including adverse changes in international or national monetary policy, financial, political or economic conditions, our business, results of operations, cash flows or financial condition may arise between the date of submission of the Bid and Allotment.

We may complete the Allotment of the Equity Shares even if such events occur, and such events may limit the investors' ability to sell the Equity Shares Allotted pursuant to the Offer or cause the trading price of the Equity Shares to decline on listing. Therefore, QIBs and Non-Institutional Bidders will not be able to withdraw or lower their bids following adverse developments in international or national monetary policy, financial, political or economic conditions, our business, results of operations, cash flows or otherwise between the dates of submission of their Bids and Allotment.

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

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

73. A third-party could be prevented from acquiring control of us post this Offer, because of anti-takeover provisions under Indian law.

As a listed Indian entity, there are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Company. Under the SEBI Takeover Regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from attempting to take control of our Company subsequent to completion of the Offer. Consequently, even if a potential takeover of our Company would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to our shareholders, such a takeover may not be attempted or consummated because of the SEBI Takeover Regulations.

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

Our Articles of Association, composition of our Board, Indian laws governing our corporate affairs, the validity of corporate procedures, directors' fiduciary duties, responsibilities and liabilities, and shareholders' rights may differ from those that would apply to a company in another jurisdiction. Shareholders' rights under Indian law may not be as extensive and wide-spread as shareholders' rights under the laws of other countries or jurisdictions. Investors may face challenges in asserting their rights as shareholder of our Company than as a shareholder of an entity in another jurisdiction.

75. Compliance with provisions of Foreign Account Tax Compliance Act may affect payments on the Equity Shares.

The U.S. "Foreign Account Tax Compliance Act" (or "**FATCA**") imposes a new reporting regime and potentially, imposes a 30% withholding tax on certain "foreign passthru payments" made by certain non-U.S. financial institutions (including intermediaries). If payments on the Equity Shares are made by such non-U.S. financial institutions (including intermediaries), this withholding may be imposed on such payments if made to any non-U.S. financial institution (including an intermediary) that is not otherwise exempt from FATCA or other holders who do not provide sufficient identifying information to the payer, to the extent such payments are considered "foreign passthru payments". Under current guidance, the term "foreign passthru payment" is not defined and it is therefore not clear whether and to what extent payments on the Equity Shares would be considered "foreign passthru payments". The United States has entered into intergovernmental agreements with many jurisdictions (including India) that modify the FATCA withholding regime described above. It is not yet clear how the intergovernmental agreements between the United States and these jurisdictions will address "foreign passthru payments" and whether such agreements will require us or other financial institutions to withhold or report on payments on the Equity Shares to the extent they are treated as "foreign passthru payments". Prospective investors should consult their tax advisors regarding the consequences of FATCA, or any intergovernmental agreement or non-U.S. legislation implementing FATCA, to their investment in Equity Shares.

76. U.S. holders should consider the impact of the passive foreign investment company rules in connection with an investment in the Equity Shares.

A foreign corporation will be treated as a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes for any taxable year in which either: (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of its gross assets during the taxable year (based on of the quarterly values of the assets during a taxable year) are "passive assets," which generally means that they produce passive income or are held for the production of passive income.

No assurance can be given that our Company will or will not be considered a PFIC in the current or future years. The determination of whether or not our Company is a PFIC is a factual determination that is made annually after the end of each taxable year, and there can be no assurance that our Company will not be considered a PFIC in the current taxable year or any future taxable year because, among other reasons, (i) the composition of our Company's income and assets will vary over time, and (ii) the manner of the application of relevant rules is uncertain in several respects. Further, our Company's PFIC status may depend on the market price of its Equity Shares, which may fluctuate considerably.

Our Company is not, and does not intend to be, regulated as an investment company under the Investment Company Act and related rules. The Volcker Rule may affect the ability of certain types of entities to purchase the Equity Shares. Our Company will not be subject to the provisions of the U.S. Investment Company Act, in reliance on Section 3(c)(7) thereof, which excludes from the definition of "investment company" any issuer whose outstanding securities are owned exclusively by "qualified purchasers" (as defined in such Section 3(c)(7)), and who meet the other conditions contained therein. For purposes of the Volcker Rule, a "covered fund" includes any issuer that would be an investment company but for the exclusions contained in Section 3(c)(1) or Section 3(c)(7) under the U.S. Investment Company Act. The Volcker Rule may negatively affect the ability of certain types of entities to purchase the Equity Shares. The Volcker Rule generally prohibits "banking entities" from engaging in proprietary trading, or from acquiring or retaining an "ownership interest" in, sponsoring or having certain relationships with "covered funds", subject to certain exclusions and exemptions under the Volcker Rule. A "banking entity" generally includes any U.S. insured depository institution, any company that controls an U.S. insured depository institution (as defined in Section 3 of the U.S. Federal Deposit Insurance Act (12 U.S.C § 1813)), subject to certain exclusions), any company that is treated as a bank holding company for purposes of Section 8 of the U.S. International Banking Act of 1978, or any affiliate or subsidiary of any of the foregoing entities. The Volcker Rule's prohibition on "covered fund" investments and proprietary trading activities is subject to certain limited exemptions, including for, among other things, certain underwriting and market making activities and the activities of qualified non-U.S. banking entities which are conducted solely outside the United States. These and other exemptions under the Volcker Rule are subject to specific conditions and requirements. With respect to the market making and underwriting exemptions, recent amendments to the Volcker Rule's implementing regulations eliminated the requirement that a "banking entity" include "ownership interests" in third-party "covered funds" or "covered funds" guaranteed by a "banking entity" that are acquired or retained under the market making or underwriting exemptions towards its per-fund and aggregate "covered fund" investment limits and for the required Tier 1 capital deduction. Any prospective investor in the Equity Shares should consult its own legal counsel regarding the potential impact of the Volcker Rule and its ability to purchase or retain the Equity Shares. None of the Company nor any Underwriter nor any of their respective affiliates makes any representation to any prospective investor or purchaser of the Equity Shares regarding such investor's investment in the Equity Shares on the date of issuance or at any time in the future.

SECTION III - INTRODUCTION

THE OFFER

The following table summarises details of the Offer.

Offer(1)	Up to [•] Equity Shares aggregating up to ₹ 16,000 million
The Offer consists of:	
Fresh Issue(1)	Up to [•] Equity Shares aggregating up to ₹ 7,500 million
Offer for Sale(2)	Up to [•] Equity Shares aggregating up to ₹ 8,500 million
Including	
Employee Reservation Portion(3)(4)(6)	Up to [•] Equity Shares aggregating up to ₹[•] million
Of which	
A. QIB Category(5)(6)	Not more than [•] Equity Shares
Of which:	
Anchor Investor Portion	Not more than [•] Equity Shares
Net QIB Category (assuming the Anchor Investor Portion is fully subscribed)	[•] Equity Shares
Of which:	
Mutual Fund Portion	[•] Equity Shares
Balance of QIB Category for all QIBs including Mutual Funds	[•] Equity Shares
B. Non-Institutional Category(6)(7)	Not less than [•] Equity Shares
Of which:	
One-third of the Non-Institutional Category available for allocation to Bidders with an application size of more than ₹ 200,000 and up to ₹ 1,000,000	[•] Equity Shares
Two-third of the Non-Institutional Category available for allocation to Bidders with an application size of more than ₹ 1,000,000	[•] Equity Shares
C. Retail Category(6)	Not less than [•] Equity Shares
Pre-Offer and post-Offer Equity Shares	
Equity Shares outstanding prior to the Offer	897,023,682 Equity Shares
Equity Shares outstanding after the Offer	[•] Equity Shares
Utilisation of Net Proceeds	See "*Objects of the Offer*" on page 105 for information about the use of the Net Proceeds. Our Company will not receive any proceeds from the Offer for Sale.

(1) *The Offer has been authorized by a resolution dated October 14, 2022 passed by our Board and the Fresh Issue has been approved by a special resolution dated October 15, 2022 passed by our Shareholders. Our Company may, at the discretion of the Company and the Promoter Selling Shareholders, consider a Pre-IPO Placement aggregating up to ₹ 1,500 million, prior to the filing of the Red Herring Prospectus with the RoC. The Pre-IPO Placement, if undertaken, shall be undertaken at the discretion of our Company and the Promoter Selling Shareholder and the price of the Equity Shares allotted pursuant to the Pre-IPO Placement shall be determined by our Company and the Promoter Selling Shareholders, in consultation with the BRLMs. If the Pre-IPO Placement is completed, the amount raised pursuant to the Pre-IPO Placement will be reduced from the Fresh Issue, subject to compliance with Rule 19(2)(b) of the SCRR. Details of the Pre-IPO Placement, if undertaken, shall be included in the Red Herring Prospectus to be filed with the RoC.*

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

S. No.	Name of the Promoter Selling Shareholder	Date of the board resolution	Date of the consent letter	Number of Offered Shares	Maximum amount of Offered Shares (in ₹ million)
1.	SBFC Holdings Pte. Ltd.	October 20, 2022	November 4, 2022	[•]	Up to 2,750.00
2.	Arpwood Partners Investment Advisors LLP	August 29 ,2022	October 19, 2022	[•]	Up to 3,981.91
3.	Arpwood Capital Private Limited	September 2, 2022	October 19, 2022	[•]	Up to 977.27
4.	Eight45 Services LLP	August 29 ,2022	October 19, 2022	[•]	Up to 790.82

(3) The initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000, however, an Eligible Employee may submit a Bid for a maximum Bid Amount of ₹500,000 under the Employee Reservation Portion. Only in the event of an undersubscription in the Employee Reservation Portion, the unsubscribed portion may be Allotted on a proportionate basis to Eligible Employees Bidding in the Employee Reservation Portion, for a value in excess of ₹200,000, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000. The unsubscribed portion if any, in the Employee Reservation Portion (after allocation up to ₹500,000), shall be added back to the Net Offer. Further, an Eligible Employee Bidding in the Employee Reservation Portion can also Bid under the Retail Category in the Net Offer and such Bids will not be treated as multiple Bids.

(4) The Company and the Promoter Selling Shareholders may, in consultation with the BRLMs, offer an Employee Discount of up to [•]% to the Offer Price (equivalent of ₹[•] per Equity Share), which shall be announced at least two Working Days prior to the Bid/Offer Opening Date.

(5) Our Company and the Promoter Selling Shareholders may, in consultation with the BRLMs, allocate up to 60% of the QIB Category to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. The QIB Category will be accordingly reduced for the shares allocated to Anchor Investors. One-third of the Anchor Investor Portion will be reserved for domestic Mutual Funds only, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Offer Price. In case of under-subscription or non-Allotment in the Anchor Investor Portion, the remaining Equity Shares will be added back to the Net QIB Category. Further, 5% of the Net-QIB Category (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the Net-QIB Category shall be available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, if the aggregate demand from Mutual Funds is less than [•] Equity Shares, the balance Equity Shares available for allotment in the Mutual Fund Portion will be added to the QIB Category and allocated proportionately to the QIBs (other than Anchor Investors) in proportion to their Bids. See "Offer Procedure" on page 452.

(6) Subject to valid Bids being received at or above the Offer Price, under-subscription, if any, in any category, except the QIB Category, would be allowed to be met with spill-over from any other category or combination of categories of Bidders at the discretion of our Company and the Promoter Selling Shareholders, in consultation with the BRLMs and the Designated Stock Exchange, subject to applicable laws. In case of under-subscription in the Offer, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. In the event of achieving aforesaid minimum subscription, however, there is under-subscription in achieving the total Offer size, the Equity Shares will be allotted in the following order: (i) such number of Equity Shares comprising 90% of the Fresh Issue, or such other number as required to comply with the minimum subscription to be received in the Offer under applicable law, will be Allotted prior to the sale of Equity Shares in the Offer for Sale; (ii) upon (i), all the Equity Shares held by the Promoter Selling Shareholders and offered for sale in the Offer for Sale will be Allotted (in proportion to the Offered Shares being offered by each Promoter Selling Shareholder); and (iii) once Equity Shares have been Allotted as per (i) and (ii) above, such number of Equity Shares will be Allotted by our Company towards the balance 10% of the Fresh Issue portion. See "Terms of the Offer – Minimum Subscription" on page 446.

(7) The Equity Shares available for allocation to Non-Institutional Investors under the Non-Institutional Portion, shall be subject to the following: (i) one-third of the portion available for allocation to Non-Institutional Investors, shall be reserved for applicants with a Bid size of more than ₹ 200,000 and up to ₹ 1,000,000, and (ii) two-thirds of the portion available for allocation to Non-Institutional Investors, shall be reserved, with a Bid size of more than ₹ 1,000,000, provided that the unsubscribed portion in either of these two sub-categories may be allocated to Non-Institutional Investors in the other sub-category of Non-Institutional Portion. The allotment to each Non-Institutional Investor shall not be less than ₹ 200,000, 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. See "Offer Procedure" on page 452.

Allocation to Bidders in all categories, except the Retail Portion, Non-Institutional Portion and the Anchor Investor Portion, if any, shall be made on a proportionate basis, subject to valid Bids being received at or above the Offer Price, as applicable. Allocation to Retail Individual Investors shall not be less than the minimum Bid Lot, subject to availability of Equity Shares in the Retail Portion, and the remaining available Equity Shares, if any, shall be allocated on a proportionate basis. Allocation to Anchor Investors shall be on a discretionary basis in accordance with the SEBI ICDR Regulations. For further details, see "*Offer Structure*", "*Terms of the Offer*" and "*Offer Procedure*" on pages 448, 442 and 452, respectively.

SUMMARY FINANCIAL INFORMATION

The summary financial information presented below should be read in conjunction with "Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 281 *and* 373*, respectively.*

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SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)

Restated Statement of Assets and Liabilities **(₹ In Million)**

Particulars	Note No.	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
ASSETS					
I. Financial assets					
(a) Cash and cash equivalents	3	936.45	1,514.76	1,382.72	2,250.75
(b) Bank balances other than cash and cash equivalents	4	1,846.14	1,838.17	2,031.06	1,908.36
(c) Receivables					
(i) Trade receivables	5	101.40	82.68	38.91	34.15
(d) Loans	6	33,655.96	29,824.12	20,701.94	15,481.57
(e) Investments	7	6,649.53	8,481.13	14,842.49	18,790.77
(f) Other financial assets	8	46.78	34.17	58.18	23.47
Total Financial Assets		**43,236.26**	**41,775.03**	**39,055.30**	**38,489.07**
II. Non-Financial assets					
(a) Current tax assets (net)	9	342.60	341.92	206.42	613.44
(b) Property, plant and equipment	10	360.05	357.06	390.00	324.16
(c) Intangible assets under development	10	-	-	3.33	-
(d) Goodwill	10	2,603.92	2,603.92	2,603.92	2,603.92
(e) Other intangible assets	10	30.66	32.87	17.21	10.23
(f) Other non-financial assets	11	56.83	39.54	35.72	39.03
Total Non-Financial Assets		**3,394.06**	**3,375.31**	**3,256.60**	**3,590.78**
TOTAL ASSETS		**46,630.32**	**45,150.34**	**42,311.90**	**42,079.85**
LIABILITIES AND EQUITY					
LIABILITIES					
I. Financial Liabilities					
(a) Payables	12				
(A) Trade payables					
(i) total outstanding dues of micro enterprises and small enterprises		0.19	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		68.84	80.73	52.70	54.35
(B) Other payables					
(i) total outstanding dues of micro enterprises and small enterprises		-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		59.72	40.45	6.30	7.00
(b) Debt securities	13	463.22	454.03	1,584.47	3,397.81
(c) Borrowings (other than debt securities)	14	27,710.23	28,945.04	26,097.27	27,158.26
(d) Other financial liabilities	15	2,389.50	2,501.17	2,267.08	1,080.01
Total Financial Liabilities		**30,691.70**	**32,021.42**	**30,007.82**	**31,697.43**
II. Non-Financial Liabilities					
(a) Current tax liabilities (net)	16	21.21	-	-	-
(b) Provisions	17	1.40	2.47	2.25	-
(c) Deferred tax liabilities (net)	18	172.53	194.51	234.86	244.58
(d) Other non-financial liabilities	19	24.72	60.27	15.89	13.07
Total Non-Financial Liabilities		**219.86**	**257.25**	**253.00**	**257.65**
TOTAL LIABILITIES		**30,911.56**	**32,278.67**	**30,260.82**	**31,955.08**
EQUITY					
(a) Equity share capital	20	8,697.24	8,068.00	7,966.74	7,423.20
(b) Other equity	21	7,021.52	4,803.67	4,084.34	2,701.57
TOTAL EQUITY		**15,718.76**	**12,871.67**	**12,051.08**	**10,124.77**
TOTAL LIABILITIES AND EQUITY		**46,630.32**	**45,150.34**	**42,311.90**	**42,079.85**

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)

Restated Statement of Profit and Loss **(₹ In Million)**

Particulars	Note No.	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
(I) Revenue from operations					
Interest income	22	1,394.88	4,731.47	4,631.66	4,096.83
Fees and commission income	23	81.23	272.39	241.53	174.53
Net gain on fair value changes	24	32.73	157.22	91.06	114.92
Net gain on derecognition of financial instruments under amortised cost category	25	21.07	-	39.68	-
Other operating income	26	69.76	129.44	67.06	60.42
Total Revenue from operations		**1,599.67**	**5,290.52**	**5,070.99**	**4,446.70**
(II) Other income	27	1.56	16.50	44.34	1.76
(III) Total Income (I+II)		**1,601.23**	**5,307.02**	**5,115.33**	**4,448.46**
Expenses					
Finance costs	28	597.23	2,206.17	2,384.56	2,440.37
Net Loss on derecognition of financial instruments under amortised cost category	29	-	106.92	-	22.08
Impairment on financial instruments	30	65.09	360.88	336.40	300.55
Employee benefits expense	31	346.72	1,095.34	841.83	736.28
Depreciation and amortisation expense	10	32.09	117.81	95.40	81.82
Other expenses	32	131.51	552.94	316.49	281.24
(IV) Total expenses		**1,172.64**	**4,440.06**	**3,974.68**	**3,862.34**
(V) Profit before tax (III - IV)		**428.59**	**866.96**	**1,140.65**	**586.12**
Tax expense					
- Current tax	33	129.91	262.12	300.24	-
- Deferred tax charge/ (credit)	34	(21.98)	(40.37)	(9.69)	231.17
(VI) Total tax expense		**107.93**	**221.75**	**290.55**	**231.17**
(VII) Profit after tax (V-VI)		**320.66**	**645.21**	**850.10**	**354.95**
(VIII) Other comprehensive income	35				
(A) Items that will not be reclassified to profit or loss					
- Remeasurement of Net defined benefit plan		0.98	3.72	1.76	(1.19)
- Income tax relating to items that will not be reclassified to profit or loss		(0.25)	(0.94)	(0.44)	0.30
(B) Items that will be reclassified to profit or loss		-	-	-	-
Other Comprehensive Income		**0.73**	**2.78**	**1.32**	**(0.89)**
(IX) Total comprehensive income for the year (VII + VIII)		**321.39**	**647.99**	**851.42**	**354.06**
(X) Earnings per equity share (Face value ₹ 10/- per share)					
Basic (₹)	45	0.37	0.81	1.09	0.49
Diluted (₹)		0.36	0.79	1.06	0.48

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)

Restated Statement of Cash Flows

(₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Cash flow from Operating activities				
Profit before tax	428.59	866.96	1,140.65	586.12
Adjustments for:				
Depreciation and amortisation expenses	32.09	117.81	95.40	81.82
Interest income on loans	(1,246.38)	(3,825.40)	(2,773.92)	(2,145.24)
Interest income on investment in PTC	(130.21)	(835.61)	(1,719.62)	(1,879.91)
Interest income on fixed deposits	(18.29)	(70.46)	(138.12)	(71.68)
Fees and commission income	(81.23)	(272.39)	(241.53)	(174.53)
Finance costs on borrowings and debt securities	593.81	2,189.06	2,362.63	2,417.90
Finance costs on lease liability	3.33	16.81	19.68	22.13
Net gain on financial instruments at fair value through profit or loss	(32.73)	(157.22)	(91.06)	(114.92)
Net gain/ loss on derecognition of financial instruments under amortised cost	(21.07)	106.92	(39.68)	22.08
Impairment on financial instruments	65.09	360.88	336.40	300.55
Employee share based payment	21.62	29.60	38.92	102.97
Net gain on termination of lease liability	(0.23)	1.11	(0.37)	0.89
Loss on sale/ discard of Property, plant and equipment/ Intangible assets	0.01	3.35	0.87	-
Operational Cash Flows:				
Cash inflow from interest on loans	1,145.36	3,893.66	2,709.71	2,066.64
Cash inflow from interest on investment in PTC	136.71	870.43	1,775.79	1,756.07
Cash inflow from interest on fixed deposits	10.32	131.87	104.53	10.64
Cash inflow from fees and commission income	86.90	40.83	37.46	33.69
Cash outflow towards finance cost on borrowings & debt securities	(564.13)	(2,234.37)	(2,398.73)	(2,588.17)
Operating Profit before working capital changes	429.56	1,233.84	1,219.01	427.05
Changes in working capital:				
Increase/ (Decrease) in payables	7.57	62.18	(2.35)	(44.20)
Increase/ (Decrease) in Other financial liabilities	(103.59)	288.47	1,207.72	602.44
Increase in Other non-financial liabilities	(35.55)	44.38	2.82	1.10
Increase in provision	(0.34)	3.00	3.57	(0.89)
(Increase)/ Decrease in trade receivables	(26.92)	178.55	192.07	101.65
Increase in loans and advances	(3,793.35)	(9,672.32)	(5,485.36)	(4,184.26)
Increase/ (Decrease) in other financial assets	8.08	46.88	0.43	(5.80)
(Increase)/ Decrease in other non-financial assets	(17.77)	12.32	544.92	(126.08)
Cash flows used in Operating activities	**(3,532.31)**	**(7,802.70)**	**(2,317.17)**	**(3,228.99)**
Income taxes refund/ (paid)	(108.95)	(413.74)	(434.79)	(605.50)
Net cash used in Operating activities	**(3,641.26)**	**(8,216.44)**	**(2,751.96)**	**(3,834.49)**

Cash flow from Investing activities				
Purchase of property, plant and equipment	(23.71)	(73.43)	(127.93)	(47.69)
Purchase of intangible assets (including intangible assets under development)	(0.16)	(23.65)	(15.54)	(4.49)
Proceeds from sale of property, plant and equipment	0.01	0.01	-	-
Purchase of investments at fair value through profit and loss	(5,509.83)	(20,452.13)	(21,351.89)	(16,963.36)
Sale of investments at fair value through profit and loss	6,528.54	21,480.25	17,488.85	18,745.91
Purchase of investment in PTC	-	-	-	(23,656.00)
Redemption/ Sale of investment in PTC	839.13	5,455.63	7,846.20	4,989.07
Placement of fixed deposits	-	(1,694.89)	(1,395.94)	(1,737.26)
Maturity/ Redemption of fixed deposits	-	1,826.37	1,306.83	45.20
Net cash generated from Investing activities	**1,833.98**	**6,518.16**	**3,750.58**	**(18,628.62)**
Cash flow from Financing activities				
Proceeds from issuance of equity share capital including securities premium	2,505.30	143.02	1,037.08	866.46
Share issue expenses	(1.23)	(0.02)	(1.11)	(1.06)
Proceeds from borrowings other than debt securities	750.00	8,930.00	4,571.61	24,418.71
Repayment of borrowings other than debt securities	(2,005.29)	(6,097.35)	(5,659.85)	(1,559.59)
Debt securities issued	-	430.00	1,500.00	-
Debt securities repaid	-	(1,500.00)	(3,250.00)	(750.00)
Principal repayment of lease liabilities	(16.48)	(58.52)	(44.70)	(39.37)
Interest paid on lease liabilities	(3.33)	(16.81)	(19.68)	(22.13)
Net cash (used in)/ generated from Financing activities	**1,228.97**	**1,830.32**	**(1,866.65)**	**22,913.02**
Net increase in cash and cash equivalents	**(578.31)**	**132.04**	**(868.03)**	**449.91**
Cash and cash equivalents at beginning of year (Refer Note 3)	1,514.76	1,382.72	2,250.75	1,800.84
Cash and cash equivalents at end of year (Refer Note 3)	**936.45**	**1,514.76**	**1,382.72**	**2,250.75**

Cash and cash equivalents at the end of the year comprises of:				
Cash in hand	89.17	75.26	67.35	50.25
Balance with banks				
- In current accounts	467.18	399.40	905.32	521.69
- In fixed deposit with original maturity of less than 3 months	380.10	1,040.10	410.05	1,678.81
TOTAL	**936.45**	**1,514.76**	**1,382.72**	**2,250.75**

GENERAL INFORMATION

Registered and Corporate Office

SBFC Finance Limited
103, 1st Floor, C&B Square,
Sangam Complex, Andheri Kurla Road,
Village Chakala, Andheri (East),
Mumbai 400 059
Maharashtra, India
CIN: U67190MH2008PLC178270
Registration number: 178270
RBI registration number: N-13.01913

For details of our incorporation and changes to our name and our registered office address, see "*History and Certain Corporate Matters"* on page 231.

Address of the RoC

Our Company is registered with the RoC, located at the following address:

Registrar of Companies, Maharashtra at Mumbai
100, Everest, Marine Drive
Mumbai 400 002
Maharashtra, India

Board of Directors

The details regarding the Board as on the date of this Draft Red Herring Prospectus is set forth below:

Name	Designation	DIN	Address
Neeraj Swaroop	Independent Director and Chairperson	00061170	1104, Signia Isles, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051, Maharashtra
Aseem Dhru	Managing Director and Chief Executive Officer	01761455	B-12, 12th Floor, Ahuja Tower, Rajabhau Anant Desai Marg, Prabhadevi, Mumbai - 400025, Maharashtra
Amol Jain	Non-Executive Nominee Director*	00334710	301 Le Papeyon, Mount Mary Road, Bandra West, Mehboob Studio, Mumbai – 400050, Maharashtra
Arjun Sakhuja	Non-Executive Nominee Director**	08669224	Tower X.1, Apartment – 402, Beauport Tower, Marsa, Dubai – 488008, UAE
John Mescall	Non-Executive Nominee Director**	08385575	Villa-A4V-09, 393-Al Thanyah Fifth, Dubai – 506991, UAE
Jonathan Tadeusz Tatur	Non-Executive Nominee Director**	08639243	1208 Damac Park Tower A, Dubai, UAE
Rajesh Mannalal Agrawal	Independent Director	00302467	4504 45th Floor, Tower- B, Three Sixty West, Dr. Annie Besant Road, Worli, Mumbai – 400025, Maharashtra
Surekha Marandi	Independent Director	06952573	Flat No. 301, Wing A, Neelsidhi Garden, CHS Takka, Plot No. 417/418, Panvel, Raigarh, Maharashtra, 410205
Robin Banerjee	Independent Director	00008893	C-Wing, Flat – 102/103, Tower – 1, Ashok Gardens, T.J. Road, Sewri, Mumbai – 400015, Maharashtra

** Nominee of Arpwood Group*
*** Nominee of SBFC Holdings Pte. Ltd.*

For brief profiles and further details in respect of our Directors, see "*Our Management*" on page 236.

Company Secretary and Compliance Officer

Jay Mistry
103, 1st Floor, C&B Square,
Sangam Complex, Andheri Kurla Road,
Village Chakala, Andheri (East),

Mumbai 400 059
Maharashtra, India
Tel: 022 6797 5344
E-mail: complianceofficer@sbfc.com

Statutory Auditors

M/s Suresh Surana & Associates LLP, Chartered Accountants
308-309, Technopolis Knowledge Park,
Mahakali Caves Road, Andheri (East),
Mumbai 400093
Maharashtra, India
Tel: +91 22 6191 5555
E-mail: ramesh@ss-associates.com
Peer Review No.: 014084
Firm Registration No.: 121750W/W-100010

Changes in statutory auditors

Except as disclosed below, there has been no change in the statutory auditors of our Company during the last three years:

Name of auditor	Date of change	Reason for change
M/s Suresh Surana & Associates LLP, Chartered Accountants 308-309, Technopolid Knowledge Park, Mahakali Caves Road, Andheri (East), Mumbai 400093 Maharashtra, India **Tel**: +91 22 6191 5555 **E-mail:** ramesh@ss-associates.com **Peer Review No.**: 011592 **Firm Registration No.:** 121750W/W100010	September 16, 2021	Appointment as statutory auditors
M/s Deloitte Haskins & Sells LLP, Chartered Accountants One International Center, 32nd Floor, Tower-3, Senapati Bapat Marg, Elphinstone (West), Mumbai 400 013 Maharashtra, India **Tel.:** +91 22 6185 4000 **E-mail:** mujain@deloitte.com **Peer Review No.:** 013179 **Firm Registration No.:** 117366W/W100018	August 26, 2021	Resignation due to ineligibility to continue as statutory auditor of the Company pursuant to RBI circular on Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 27, 2021

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: sbfc.ipo@icicisecurities.com
Investor Grievance E-mail:
customercare@icicisecurities.com
Website: www.icicisecurities.com
Contact Person: Sameer Purohit/ Sumit Singh
SEBI Registration No.: INM000011179

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

Kotak Mahindra Capital Company Limited
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: sbfcfinance.ipo@kotak.com
Website: www.investmentbank.kotak.com
Investor Grievance E-mail:
kmccredressal@kotak.com
Contact Person: Ganesh Rane
SEBI Registration No.: INM000008704

Statement of *inter se* allocation of responsibilities among the Book Running Lead Managers

The responsibilities and co-ordination by the Book Running Lead Managers for various activities in this Offer are as follows:

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, Axis, Kotak	I-Sec
2.	Drafting and approval of all statutory advertisement	I-Sec, Axis, 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, Axis, Kotak	Kotak
4.	Appointment of intermediaries - Registrar to the Offer and advertising agency, including coordination of all agreements to be entered into with such intermediaries	I-Sec, Axis, Kotak	I-Sec
5.	Appointment of intermediaries - Banker(s) to the Offer, Sponsor Bank, printer and other intermediaries, including coordination of all agreements to be entered into with such intermediaries	I-Sec, Axis, Kotak	Axis
6.	Preparation of road show presentation and FAQs for the road show team	I-Sec, Axis, Kotak	Kotak
7.	International institutional marketing of the Offer, which will cover, *inter alia*: • Institutional marketing strategy; • Finalizing the list and division of investors for one-to-one meetings; and • Finalizing road show and investor meeting schedule	I-Sec, Axis, Kotak	Kotak
8.	Domestic institutional marketing of the Offer, which will cover, *inter alia*: • Marketing strategy; • Finalizing the list and division of investors for one-to-one meetings; and • Finalizing road show and investor meeting schedule	I-Sec, Axis, Kotak	I-Sec
9.	Conduct non-institutional marketing of the Offer, which will cover, *inter-alia*: • Finalising media, marketing and public relations strategy; • Formulating strategies for marketing to Non-Institutional Investors	I-Sec, Axis, Kotak	Axis
10.	Retail marketing of the Offer, which will cover, *inter alia*, • Finalising media, marketing and public relations strategy including list of frequently asked questions at retail road shows; • Finalising centres for holding conferences for brokers, etc.; • Follow-up on distribution of publicity and Offer material including application form, the Prospectus and deciding on the quantum of the Offer material; and • Finalising collection centres	I-Sec, Axis, Kotak	Axis
11.	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, Axis, Kotak	Kotak
12.	Managing the book and finalization of pricing in consultation with the Company and Promoter Selling Shareholders	I-Sec, Axis, Kotak	I-Sec
13.	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	I-Sec, Axis, Kotak	Axis

S. No.	Activity	Responsibility	Coordinator
	instruments, dispatch of certificates or demat credit and refunds, payment of STT on behalf of the Promoter Selling Shareholders and coordination with various agencies connected with the post-Offer activity such as Registrar to the Offer, Bankers to the Offer, Sponsor Bank, 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		

Syndicate Members

[•]

Legal Counsel to the Company

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

Legal Counsel to the Book Running Lead Managers as to Indian Law

Trilegal
One World Centre
10th Floor, Tower 2A & 2B,
Senapati Bapat Marg,
Lower Parel (West),
Mumbai - 400 013
Maharashtra, India
Tel: +91 22 4079 1000

International Legal Counsel to the Book Running Lead Managers

Hogan Lovells Lee & Lee
50 Collyer Quay
#10-01 OUE Bayfront
Singapore 049 321
Tel: +65 6538 0900

Legal Counsels to the Promoter and Promoter Selling Shareholder as to Indian Law

Legal Counsel to SBFC Holdings Pte. Ltd. and Clermont Financial Pte. Ltd. as to Indian Law

Khaitan & Co
One World Center
10th and 13th Floors, Tower 1C
841 Senapati Bapat Marg
Mumbai – 400 013, India
Tel: +91 22 6636 5000

Registrar to the Offer

KFin Technologies Limited
Selenium, Tower B,
Plot No 31 and 32, Financial District,
Nanakramguda, Serilingampally,
Hyderabad, Rangareddi 500 032,
Telangana, India
Tel: +91 40 6716 2222 / 7961 1000

E-mail: Sbfc.ipo@kfintech.com
Investor Grievance E-mail: einward.ris@kfintech.com
Website: www.kfintech.com
Contact Person: M. Muralikrishna
SEBI Registration No: INR00000022

Bankers to the Company

Kotak Mahindra Bank Limited
27BKC, Plot no. C-27, G-Block
3rd Floor, Bandra Kurla Complex
Bandra (East), Mumbai – 400 051
Tel.: 022 61660397
Contact Person: Pallavi Surati
Website: www.kotak.com
Email: pallavi.surti@kotak.com
CIN: L65110MH1985PLC038137

IndusInd Bank Limited
IndusInd Bank Limited, 11th Floor
Tower 1, One World Centre, 841, S.B. Marg
Elphinstone Road, Mumbai – 400013
Tel.: +91 9820197879
Contact Person: Tajinder Singh Setia
Website: www.indusind.com
Email: tajindersingh.setia@indusind.com
CIN: L65191PN1994PLC076333

The Federal Bank Limited
Federal Bank, Corporate Client Service Center,
32/34, Churchgate House,
Veer Nariman Road, Fort
Tel.: +91 22 49174422/24/25/26/28/29/30
Contact Person: Jyothi Menon
Website: www.federalbank.co.in
Email: ccscfort@federalbank.co.in
CIN: L65191KL1931PLC000368

State Bank of India
Backbay Reclamation Branch, Tulsiani Chambers
1st Floor, Free Press Journal Marg
Nariman Point, Mumbai - 400021
Tel.: 022-22745830
Contact Person: Mr. Chirojeet Sarkar
Website: www.sbi.co.in
Email: rmamt3.01593@sbi.co.in

Axis Bank Limited
Jeevan Prakash Building
Fort, Mumbai – 400001
Tel.: 022-40867464
Contact Person: Mr. Bhushan Mhatre
Website: www.axisbank.com
Email: fort.operationshead@axisbank.com
CIN: L65110GJ1993PLC020769

ICICI Bank Ltd.
4th Floor, West Wing
North Tower, ICICI Bank Tower
Bandra Kurla Complex, Mumbai - 400 051
Tel.: 022-4008742

Contact Person: Mr. Amit Bijalwan
Website: www. icicibank.com
Email: amit.bijalwan@icicibank.com
CIN: L65190GJ1994PLC021012

HDFC Bank Ltd.
HDFC Bank House, Senapati Bapat Marg
Lower Parel (W), Mumbai- 400013
Tel.: 022 397 60054
Contact Person: Ms. Poonam Raikar / Mr. Santosh Mishra
Website: www.hdfcbank.com
Email: poonam.raikar@hdfcbank.com / santosh.mishra@hdfcbank.com
CIN: L65920MH1994PLC080618

Indian Bank
Ground Floor, Right Wing
P M Road (United India Bldg),
Fort, Mumbai – 400 001
Tel: +91 22 2082 0229
Contact Person: Mr. Ayan Das
Website: www.Indianbank.in
Email: msmemcb.mumbai@indianbank.co.in

AU Small Finance Bank Limited
Corporate House, E Block, 5th Floor,
Kanakia Zillion, Junction of LBS and CST Marg,
BKC Annex, Kurla (West), Mumbai – 400 070
Tel.: 022 62490600
Contact Person: Harshal Patkar
Website: www.aubank.in
Email: nbfcsupport@aubank.in
CIN: L36911RJ1996PLC011381

Yes Bank Limited
Yes Bank House,
6th Floor, South Wing,
Off Western Express Highway, Santacruz (E), Mumbai – 400 055
Tel.: +91 9619026268
Contact Person: Mr. Vishal Kumar
Website: www.yesbank.in
Email: vishal.kumar5@yesbank.in
CIN: L65190MH2003PLC143249

Bankers to the Offer

Escrow Collection Bank(s)

[•]

Public Offer Account Bank(s)

[•]

Refund Bank(s)

[•]

Sponsor Bank(s)

[•]

Designated Intermediaries

SCSBs

The list of recognized intermediaries notified by SEBI is available at http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes, or at such other website as may be prescribed by SEBI from time to time. A list of the Designated SCSBs with which an ASBA Bidder (other than a UPI Bidder using the UPI Mechanism), not Bidding through Syndicate/Sub Syndicate or through a Registered Broker, CRTA or CDP may submit the Bid cum Application Forms, is available at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34, as updated from time to time or at such other websites as may be prescribed by SEBI from time to time.

SCSBs and mobile applications 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 mobile applications (apps) whose names appear on the website of the SEBI at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=40 and https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=43 respectively, as updated from time to time.

Syndicate SCSB Branches

In relation to Bids (other than Bids by Anchor Investors) 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 (https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=35) 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 https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=35 as updated from time to time.

Registered Brokers

Bidders can submit ASBA Forms in the Offer using the stock broker network of the Stock Exchanges, i.e., through the Registered Brokers at the Broker Centres. 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 Stock Exchanges at https://www.bseindia.com and https://www.nseindia.com, as updated from time to time.

Collecting Registrar and Share Transfer Agents

The list of the CRTAs 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 https://www.bseindia.com/Static/PublicIssues/RtaDp.aspx and http://www.nseindia.com/products/content/equities/ipos/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 the Stock Exchanges at https://www.bseindia.com/Static/PublicIssues/RtaDp.aspx and http://www.nseindia.com/products/content/equities/ipos/asba_procedures.htm, respectively, as updated from time to time.

Grading of the Offer

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

Appraising Entity

The object for which the Net Proceeds will be utilised has not been appraised by any agency.

Monitoring Agency

Our Company will appoint a credit rating agency registered with SEBI as a monitoring agency to monitor the utilisation of the Net Proceeds, in accordance with Regulation 41 of the SEBI ICDR Regulations, prior to the filing of the Red Herring Prospectus with the RoC.

Green Shoe Option

No green shoe option is contemplated under the Offer.

Experts

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

Our Company has received written consent dated November 5, 2022 from the Statutory Auditors, M/s Suresh Surana & Associates LLP, Chartered Accountants, to include their name, as required under Section 26(5) of the Companies Act, 2013 read with the SEBI ICDR Regulations, in this Draft Red Herring 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 November 3, 2022 on the Restated Financial Information; and (ii) their report dated November 5, 2022 on the statement of possible special tax benefits in this Draft Red Herring Prospectus, and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus.

In addition, our Company has received a written consent dated November 5, 2022 from, S K Patodia & Associates, Chartered Accountants, as the independent chartered accountants to include its name as an "expert" under Section 2(38) of the Companies Act, 2013, and other applicable provisions of the Companies Act, 2013 in its capacity as an independent chartered accountant, in respect of the certificates dated November 5, 2022, and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus.

Credit rating

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

Debenture Trustees

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

Filing of this Draft Red Herring Prospectus

A copy of this Draft Red Herring Prospectus has been uploaded on the SEBI intermediary portal at https://siportal.sebi.gov.in as specified in Regulation 25(8) of the SEBI ICDR Regulations and as required pursuant to the SEBI circular bearing reference number 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, will be filed with the RoC in accordance with Section 32 of the Companies Act, 2013, and a copy of the Prospectus required to be filed under Section 26 of the Companies Act, 2013 will be filed with the RoC.

Book Building Process

Book building, 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 will be determined by our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers, and advertised in [•] editions of [•] (a widely circulated English national daily newspaper) and [•] editions of [•] (a widely circulated Hindi national daily newspaper) and [•] editions of [•] (a widely circulated Marathi daily newspaper, Marathi being the regional language of Maharashtra where the Registered and Corporate Office is located), at least two Working Days prior to the Bid/Offer Opening Date and shall be made available to the Stock Exchanges for the purposes of uploading on their respective websites. Pursuant to the Book Building Process, the Offer Price shall be determined by our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers after the Bid/Offer Closing Date. For details, see "*Offer Procedure*" on page 452.

All Bidders, except Anchor Investors, are mandatorily required to use the ASBA process for participating in the Offer by providing details of their respective ASBA Account in which the corresponding Bid Amount

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

In accordance with the SEBI ICDR Regulations, QIBs Bidding in the QIB Category and Non-Institutional Investors Bidding in the Non-Institutional Category are not allowed to withdraw or lower the size of their Bids (in terms of the quantity of the Equity Shares or the Bid Amount) at any stage. Retail Individual Investors (subject to the Bid Amount being up to ₹200,000) and Eligible Employees Bidding in the Employee Reservation Portion can revise their Bids during the Bid/Offer Period and withdraw their Bids on or before the Bid/Offer Closing Date. Further, Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date. Allocation to QIBs (other than Anchor Investors) will be on a proportionate basis while allocation to the Anchor Investors will be on a discretionary basis.

For further details on the method and procedure for Bidding and book building procedure, see "*Offer Structure*" and "*Offer Procedure*" on pages 448 and 452, respectively.

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

Bidders should note the Offer is also subject to: (i) filing of the Prospectus with the RoC, and (ii) obtaining final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment.

Underwriting Agreement

After the determination of the Offer Price and allocation of Equity Shares but prior to the filing of the Prospectus with the RoC, our Company and the Promoter Selling Shareholders will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Offer. The extent of underwriting obligations and the Bids to be underwritten by each Underwriter shall be as per the Underwriting Agreement. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters will be several and will be subject to certain conditions to closing, as specified therein.

The Underwriting Agreement is dated [•]. The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC.

Name, address, telephone number and e-mail address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten *(in ₹ million)*
[•]	[•]	[•]

The abovementioned amounts are provided for indicative purposes only and will be finalised after the Pricing Date and finalization of the Basis of Allotment and actual allocation will be subject to the provisions of Regulation 40(2) of the SEBI ICDR Regulations.

In the opinion of the Board of Directors (based on representations made to our Company by the Underwriters), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The Underwriters are merchant bankers registered with SEBI under Section 12(1) of the SEBI Act or registered as stock brokers with the Stock Exchanges. The Board of Directors, at its meeting held on [•], 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 commitments set forth in the table above. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors 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 subscriptions for/ subscribe to Equity Shares to the extent of the defaulted amount in accordance with the Underwriting Agreement.

CAPITAL STRUCTURE

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

(in ₹, except share data)

		Aggregate value at face value	Aggregate value at Offer Price*
A	**AUTHORISED SHARE CAPITAL(1)**		-
	1,300,000,000 Equity Shares bearing face value of ₹10 each	13,000,000,000.00	-
	Total	13,000,000,000.00	
B	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE OFFER, AS OF THE DATE OF THIS DRAFT RED HERRING PROSPECTUS**		
	897,023,682 Equity Shares bearing face value of ₹10 each	8,970,236,820.00^	-
	Total	8,970,236,820.00^	
C	**OFFER**		
	Offer of up to [•] Equity Shares aggregating up to ₹ 16,000 million(2)(3)	[•]	[•]
	Comprising:		
	Fresh Issue of up to [•] Equity Shares aggregating up to ₹ 7,500 million	[•]	[•]
	Offer for Sale of up to [•] Equity Shares aggregating up to ₹ 8,500 million	[•]	[•]
	Which includes:		
	Employee Reservation Portion of up to [•] Equity Shares(4)	[•]	[•]
	Net Offer of up to [•] Equity Shares	[•]	[•]
D	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE OFFER***		
	[•] Equity Shares bearing face value of ₹10 each	[•]	[•]
E	**SECURITIES PREMIUM ACCOUNT** *(in million)*		
	Before the Offer		4,477.17^
	After the Offer		[•]

* *To be included upon finalisation of the Offer Price and subject to the Basis of Allotment.*

^ *The total paid-up share capital and the securities premium includes the amounts pertaining to the Equity Shares held through the SBFC Employee Welfare Trust*

1. *For details in relation to the changes in the authorised share capital of the Company, see "History and Certain Corporate Matters – Amendments to the Memorandum of Association in the last 10 years" on page 232.*
2. *The Offer has been authorized by a resolution dated October 14, 2022 passed by our Board and the Fresh Issue has been approved by a special resolution dated October 15, 2022 passed by our Shareholders. Subject to receipt of corporate approvals, our Company may, at the discretion of the Company and the Promoter Selling Shareholders, undertake the Pre-IPO Placement. The Pre-IPO Placement, if undertaken, will be at a price to be decided by our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers and will be undertaken prior to filing of the Red Herring Prospectus with the RoC. If the Pre-IPO Placement is undertaken, the number of Equity Shares issued pursuant to the Pre-IPO Placement will be reduced from the Fresh Issue, subject to the minimum Offer size constituting at least [•]% of the post-Offer paid-up Equity Share capital of our Company.*
3. *Each Promoter Selling Shareholder confirms that its respective portion of the Offered Shares have been held by it for a period of at least one year prior to the filing of this Draft Red Herring Prospectus with SEBI and are eligible in accordance with Regulation 8 of the SEBI ICDR Regulations. For details of the authorization of each of the Promoter Selling Shareholders in relation to their respective Offered Shares, see "The Offer" on page 65.*
4. *Eligible Employees Bidding in the Employee Reservation Portion must ensure that the maximum Bid Amount does not exceed ₹500,000 (net of Employee Discount, if any). However, the initial Allotment to an Eligible Employee in the Employee Reservation Portion shall not exceed ₹200,000 (net of Employee Discount, if any). Only in the event of under-subscription in the Employee Reservation Portion, such unsubscribed portion will be available for allocation and Allotment proportionately to all Eligible Employees who have Bid in excess of ₹200,000 (net of Employee Discount, if any), subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹500,000 (net of Employee Discount, if any).*

Notes to Capital Structure

(i) **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	Number of equity shares allotted	Details of the allottees	Face value per equity share (in ₹)	Issue price per equity share (in ₹)	Reason for/ nature of allotment	Nature of consideration
January 25, 2008	2,000,000	1,999,999 equity shares were allotted to MAPE Advisory Group Private Limited and 1 equity share was allotted to M. Ramprasad	10	10	Initial subscription to Memorandum of Association	Cash
March 3, 2008	50,000	50,000 equity shares were allotted to MAPE Advisory Group Private Limited	10	10	Further issue	Cash
September 28, 2017	673,950,000	558,052,500 equity shares were allotted to Lyra Partners Ltd and 115,897,500 equity shares were allotted to Arpwood Partners Investment Advisors LLP	10	12.50	Rights Issue	Cash
March 15, 2019	10,840,000	10,840,000 equity shares were allotted to SBFC Employee Welfare Trust under the ESOP 2018 - I.	10	12.50	Allotment of equity shares under the ESOP 2018 – I	Cash
June 3, 2019	80,654,506	60,374,506 partly paid-up equity shares were allotted to Arpwood Partners Investment Advisors LLP; 16,224,000 partly paid-up equity shares were allotted to Aseem Dhru; 4,056,000 partly paid-up equity shares were allotted to Mahesh Dayani	10	13.10[(1)]	Private placement	Cash
June 25, 2020	52,650,776	40,040,000 equity shares were allotted to SBFC Holdings Pte. Ltd.; 11,719,790 equity shares were allotted to Arpwood Capital Private Limited; 890,986 equity shares were allotted to Eight45 Services Ltd.	10	19.08	Rights Issue	Cash
October 13, 2020	1,703,400	1,310,300 equity shares were allotted to Pankaj Poddar; 262,100 equity shares were allotted to Deepak Mudalgikar; 131,000 equity shares were allotted to Manu Mahajan	10	19.08	Private placement	Cash
December 23, 2021	2,825,000	2,825,000 equity shares were allotted to Vistra ITCL (India) Limited (in its capacity as trustee for the SBFC Employee Welfare Trust) under the ESOP 2021 – I	10	19.00	Allotment of equity shares under ESOP 2021 – I	Cash
January 14, 2022	7,350,000	4,200,000 partly paid-up equity shares were allotted to Aseem Dhru; 2,100,000 partly paid-up equity shares were allotted to Mahesh Dayani; 525,000 partly paid-up equity shares were allotted to Narayan Barasia; 525,000 partly paid-up equity shares were allotted to Pankaj Poddar	10	21.45 [(2)]	Private placement	Cash
February 14, 2022	2,500,000	2,500,000 equity shares were allotted to Mahesh Dayani under the ESOP 2018 - II	10	12.50	Allotment of equity shares	Cash

Date of allotment of equity shares	Number of equity shares allotted	Details of the allottees	Face value per equity share (in ₹)	Issue price per equity share (in ₹)	Reason for/ nature of allotment	Nature of consideration
					under ESOP 2018 – II	
April 8, 2022	62,500,000	50,000,000 equity shares allotted to SBFC Holdings Pte Ltd.; 12,500,000 equity shares allotted to Malabar India Fund Limited	10	40.00	Private placement	Cash

** The private placements were in accordance with Section 42 of the Companies Act, 2013 a separate bank account had been opened for receipt of monies out of such private placements.*

(1) Allotment of 80,654,506 partly paid-up shares, i.e., ₹ 0.50 paid per Equity Shares allotted on June 3, 2019. Out of 80,654,506 Equity Shares (a) 16,700,000 Equity Shares were fully-paid up on June 24, 2019; (b) 43,674,506 Equity Shares were fully-paid up on August 30, 2019; (c) 5,190,713 Equity Shares were fully-paid up on October 3, 2019; (d) 2,820,954 Equity Shares were fully-paid up on September 14, 2022; and (e) 12,268,333 Equity Shares were fully paid up on October 19, 2022.

(2) Allotment of 7,350,000 partly paid-up shares, i.e., ₹ 5.36 (including securities premium of ₹ 2.86) paid per Equity Shares allotted on January 14, 2022. The 7,350,000 Equity Shares were converted into fully paid up on October 19, 2022.

(ii) **Equity shares issued or for consideration other than cash or out of revaluation reserves**

Our Company has not issued equity shares or preference shares for consideration other than cash or out of revaluation reserves, on the date of this Draft Red Herring Prospectus.

Our Company has not issued any shares out of revaluation reserves since incorporation.

(iii) **Issue of equity shares and preference shares pursuant to any scheme approved under Sections 230 to 234 of the Companies Act, 2013**

Our Company has not allotted any Equity Shares pursuant to of any scheme of arrangement approved under Sections 391-394 of the Companies Act, 1956 or Sections 230-234 of the Companies Act, 2013.

(iv) **Issue of equity shares under employee stock option schemes**

For details of equity shares issued by our Company pursuant to the exercise of options which have been granted under ESOP 2018 – I, ESOP 2018 – II, ESOP 2021 – I, ESOP 2021 – II, ESOP 2021 – III, ESOP 2021 – IV and ESOP 2021 – V, see "– *Share capital history of our Company*" on page 82.

(v) **Equity shares issued in the preceding one year below the Offer Price**

Except as disclosed above under "– *Notes to Capital Structure – Share capital history of our Company*" on page 82, our Company has not issued any equity shares at a price which may be lower than the Offer Price during a period of one year preceding the date of this Draft Red Herring Prospectus.

(vi) **Shareholding Pattern of our Company**

The table below presents the shareholding pattern of our Company, as on the date of this Draft Red Herring Prospectus:

Category (I)	Category of shareholder (II)	Number of shareholders (III)	Number of fully paid up Equity Shares held (IV)	Number of Partly paid-up Equity Shares held (V)	Number of shares underlying Depository Receipts (VI)	Total number of shares held (VII) =(IV)+(V)+ (VI)	Shareholding as a % of total number of shares (calculated as per SCRR, 1957) (VIII) As a % of (A+B+C2)	Number of Voting Rights held in each class of securities (IX)				Number of shares Underlying Outstanding convertible securities (including Warrants) (X)	Shareholding, as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) (XI)= (VII)+(X) As a % of (A+B+C2)	Number of Locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of Equity Shares held in dematerialized form (XIV)
								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 e.g.: Equity Shares	Class e.g.: Others	Total								
(A)	**Promoters and Promoter Group**	4	833,525,282	0	0	833,525,282	92.92%	833,525,282	0	833,525,282	92.92%	0	92.92%	-	-	-	-	833,525,282
(B)	**Public**	45	56,046,400	0	0	56,046,400	6.25%	56,046,400	0	56,046,400	6.25%	0	6.25%	-	-	-	-	56,046,400
(C)	**Non Promoter- Non Public**	1	7,452,000	0	0	7,452,000	0.83%	7,452,000	0	7,452,000	0.83%	0	0.83%	-		-		7,452,000
(C1)	**Shares underlying depository receipts**	0	0	0	0	0	0.00%	0	0	0	0.00%	0	0.00%	-		-		0
(C2)	**Shares held by employee trusts**	1	7,452,000	0	0	7,452,000	0.83%	7,452,000	0	7,452,000	0.83%	0	0.83%	-		-		7,452,000
	Total	50	897,023,682	0	0	897,023,682	100.00%	897,023,682	0	897,023,682	100.00%	0	100.00%	-	-	-	-	897,023,682

(vii) **Details of equity shareholding of the major Shareholders of our Company:**

1. Set forth below are details of Shareholders holding 1% or more of the paid-up Equity Share capital of our Company (comprising at least 80% of the paid-up Equity Share capital) as on the date of this Draft Red Herring Prospectus:

Sr. No.	Name of the Shareholder	Number of Equity Shares held	Percentage of the Equity Share capital (%)	Percentage of the Equity Share capital on a fully diluted basis(%)*
1	SBFC Holdings Pte. Ltd.	657,040,000	73.25	67.85
2	Arpwood Partners Investment Advisors LLP	122,217,177	13.62	12.62
3	Arpwood Capital Private Limited	29,995,300	3.34	3.10
4	Eight45 Services LLP	24,272,805	2.71	2.51
5	Malabar India Fund Limited	16,000,544	1.78	1.65
6	Aseem Dhru	15,918,167	1.77	1.64
	Total	**865,443,993**	**96.47**	**89.37**

** Assuming exercise of all options under the ESOP Schemes that are granted as of the date of this Draft Red Herring Prospectus*

2. Set forth below are details of Shareholders holding 1% or more of the paid-up Equity Share capital of our Company (comprising at least 80% of the paid-up Equity Share capital) as of 10 days prior to the date of this Draft Red Herring Prospectus:

Sr. No.	Name of the Shareholder	Number of Equity Shares held	Percentage of the Equity Share capital (%)	Percentage of the Equity Share capital on a fully diluted basis (%)*
1	SBFC Holdings Pte. Ltd.	657,040,000	73.25	67.85
2	Arpwood Partners Investment Advisors LLP	122,217,177	13.62	12.62
3	Arpwood Capital Private Limited	29,995,300	3.34	3.10
4	Eight45 Services LLP	24,272,805	2.71	2.51
5	Malabar India Fund Limited	16,000,544	1.78	1.65
6	Aseem Dhru	15,918,167	1.77	1.64
	Total	**865,443,993**	**96.47**	**89.37**

** Assuming exercise of all options under the ESOP Schemes that are granted as of the relevant date*

3. Set forth below are details of Shareholders holding 1% or more of the paid-up equity share capital of our Company (comprising at least 80% of the paid-up Equity Share capital) as of one year prior to the date of this Draft Red Herring Prospectus:

Sr. No.	Name of the Shareholder	Number of Equity Shares held	Percentage of the Equity Share capital (%)	Percentage of the Equity Share capital on a fully diluted basis (%)*
1	SBFC Holdings Pte. Ltd.	600,040,000	73.01	69.58
2	Arpwood Partners Investment Advisors LLP	130,873,506	15.92	15.18
3	Arpwood Capital Private Limited	32,119,790	3.91	3.72
4	Eight45 Services LLP	25,991,986	3.16	3.01
5	Aseem Dhru	16,224,000	1.97	1.88
6	Vistra ITCL (India) Limited (Trustee of SBFC Employee Welfare Trust)	10,840,000	1.32	1.26
	Total	**816,089,282**	**99.29**	**94.63**

** Assuming exercise of all options under the ESOP Schemes that are granted as of the relevant date*

4. Set forth below are details of Shareholders holding 1% or more of the paid-up equity share capital of our Company (comprising at least 80% of the paid-up Equity Share capital) as of two years, prior to the date of this Draft Red Herring Prospectus:

Sr. No.	Name of the Shareholder	Number of Equity Shares held	Percentage of the Equity Share capital (%)	Percentage of the Equity Share capital on a fully diluted basis (%)*
1	SBFC Holdings Pte. Ltd.	600,040,000	73.01	69.58
2	Arpwood Partners Investment Advisors LLP	130,873,506	15.92	15.18
3	Arpwood Capital Private Limited	32,119,790	3.91	3.72
4	Eight45 Services LLP	25,991,986	3.16	3.01
5	Aseem Dhru	16,224,000	1.97	1.88
6	Vistra ITCL (India) Limited (Trustee of SBFC Employee Welfare Trust)	10,840,000	1.32	1.26
	Total	**816,089,282**	**99.29**	**94.63**

** Assuming exercise of all options under the ESOP Schemes that are granted as of the relevant date*

(viii) **Details of Equity Shareholding of our Promoters and members of the Promoter Group in our Company**

As on the date of this Draft Red Herring Prospectus, our Promoters hold an aggregate of 833,525,282 Equity Shares, constituting 92.92% of the issued, subscribed and paid-up Equity Share capital of our Company.

The details regarding our Promoters' shareholding are set forth below:

- *Build-up of Promoters' 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 (₹)	Acquisition / transfer price per equity share (₹)	Percentage of the pre-Offer Equity Share capital (%)	Percentage of the post-Offer Equity Share capital (%)
(A) Arpwood Partners Investment Advisors LLP							
August 1, 2017	Transfer from Rajeev Gupta	82,000	Cash	10	12.50	0.01	[•]
August 1, 2017	Transfer from Amol Jain	20,500	Cash	10	12.50	0.00	[•]
September 28, 2017	Rights Issue	115,897,500	Cash	10	12.50	12.92	[•]
July 25, 2018	Transfer to Eight45 Services LLP	(18,701,000)	Cash	10	12.50	(2.08)	[•]
September 29, 2018	Transfer to Eight45 Services LLP	(6,400,000)	Cash	10	12.50	(0.71)	[•]
June 3, 2019	Private Placement	60,374,506	Cash	10	13.10	6,73	[•]
June 21, 2019	Transfer to Arpwood Capital Private Limited	(16,700,000)	Cash	10	13.10	(1.86)	[•]
August 4, 2020	Transfer to Arpwood Capital Private Limited	(3,700,000)	Cash	10	19.18	(0.41)	[•]
February 24, 2022	Transfer to Malabar India Fund Limited	(781,329)	Cash	10	40.00	(0.09)	[•]
February 24, 2022	Transfer to Malabar Select Fund	(7,875,000)	Cash	10	40.00	(0.88)	[•]

Date of allotment/ transfer	Nature of transaction	Number of equity shares allotted/ transferred	Nature of consideration	Face value per equity share (₹)	Acquisition / transfer price per equity share (₹)	Percentage of the pre-Offer Equity Share capital (%)	Percentage of the post-Offer Equity Share capital (%)
Sub - Total (A)		**122, 217,177**				**13.62**	**[•]**
(B) Eight45 Services LLP							
July 25, 2018	Transfer from Arpwood Partners Investment Advisors LLP	18,701,000	Cash	10	12.50	2.08	[•]
September 29, 2018	Transfer from Arpwood Partners Investment Advisors LLP	6,400,000	Cash	10	12.50	0.71	[•]
June 25, 2020	Rights Issue	890,986	Cash	10	19.08	0.10	[•]
February 24, 2022	Transfer to Malabar India Fund Limited	(1,719,181)	Cash	10	40.00	(0.19)	[•]
Sub-Total (B)		**24,272,805**				**2.71**	**[•]**
(C) Arpwood Capital Private Limited							
June 21, 2019	Transfer from Arpwood Partners Investment Advisors LLP	16,700,000	Cash	10	13.10	1.86	[•]
June 25, 2020	Rights Issue	11,719,790	Cash	10	19.08	1.31	[•]
August 4, 2020	Transfer from Arpwood Partners Investment Advisors LLP	3,700,000	Cash	10	19.18	0.41	[•]
February 23, 2022	Transfer to Malabar Midcap Fund	(2,124,490)	Cash	10	40.00	(0.24)	[•]
Sub-Total (C)		**29,995,300**				**3.34**	**[•]**
(D) SBFC Holdings Pte. Ltd.							
May 29, 2019	Transfer from Lyra Partners Ltd	560,000,000	Cash	10	13.18	62.43	[•]
June 25, 2020	Rights Issue	40,040,000	Cash	10	19.08	4.46	[•]
April 8, 2022	Private Placement	50,000,000	Cash	10	40.00	5.57	[•]
September 20, 2022	Transfer from Aseem Dhru	4,000,000	Cash	10	60.00	0.45	[•]
September 20, 2022	Transfer from Mahesh Dayani	3,000,000	Cash	10	60.00	0.33	[•]
Sub-Total (D)		**657,040,000**				**73.25**	**[•]**
Total (A + B + C+D)		**833,525,282**				**92.92**	**[•]**

One of our Promoters, Clermont Financial Pte. Ltd. does not directly hold any Equity Shares in our Company.

As on the date of this Draft Red Herring Prospectus, none of the Equity Shares held by our Promoters are pledged.

- *Shareholding of our Promoters, members of our Promoter Group and the directors of Promoters*

The details of shareholding of our Promoters, members of the Promoter Group and the directors of Promoters as on the date of this Draft Red Herring Prospectus are set forth below:

Sr. No.	Name of the Shareholder	Pre-Offer Number of Equity Shares	Percentage of the Pre-Offer Equity Share capital (%)	Percentage of the Pre-Offer Equity Share capital on a fully diluted basis (%)*	Post-Offer Number of Equity Shares	Percentage of the Post-Offer Equity Share capital (%)
	Promoters					
a)	SBFC Holdings Pte. Ltd.	657,040,000	73.25	67.85	[•]	[•]

Sr. No.	Name of the Shareholder	Pre-Offer Number of Equity Shares	Percentage of the Pre-Offer Equity Share capital (%)	Percentage of the Pre-Offer Equity Share capital on a fully diluted basis (%)*	Post-Offer Number of Equity Shares	Percentage of the Post-Offer Equity Share capital (%)
b)	Clermont Financial Pte. Ltd.	Nil	Nil	Nil	[•]	[•]
c)	Arpwood Partners Investment Advisors LLP	122,217,177	13.62	12.62	[•]	[•]
d)	Arpwood Capital Private Limited	29,995,300	3.34	3.10	[•]	[•]
e)	Eight45 Services LLP	24,272,805	2.71	2.51	[•]	[•]
	Members of the Promoter Group					
a)	Arpwood Consultants LLP	Nil	Nil	Nil	[•]	[•]
b)	Vastrapur Investment Advisors LLP	Nil	Nil	Nil	[•]	[•]
c)	Dalmia Family Office Trust	Nil	Nil	Nil	[•]	[•]
d)	Clermont Corporation Pte. Ltd.	Nil	Nil	Nil	[•]	[•]
e)	Indie Holdings Pte. Ltd.	Nil	Nil	Nil	[•]	[•]
	Directors of Promoters					
a)	John Mescall	Nil	Nil	Nil	Nil	Nil
b)	Leroy Langeveld	Nil	Nil	Nil	Nil	Nil
c)	Russell Low	Nil	Nil	Nil	Nil	Nil
d)	Rajeev Gupta	Nil	Nil	Nil	Nil	Nil
e)	Raj Kumar Kataria	Nil	Nil	Nil	Nil	Nil
Total		**833,525,282**	**92.92**	**86.08**	**[•]**	**[•]**

** Assuming exercise of all options under the ESOP Schemes that are granted as of the date of this Draft Red Herring Prospectus.*

Except as disclosed above, none of our Promoters, members of our Promoter Group or the directors of Promoters hold any Equity Shares or preference shares as on date of this Draft Red Herring Prospectus.

- *Details of Promoters' Contribution and Lock-in*

Pursuant to Regulation 14 and Regulation 16(1)(a) 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 shall be considered as minimum promoters' contribution and locked-in for a period of 18 months from the date of Allotment ("**Promoters' Contribution**").

The details of the Equity Shares held by our Promoters, which shall be locked-in for a period of 18 months, from the date of Allotment as Promoters' Contribution are set forth below:

Name of the Promoter	Number of Equity Shares locked-in(1)	Date of allotment/ transfer/acquisition	Nature of transaction	Face value (₹)	Issue/ Acquisition price per Equity Share (₹)	Percentage of pre-Offer paid-up Equity Share capital	Percentage of post-Offer paid-up Equity Share Capital
[•]	[•]	[•]	[•]	[•]	[•]	[•]	[•]

(1) All Equity Shares were fully paid-up at the time of allotment/transfer.

The Promoters have given their 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.

Our Company undertakes that the Equity Shares that are being locked-in will not be 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 "*– Details of Equity Shareholding of our Promoters and members of the Promoter Group in our Company*" on page 86.

In this connection, we confirm the following:

(i). 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 by revaluation of assets or by capitalisation of intangible assets; and (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;

(ii). 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;

(iii). Our Company has not been formed by the conversion of a partnership firm or a limited liability partnership firm into a company;

(iv). The Equity Shares forming part of the Promoters' Contribution are not subject to any pledge with any creditor; and

(v). All the Equity Shares held by the Promoters are held in dematerialised form.

- *Details of Equity Shares locked-in for six months:*

In addition to 20% of the fully diluted post-Offer shareholding of our Company held by our Promoters and locked-in for 18 months, 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 shall be locked-in for a period of six months from the date of Allotment, except for (i) the Equity Shares transferred pursuant to the Offer for Sale; (ii) any Equity Shares allotted to employees, whether currently employees or not and including the legal heirs or nominees of any deceased employees or ex-employees, pursuant to the ESOP Schemes prior to the Offer; (iii) any Equity Shares held by a VCF or Category I AIF or Category II AIF or FVCI, as applicable, provided that (a) such Equity Shares shall be locked in for a period of at least six months from the date of purchase by such VCF or AIF or FVCI; and (b) such VCF or AIF of category I or category II or a FVCI holds, individually or with persons acting in concert, less than 20% of pre-Offer Equity Share capital of the Company (on a fully diluted basis).

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 SEBI Takeover Regulations, as applicable. Further, 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 SEBI Takeover Regulations.

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.

Our Promoters have agreed not to sell, transfer, charge, pledge or otherwise encumber in any manner, the Promoter's contribution from the date of filing of this Draft Red Herring Prospectus, until the expiry of the lock-in specified above, or for such other time as required under SEBI ICDR Regulations, except as may be permitted, in accordance with the SEBI ICDR Regulations.

The Equity Shares held by the Promoters, which are locked-in, may be pledged only with scheduled commercial banks or public financial institutions or NBFC-ND-SIs or housing finance companies, 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. In terms of Regulation 21(a) of the SEBI ICDR Regulations, the Equity Shares held by the Promoters which are locked-in for a period of 18 months from the date of Allotment may be pledged only with the entities mentioned above, provided that such loans have been granted for the purpose of financing one or more of the objects of the Offer and pledge of the Equity Shares is a term of sanction of such loans. Further, pursuant to Regulation 21(b) of the SEBI ICDR Regulations, 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 the entities mentioned above, provided that such pledge of the Equity Shares is one of the terms of the sanction of such loans.

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.

Any unsubscribed portion of the Offered Shares would also be locked-in as required under the SEBI ICDR Regulations.

- *Lock-in of the Equity Shares to be Allotted, if any, to the Anchor Investors*

  50% of the Equity Shares allotted to Anchor Investors under the Anchor Investor Portion shall be locked-in for a period of 90 days from the date of Allotment and the remaining 50% shall be locked in for a period of 30 days from the date of Allotment.

(ix) As on the date of filing of this Draft Red Herring Prospectus, our Company has 50 Shareholders, comprising 897,023,682 equity shares.

(x) Except as disclosed under *"Build-up of Promoters' Equity Shareholding in our Company"* on page 86, our Promoters, the directors of our Promoters, any member of our Promoter Group, our Directors, or any of their relatives have not purchased or sold any securities of our Company during the period of six months immediately preceding the date of this Draft Red Herring Prospectus.

(xi) Except for the (i) allotment of Equity Shares pursuant to the Offer; (ii) Pre-IPO placement; and (iii) issuance of Equity Shares pursuant to exercise of options granted under the ESOP Schemes our Company presently does not intend or propose and is not under negotiations or considerations to alter its capital structure for a period of six months from the Bid/Offer Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether on a preferential basis or by way of issue of bonus shares or on a rights basis or by way of further public issue of Equity Shares or otherwise.

(xii) There have been no financing arrangements whereby the Promoters, members of the Promoter Group, the Directors and their relatives (as defined in the Companies Act, 2013) and the directors of the corporate Promoters have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during a period of six months immediately preceding the date of this Draft Red Herring Prospectus.

(xiii) Our Company, our Directors and the Book Running Lead Managers have not entered into any buy-back arrangements for purchase of Equity Shares from any person.

(xiv) As on the date of this Draft Red Herring Prospectus, the Book Running Lead Managers and their respective associates (as defined under the SEBI Merchant Bankers Regulations) do not hold any Equity Shares.

(xv) Except as stated below, none of our Directors or Key Managerial Personnel hold any Equity Shares in our Company:

S. No.	Shareholder	Number of Equity Shares	% of the pre-Offer Equity Share Capital	Number of employee stock options outstanding	% of the post-Offer Equity Share Capital
a)	Aseem Dhru	15,918,167	1.77	39,406,667	[•]
b)	Mahesh Dayani	5,150,166	0.57	17,203,333	[•]
c)	Narayan Barasia	1,815,000	0.20	3,830,833	[•]
d)	Pankaj Poddar	3,435,300	0.38	3,120,833	[•]
e)	Saiprashant Menon	180,000	0.02	1,020,000	[•]
f)	Sanket Agrawal	90,000	0.01	610,000	[•]
g)	VM Maneesh	-	-	600,000	[•]
h)	Sumeet Ghai	-	-	150,000	[•]
i)	Jay Mistry	-	-	50,000	[•]

(xvi) All Equity Shares issued pursuant to the Offer shall be fully paid-up at the time of Allotment and there are no partly paid-up Equity Shares as on the date of this Draft Red Herring Prospectus.

(xvii) Except for the Equity Shares or employee stock options that may be allotted or granted pursuant to the ESOP Schemes there are no outstanding warrants, options to be issued or rights to convert debentures, loans or other convertible instruments of our Company into, or which would entitle any person any option to receive, Equity Shares as on the date of this Draft Red Herring Prospectus.

(xviii) 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.

(xix) There shall 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 this Draft Red Herring Prospectus with the SEBI until the Equity Shares have been listed on the Stock Exchanges, or all application monies have been refunded, as the case may be, other than in connection with the (i) Offer; (ii) Pre-IPO Placement; and (iii) issuance of Equity Shares pursuant to exercise of options granted under the ESOP Schemes.

(xx) Our Company shall ensure that transactions in the Equity Shares by our Promoters and the Promoter Group between the date of filing of this Draft Red Herring Prospectus and the date of closure of the Offer shall be intimated to the Stock Exchanges within 24 hours of such transaction.

(xxi) As on the date of this Draft Red Herring Prospectus, the BRLMs and their respective associates (as defined in the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 do not hold any Equity Shares of our Company.

(xxii) None of the Promoters or other members of our Promoter Group will participate in the Offer except to the extent of their participation in the Offer for Sale.

(xxiii) No person connected with the Offer, including, but not limited to, the BRLMs, the members of the Syndicate, our Company, our Directors, our Promoter, members of our Promoter Group or Group Company, shall offer or make payment of any incentive, whether 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.

(xxiv) There shall be only one denomination of the Equity Shares, unless otherwise permitted by law.

Employee stock options plan of our Company

A. SBFC Stock Option Policy I 2018

Our Board of Directors approved the SBFC Stock Option Policy I 2018 (the "**ESOP 2018 - I**") pursuant to a resolution dated September 24, 2018 and our Shareholders approved the ESOP 2018 - I pursuant to a resolution dated September 29, 2018. Subsequently, our Board of Directors approved the amendment of the ESOP 2018 - I pursuant to its resolution dated October 14, 2022 and our Shareholders approved the amendment of the ESOP 2018 - I pursuant to a special resolution dated October 15, 2022. Pursuant to the ESOP 2018 - I, options to acquire Equity Shares may be granted to eligible "employees" (as defined in the ESOP 2018 - I) including (i) an employee as designated by the Company, who is exclusively working in India or outside India; or (ii) a director of the

Company, whether a whole time director (as defined under relevant provisions of the Act) or not, including a non-executive director who is not a promoter or member of the promoter group, but at all times excluding an independent director of the Company; or (iii) an employee as defined in (i) or (ii) above, of a group company including Subsidiary or its associate company, in India or outside India, or of a Holding Company of the company; but shall not include an employee who is a promoter or a person belonging to the promoter group; or a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the Company. The ESOP 2018 - I is compliant with the SEBI SBEB Regulations. The ESOP 2018 - I contemplates that the total number of Equity Shares to be issued pursuant to exercise of options under the ESOP 2018 - I shall not exceed 1,08,40,000 Equity Shares. The ESOP 2018 - I is being implemented through the SBFC Employee Welfare Trust.

The following table sets forth the particulars of the ESOP 2018 - I, including options granted during the last three Fiscals, and as on the date of this Draft Red Herring Prospectus:

Particulars	**Fiscal 2020**	**Fiscal 2021**	**Fiscal 2022**	**For the period April 1, 2022 till the date of this DRHP**
Options granted	16,60,000	11,90,000	2,00,000	-
Options vested during the year / period	22,10,000	27,79,000	33,76,000	9,63,250
Options exercised (including options pending for allotment)	-	-	57,89,500	4,23,500
Options forfeited/ lapsed/ cancelled	14,30,000	6,34,500	2,08,500	1,22,000
Options outstanding (total of vested and unvested)	1,00,95,000	1,06,50,500	48,52,500	43,07,000
Exercise price of options	12.5	12.5	12.5	12.5
Total no. of Equity Shares that would arise as a result of full exercise of options granted (net of forfeited/ lapsed/ cancelled options)	1,00,95,000	1,06,50,500	48,52,500	43,07,000
Variation in terms of options	N/A	N/A	Start date of the exercise period updated	N/A
Money realised by exercise of options	-	-	7,23,68,750	52,93,750
Total no. of options in force (vested and unvested options)	1,00,95,000	1,06,50,500	48,52,500	43,07,000
Employee wise details of options granted to:				
(i) Key management personnel				
Narayan Barasia	12,00,000	-	-	-
SaiPrashant Menon	-	6,00,000	-	-
Sanket Agrawal	-	3,00,000	-	-
(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	**Name of Employee**	**Total no. of options granted**		
Fiscal 2020	Vikas Singh*	1,00,000		
Fiscal 2022	Bhavin Umesh Vakil	20,000		
	Meera Rajesh Jotangia	10,000		
	Akhilesh Kumar	20,000		
	Gopalkrishna G Hejib	20,000		
	Manender Nath Jain	20,000		
	Prashant Kumar Singh	20,000		
	Ashutosh Trivedi*	60,000		
	Manish Sharma	30,000		
(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	None			
Fully diluted EPS on a pre-Offer basis pursuant to the issue of equity shares on exercise of options calculated in accordance with the applicable Indian Accounting Standard on 'Earnings Per Share'	0.48	1.06	0.79	0.36 (for the three months ended June 30, 2022)
Difference between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that	Not Applicable as the Company has used fair value of stock options for accounting			

Particulars	Fiscal 2020	Fiscal 2021	Fiscal 2022	For the period April 1, 2022 till the date of this DRHP
shall have been recognised if the Company had used fair value of options and impact of this difference on profits and EPS of the Company				
Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option	Refer Notes below			
Impact on profits and EPS of the last three years if the Company had followed the accounting policies specified in the SEBI SBEB Regulations in respect of options granted in the last three years	Not Applicable			
Intention of the key managerial personnel and whole-time directors who are holders of Equity Shares allotted on exercise of options granted under an employee stock option scheme or allotted under an employee stock purchase scheme, to sell their Equity Shares within three months after the date of listing of the Equity Shares in the initial public offer, if any	Out of total shareholding across all ESOP Schemes, following KMPs are intending to sell their Equity Shares: Narayan Barasia– 17,60,000			
Intention to sell Equity Shares arising out of an employee stock option scheme or allotted under an employee stock purchase scheme within three months after the date of listing, by directors, senior managerial personnel and employees having Equity Shares issued under an employee stock option scheme or employee stock purchase scheme amounting to more than one per cent. of the issued capital (excluding outstanding warrants and conversions)	Not Applicable			

**** Erstwhile employee***

Note:

Fair value methodology for ESOP 2018 - I:

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company had considered the volatility of the Company's stock price based on historical volatility of similar listed enterprises.

Grant Date	*October 1, 2018*	*October 1, 2018*	*December 24, 2018*	*December 24, 2018*	*March 15, 2019*	*May 29, 2019*	*February 15, 2020*	*March 30, 2020*	*December 23, 2020*	*May 26, 2021*
Dividend yield	-	-	-	-	-	-	-	-	-	-
Expected volatility	*20.00%*	*20.00%*	*20.00%*	*20.00%*	*20.00%*	*36.45%*	*37.43%*	*43.92%*	*49.24%*	*52.61%*
Risk free interest rate	*8%*	*7.87%*	*7.08%*	*7.07%*	*7.06%*	*6.34%*	*5.43%*	*5.11%*	*4.33%*	*4.50%*
Expected life of the option	*4 years*	*3 years 6 months*	*4 years*	*3 years 6 months*	*3 years 6 months*	*3 years 6 months*	*4 years*	*3 years 6 months*	*3 years 9 months*	*3 years 6 months*

Pursuant to the ESOP 2018 - I, the Company has issued 6,213,000 Equity Shares to 40 employees of the Company, as of the date of this Draft Red Herring Prospectus.

B. SBFC Stock Option Policy II 2018

Our Board of Directors approved the SBFC Stock Option Policy II 2018 (the "ESOP 2018 - II") pursuant to a resolution dated September 24, 2018 and our Shareholders approved the ESOP 2018 - II pursuant to a resolution dated September 29, 2018. Subsequently, our Board of Directors approved the amendment of the ESOP 2018 - II pursuant to its resolution dated October 14, 2022 and our Shareholders approved the amendment of the ESOP 2018 - II pursuant to a special resolution dated October 15, 2022. Pursuant to the ESOP 2018 - II, options to acquire Equity Shares may be granted to specific "employees" (as defined in the ESOP 2018 - II), i.e., Mahesh Dayani and Aseem Dhru. The ESOP 2018 - II is compliant with the SEBI SBEB Regulations. The ESOP 2018 - II contemplates that the total number of Equity Shares to be issued pursuant to exercise of options under the ESOP 2018 - II shall not exceed 4,05,60,000 Equity Shares.

The following table sets forth the particulars of the ESOP 2018 - II, including options granted during the last three Fiscals, and as on the date of this Draft Red Herring Prospectus:

Particulars	**Fiscal 2020**	**Fiscal 2021**	**Fiscal 2022**	**For the period April 1, 2022 till the date of this DRHP**
Options granted	-	-	-	-
Options vested during the year / period	2,02,80,000	1,01,40,000	1,01,40,000	
Options exercised (including options pending for allotment)	-	-	25,00,000	-
Options forfeited/ lapsed/ cancelled	-	-	-	-
Options outstanding (total of vested and unvested)	4,05,60,000	4,05,60,000	3,80,60,000	3,80,60,000
Exercise price of options	12.5	12.5	12.5	12.5
Total no. of Equity Shares that would arise as a result of full exercise of options granted (net of forfeited/ lapsed/ cancelled options)	4,05,60,000	4,05,60,000	3,80,60,000	3,80,60,000
Variation in terms of options	N/A	N/A	N/A	N/A
Money realised by exercise of options	-	-	3,12,50,000	-
Total no. of options in force (vested and unvested options)	4,05,60,000	4,05,60,000	3,80,60,000	3,80,60,000
Employee wise details of options granted to:				
(i) Key management personnel				
(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	**Name of Employee**		**Total no. of options granted**	
Fiscal 2020	-		-	
Fiscal 2021	-		-	
Fiscal 2022	-		-	
(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	Not Applicable			
Fully diluted EPS on a pre-Offer basis pursuant to the issue of equity shares on exercise of options calculated in accordance with the applicable Indian Accounting Standard on 'Earnings Per Share'	0.48	1.06	0.79	0.36 (for the three months ended June 30, 2022)
Difference between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that shall have been recognised if the Company had used fair value of options and impact of this difference on profits and EPS of the Company	Not Applicable as the Company has used fair value of stock options for accounting			
Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option	Refer Notes below			
Impact on profits and EPS of the last three years if the Company had followed the accounting policies specified in the SEBI SBEB Regulations in respect of options granted in the last three years	Not Applicable			
Intention of the key managerial personnel and whole-time directors who are holders of Equity Shares allotted on exercise of options granted under an employee stock option scheme or allotted under an employee stock purchase scheme, to sell their Equity Shares within three months after the date of listing of the Equity Shares in the initial public offer, if any	Not Applicable			
Intention to sell Equity Shares arising out of an employee stock option scheme or allotted under	Not Applicable			

Particulars	Fiscal 2020	Fiscal 2021	Fiscal 2022	For the period April 1, 2022 till the date of this DRHP
an employee stock purchase scheme within three months after the date of listing, by directors, senior managerial personnel and employees having Equity Shares issued under an employee stock option scheme or employee stock purchase scheme amounting to more than one per cent. of the issued capital (excluding outstanding warrants and conversions)				

Note:

Fair value methodology:

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company had considered the volatility of the Company's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model are:

Particulars	*SBFC Stock Option Policy II 2018*
Dividend yield	-
Expected volatility	*20.00%*
Risk free interest rate	*8.00%*
Expected life of the option	*5 years*

Pursuant to the ESOP 2018 - II, the Company has issued 2,500,000 Equity Shares to 1 employee of the Company, as of the date of this Draft Red Herring Prospectus.

C. SBFC Stock Option Policy 2021 – I

Our Board of Directors approved the SBFC Stock Option Policy 2021 - I (the "**ESOP 2021 - I**") pursuant to a resolution dated October 20, 2021 and our Shareholders approved the ESOP 2021 - I pursuant to a resolution dated October 20, 2021. Subsequently, our Board of Directors approved the amendment of the ESOP 2021 - I pursuant to its resolution dated October 14, 2022 and our Shareholders approved the amendment of the ESOP 2021 - I pursuant to a special resolution dated October 15, 2022. Pursuant to the ESOP 2021 - I, options to acquire Equity Shares may be granted to eligible "employees" (as defined in the ESOP 2021 - I) including (i) an employee as designated by the Company, who is exclusively working in India or outside India; or (ii) a director of the Company, whether a whole time director (as defined under relevant provisions of the Act) or not, including a non-executive director who is not a promoter or member of the promoter group, but at all times excluding an independent director of the Company; or (iii) an employee as defined in (i) or (ii) above, of a group company including Subsidiary or its associate company, in India or outside India, or of a Holding Company of the company; but shall not include an employee who is a promoter or a person belonging to the promoter group; or a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the Company. The ESOP 2021 - I is compliant with the SEBI SBEB Regulations. The ESOP 2021 - I contemplates that the total number of Equity Shares to be issued pursuant to exercise of options under the ESOP 2021 - I shall not exceed 30,00,000 Equity Shares. The ESOP 2021 - I is being implemented through the SBFC Employee Welfare Trust.

The following table sets forth the particulars of the ESOP 2021 - I, including options granted during the last three Fiscals, and as on the date of this Draft Red Herring Prospectus:

Particulars	Fiscal 2020	Fiscal 2021	Fiscal 2022	For the period April 1, 2022 till the date of this DRHP
Options granted	-	-	30,00,000	-
Options vested during the year / period	-	-	-	6,92,500
Options exercised (including options pending for allotment)	-	-	-	-
Options forfeited/ lapsed/ cancelled	-	-	70,000	1,60,000
Options outstanding (total of vested and unvested)	-	-	29,30,000	27,70,000
Exercise price of options	-	-	19.0	19.0
Total no. of Equity Shares that would arise as a result of full exercise of options granted (net of forfeited/ lapsed/ cancelled options)	-	-	29,30,000	27,70,000
Variation in terms of options	-	-	N/A	N/A

Particulars	Fiscal 2020	Fiscal 2021	Fiscal 2022	For the period April 1, 2022 till the date of this DRHP
Money realised by exercise of options	-	-	-	-
Total no. of options in force (vested and unvested options)	-	-	29,30,000	27,70,000
Employee wise details of options granted to:				
(i) Key management personnel				
-	-	-	-	-
-	-	-	-	-
(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	**Name of Employee**		**Total no. of options granted**	
Fiscal 2022	Ish Chawla		3,00,000	
	Ashish Singh		3,00,000	
	Vinay Agrawal		3,00,000	
	Sarjeet Singh Dhaka		2,00,000	
	Kiran Kumar Lade		2,00,000	
	Viney Vaid		2,00,000	
(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	Not Applicable			
Fully diluted EPS on a pre-Offer basis pursuant to the issue of equity shares on exercise of options calculated in accordance with the applicable Indian Accounting Standard on 'Earnings Per Share'	0.48	1.06	0.79	0.36 (for the three months ended June 30, 2022)
Difference between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that shall have been recognised if the Company had used fair value of options and impact of this difference on profits and EPS of the Company	Not Applicable as the Company has used fair value of stock options for accounting			
Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option	Refer Notes below			
Impact on profits and EPS of the last three years if the Company had followed the accounting policies specified in the SEBI SBEB Regulations in respect of options granted in the last three years	Not Applicable			
Intention of the key managerial personnel and whole-time directors who are holders of Equity Shares allotted on exercise of options granted under an employee stock option scheme or allotted under an employee stock purchase scheme, to sell their Equity Shares within three months after the date of listing of the Equity Shares in the initial public offer, if any	Not Applicable			
Intention to sell Equity Shares arising out of an employee stock option scheme or allotted under an employee stock purchase scheme within three months after the date of listing, by directors, senior managerial personnel and employees having Equity Shares issued under an employee stock option scheme or employee stock purchase scheme amounting to more than one per cent. of the issued capital (excluding outstanding warrants and conversions)	Not Applicable			

Note:

Fair value methodology:

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company had considered the volatility of the Company's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model are:

Particulars	***SBFC STOCK OPTION POLICY 2021 - I***
Dividend yield	-
Expected volatility	*49.18%*
Risk free interest rate	*4.55%*
Expected life of the option	*3 years 6 months*

Pursuant to the ESOP 2021 - I, the Company has not yet issued any shares of the Company, as of the date of this Draft Red Herring Prospectus.

D. SBFC Stock Option Policy 2021 – II

Our Board of Directors approved the SBFC Stock Option Policy 2021 - II (the "**ESOP 2021 - II**") pursuant to a resolution dated December 23, 2021 and our Shareholders approved the ESOP 2021 - II pursuant to a resolution dated December 23, 2021. Subsequently, our Board of Directors approved the amendment of the ESOP 2021 - II pursuant to its resolution dated October 14, 2022 and our Shareholders approved the amendment of the ESOP 2021 - II pursuant to a special resolution dated October 15, 2022. Pursuant to the ESOP 2021 - II, options to acquire Equity Shares may be granted to specific "employees" (as defined in the ESOP 2021 - II) including (i) an employee as designated by the Company, who is exclusively working in India or outside India; or (ii) a director of the Company, whether a whole time director (as defined under relevant provisions of the Act) or not, including a non-executive director who is not a promoter or member of the promoter group, but at all times excluding an independent director of the Company; or (iii) an employee as defined in (i) or (ii) above, of a group company including Subsidiary or its associate company, in India or outside India, or of a Holding Company of the company; but shall not include an employee who is a promoter or a person belonging to the promoter group; or a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the Company. The ESOP 2021 - II is compliant with the SEBI SBEB Regulations. The ESOP 2021 - II contemplates that the total number of Equity Shares to be issued pursuant to exercise of options under the ESOP 2021 - II shall not exceed 63,75,000 Equity Shares.

The following table sets forth the particulars of the ESOP 2021 - II, including options granted during the last three Fiscals, and as on the date of this Draft Red Herring Prospectus:

Particulars	**Fiscal 2020**	**Fiscal 2021**	**Fiscal 2022**	**For the period April 1, 2022 till the date of this DRHP**
Options granted	-	-	60,55,000	9,14,000
Options vested during the period	-	-	-	-
Options exercised (including options pending for allotment)	-	-	-	-
Options forfeited/ lapsed/ cancelled	-	-	4,04,000	7,05,000
Options outstanding (total of vested and unvested)	-	-	56,51,000	58,60,000
Exercise price of options	-	-	40.0	40.0
Total no. of Equity Shares that would arise as a result of full exercise of options granted (net of forfeited/ lapsed/ cancelled options)	-	-	56,51,000	58,60,000
Variation in terms of options	-	-	N/A	N/A
Money realised by exercise of options	-	-	-	-
Total no. of options in force (vested and unvested options)	-	-	56,51,000	58,60,000
Employee wise details of options granted to:				
(i) Key management personnel				
SaiPrashant Menon	-	-	2,49,000	1,01,000
Sanket Agrawal	-	-	2,43,000	-
Sumeet Ghai	-	-	-	1,50,000
VM Maneesh	-	-	-	6,00,000
Jay Mistry	-	-	50,000	-
(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	**Name of Employee**		**Total no. of options granted**	

Particulars	Fiscal 2020	Fiscal 2021	Fiscal 2022	For the period April 1, 2022 till the date of this DRHP
Fiscal 2022	Deepak K Mudalgikar*		3,12,000	
	Vinay Agrawal		3,19,000	
Fiscal 2023 (Q1)	R Thiru Kumaran		63,000	
(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	Not Applicable			
Fully diluted EPS on a pre-Offer basis pursuant to the issue of equity shares on exercise of options calculated in accordance with the applicable Indian Accounting Standard on 'Earnings Per Share'	0.48	1.06	0.79	0.36 (for the three months ended June 30, 2022)
Difference between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that shall have been recognised if the Company had used fair value of options and impact of this difference on profits and EPS of the Company	Not Applicable as the Company has used fair value of stock options for accounting			
Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option	Refer Notes below			
Impact on profits and EPS of the last three years if the Company had followed the accounting policies specified in the SEBI SBEB Regulations in respect of options granted in the last three years	Not Applicable			
Intention of the key managerial personnel and whole-time directors who are holders of Equity Shares allotted on exercise of options granted under an employee stock option scheme or allotted under an employee stock purchase scheme, to sell their Equity Shares within three months after the date of listing of the Equity Shares in the initial public offer, if any	Not Applicable			
Intention to sell Equity Shares arising out of an employee stock option scheme or allotted under an employee stock purchase scheme within three months after the date of listing, by directors, senior managerial personnel and employees having Equity Shares issued under an employee stock option scheme or employee stock purchase scheme amounting to more than one per cent. of the issued capital (excluding outstanding warrants and conversions)	Not Applicable			

**Erstwhile KMP*

Note:

Fair value methodology:

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company had considered the volatility of the Company's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model are:

Particulars	*SBFC STOCK OPTION POLICY 2021 - II*
Dividend yield	*-*
Expected volatility	*46.90%*
Risk free interest rate	*5.07%*
Expected life of the option	*5 years*

Pursuant to the ESOP 2021 – II, the Company has not yet issued any shares of the Company, as of the date of this Draft Red Herring Prospectus.

E. SBFC Stock Option Policy 2021 – III

Our Board of Directors approved the SBFC Stock Option Policy 2021 - III (the "**ESOP 2021 - III**") pursuant to a resolution dated December 23, 2021 and our Shareholders approved the ESOP 2021 - III pursuant to a resolution dated December 23, 2021. Subsequently, our Board of Directors approved the amendment of the ESOP 2021 - III pursuant to its resolution dated October 14, 2022 and our Shareholders approved the amendment of the ESOP 2021 - III pursuant to a special resolution dated October 15, 2022. Pursuant to the ESOP 2021 - III, options to acquire Equity Shares may be granted to eligible "employees" (as defined in the ESOP 2021 - III) including (i) an employee as designated by the Company, who is exclusively working in India or outside India; or (ii) a director of the Company, whether a whole time director (as defined under relevant provisions of the Act) or not, including a non-executive director who is not a promoter or member of the promoter group, but at all times excluding an independent director of the Company; or (iii) an employee as defined in (i) or (ii) above, of a group company including Subsidiary or its associate company, in India or outside India, or of a Holding Company of the company; but shall not include an employee who is a promoter or a person belonging to the promoter group; or a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the Company. The ESOP 2021 - III is compliant with the SEBI SBEB Regulations. The ESOP 2021 - III contemplates that the total number of Equity Shares to be issued pursuant to exercise of options under the ESOP 2021 - III shall not exceed 29,75,000 Equity Shares.

The following table sets forth the particulars of the ESOP 2021 - III, including options granted during the last three Fiscals, and as on the date of this Draft Red Herring Prospectus:

Particulars	**Fiscal 2020**	**Fiscal 2021**	**Fiscal 2022**	**For the period April 1, 2022 till the date of this DRHP**
Options granted	-	-	29,75,000	1,99,000
Options vested during the year / period	-	-	-	-
Options exercised (including options pending for allotment)	-	-	-	-
Options forfeited/ lapsed/ cancelled	-	-	1,99,000	3,65,000
Options outstanding (total of vested and unvested)	-	-	27,76,000	26,10,000
Exercise price of options	-	-	40.0	40.0
Total no. of Equity Shares that would arise as a result of full exercise of options granted (net of forfeited/ lapsed/ cancelled options)	-	-	27,76,000	26,10,000
Variation in terms of options	-	-	N/A	N/A
Money realised by exercise of options	-	-	-	-
Total no. of options in force (vested and unvested options)	-	-	27,76,000	26,10,000
Employee wise details of options granted to:				
(i) Key management personnel				
SaiPrashant Menon	-	-	51,000	1,99,000
Sanket Agrawal	-	-	1,57,000	-
(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	**Name of Employee**		**Total no. of options granted**	
Fiscal 2022	Deepak K Mudalgikar*		1,88,000	
	Ish Chawla		2,02,000	
	Ashish Singh		2,34,000	
(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	Not Applicable			
Fully diluted EPS on a pre-Offer basis pursuant to the issue of equity shares on exercise of options calculated in accordance with the applicable Indian Accounting Standard on 'Earnings Per Share'	0.48	1.06	0.79	0.36 (for the three months ended June 30, 2022)
Difference between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that shall have been recognised if the Company had used fair value	Not Applicable as the Company has used fair value of stock options for accounting			

Particulars	Fiscal 2020	Fiscal 2021	Fiscal 2022	For the period April 1, 2022 till the date of this DRHP
of options and impact of this difference on profits and EPS of the Company				
Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option	Refer Notes below			
Impact on profits and EPS of the last three years if the Company had followed the accounting policies specified in the SEBI SBEB Regulations in respect of options granted in the last three years	Not Applicable			
Intention of the key managerial personnel and whole-time directors who are holders of Equity Shares allotted on exercise of options granted under an employee stock option scheme or allotted under an employee stock purchase scheme, to sell their Equity Shares within three months after the date of listing of the Equity Shares in the initial public offer, if any	Not Applicable			
Intention to sell Equity Shares arising out of an employee stock option scheme or allotted under an employee stock purchase scheme within three months after the date of listing, by directors, senior managerial personnel and employees having Equity Shares issued under an employee stock option scheme or employee stock purchase scheme amounting to more than one per cent. of the issued capital (excluding outstanding warrants and conversions)	Not Applicable			

**Erstwhile KMP*

Note:

Fair value methodology:

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company had considered the volatility of the Company's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model are:

Particulars	***SBFC STOCK OPTION POLICY 2021 - III***
Dividend yield	*-*
Expected volatility	*47.99%*
Risk free interest rate	*5.44%*
Expected life of the option	*6 years*

Pursuant to the ESOP 2021 - III - Special Grant, the Company has not yet issued any shares of the Company, as of the date of this Draft Red Herring Prospectus.

F. SBFC Stock Option Policy 2021 – IV

Our Board of Directors approved the SBFC Stock Option Policy 2021 - IV (the "**ESOP 2021 - IV**") pursuant to a resolution dated December 23, 2021 and our Shareholders approved the ESOP 2021 - IV pursuant to a resolution dated December 23, 2021. Subsequently, our Board of Directors approved the amendment of the ESOP 2021 - IV pursuant to its resolution dated October 14, 2022 and our Shareholders approved the amendment of the ESOP 2021 - IV pursuant to a special resolution dated October 15, 2022. Pursuant to the ESOP 2021 - IV, options to acquire Equity Shares may be granted to eligible "employees" (as defined in the ESOP 2021 - IV), i.e., Aseem Dhru, Mahesh Dayani, Narayan Barasia and Pankaj Poddar. The ESOP 2021 - IV is compliant with the SEBI SBEB Regulations. The ESOP 2021 - IV contemplates that the total number of Equity Shares to be issued pursuant to exercise of options under the ESOP 2021 - IV shall not exceed 1,42,91,666 Equity Shares.

The following table sets forth the particulars of the ESOP 2021 - IV, including options granted during the last three Fiscals, and as on the date of this Draft Red Herring Prospectus:

Particulars	Fiscal 2020	Fiscal 2021	Fiscal 2022	For the period April 1, 2022 till the date of this DRHP
Options granted	-	-	1,42,91,666	-
Options vested during the year / period	-	-	-	-
Options exercised (including options pending for allotment)	-	-	-	-
Options forfeited/ lapsed/ cancelled	-	-	-	-
Options outstanding (total of vested and unvested)	-	-	1,42,91,666	1,42,91,666
Exercise price of options	-	-	21.45	21.45
Total no. of Equity Shares that would arise as a result of full exercise of options granted (net of forfeited/ lapsed/ cancelled options)	-	-	1,42,91,666	1,42,91,666
Variation in terms of options	-	-	N/A	N/A
Money realised by exercise of options	-	-	-	-
Total no. of options in force (vested and unvested options)	-	-	1,42,91,666	1,42,91,666
Employee wise details of options granted to:				
(i) Key management personnel				
Aseem Dhru	-	-	81,66,667	-
Mahesh Dayani	-	-	40,83,333	-
Pankaj Poddar	-	-	10,20,833	-
Narayan Barasia	-	-	10,20,833	-
(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	**Name of Employee**		**Total no. of options granted**	
Fiscal 2022	N/A		N/A	
(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	Aseem Dhru			
Fully diluted EPS on a pre-Offer basis pursuant to the issue of equity shares on exercise of options calculated in accordance with the applicable Indian Accounting Standard on 'Earnings Per Share'	0.48	1.06	0.79	0.36 (for the three months ended June 30, 2022)
Difference between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that shall have been recognised if the Company had used fair value of options and impact of this difference on profits and EPS of the Company	Not Applicable as the Company has used fair value of stock options for accounting			
Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option	Refer Notes below			
Impact on profits and EPS of the last three years if the Company had followed the accounting policies specified in the SEBI SBEB Regulations in respect of options granted in the last three years	Not Applicable			
Intention of the key managerial personnel and whole-time directors who are holders of Equity Shares allotted on exercise of options granted under an employee stock option scheme or allotted under an employee stock purchase scheme, to sell their Equity Shares within three months after the date of listing of the Equity Shares in the initial public offer, if any	Out of total shareholding across all ESOP Policies, following KMPs are intending to sell their Equity Shares: Narayan Barasia– 17,60,000; Pankaj Poddar– 12,00,000			
Intention to sell Equity Shares arising out of an employee stock option scheme or allotted under an employee stock purchase scheme within three	Not Applicable			

Particulars	Fiscal 2020	Fiscal 2021	Fiscal 2022	For the period April 1, 2022 till the date of this DRHP
months after the date of listing, by directors, senior managerial personnel and employees having Equity Shares issued under an employee stock option scheme or employee stock purchase scheme amounting to more than one per cent. of the issued capital (excluding outstanding warrants and conversions)				

Note:

Fair value methodology:

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company had considered the volatility of the Company's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model are:

Particulars	*SBFC STOCK OPTION POLICY 2021 - IV*
Dividend yield	*-*
Expected volatility	*48.77%*
Risk free interest rate	*5.07%*
Expected life of the option	*4 years 6 months*

Pursuant to the ESOP 2021 – IV, the Company has not yet issued any shares of the Company, as of the date of this Draft Red Herring Prospectus.

G. SBFC Stock Option Policy 2021 - V

Our Board of Directors approved the SBFC Stock Option Policy 2021 - V (the "**ESOP 2021 - V**") pursuant to a resolution dated December 23, 2021 and our Shareholders approved the "ESOP 2021 - V pursuant to a resolution dated December 23, 2021. Subsequently, our Board of Directors approved the amendment of the ESOP 2021 - V pursuant to its resolution dated October 14, 2022 and our Shareholders approved the amendment of the ESOP 2021 - V pursuant to a special resolution dated October 15, 2022. Pursuant to the ESOP 2021 - V, options to acquire Equity Shares may be granted to eligible employees (as defined in the ESOP 2021 - V), i.e., Aseem Dhru, Mahesh Dayani, Narayan Barasia and Pankaj Poddar. The ESOP 2021 - V is compliant with the SEBI SBEB Regulations. The ESOP 2021 - V contemplates that the total number of Equity Shares to be issued pursuant to exercise of options under the ESOP 2021 - V shall not exceed 1,05,00,000 Equity Shares.

The following table sets forth the particulars of the ESOP 2021 - V, including options granted during the last three Fiscals, and as on the date of this Draft Red Herring Prospectus:

Particulars	Fiscal 2020	Fiscal 2021	Fiscal 2022	For the period April 1, 2022 till the date of this DRHP
Options granted	-	-	1,05,00,000	-
Options vested during the year / period	-	-	-	-
Options exercised (including options pending for allotment)	-	-	-	-
Options forfeited/ lapsed/ cancelled	-	-	-	-
Options outstanding (total of vested and unvested)	-	-	1,05,00,000	1,05,00,000
Exercise price of options	-	-	40.0	40.0
Total no. of Equity Shares that would arise as a result of full exercise of options granted (net of forfeited/ lapsed/ cancelled options)	-	-	1,05,00,000	1,05,00,000
Variation in terms of options	-	-	N/A	N/A
Money realised by exercise of options	-	-	-	-
Total no. of options in force (vested and unvested options)	-	-	1,05,00,000	1,05,00,000
Employee wise details of options granted to:				
(i) Key management personnel				
Aseem Dhru	-	-	42,00,000	-
Mahesh Dayani	-	-	21,00,000	-
Pankaj Poddar	-	-	21,00,000	-
Narayan Barasia	-	-	21,00,000	-

Particulars	Fiscal 2020	Fiscal 2021	Fiscal 2022	For the period April 1, 2022 till the date of this DRHP
(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	**Name of Employee**		**Total no. of options granted**	
Fiscal 2022	N/A		N/A	
(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	Not Applicable			
Fully diluted EPS on a pre-Offer basis pursuant to the issue of equity shares on exercise of options calculated in accordance with the applicable Indian Accounting Standard on 'Earnings Per Share'	0.48	1.06	0.79	0.36 (for the three months ended June 30, 2022)
Difference between employee compensation cost calculated using the intrinsic value of stock options and the employee compensation cost that shall have been recognised if the Company had used fair value of options and impact of this difference on profits and EPS of the Company	Not Applicable as the Company has used fair value of stock options for accounting			
Description of the pricing formula and the method and significant assumptions used during the year to estimate the fair values of options, including weighted-average information, namely, risk-free interest rate, expected life, expected volatility, expected dividends and the price of the underlying share in market at the time of grant of the option	Refer Notes below			
Impact on profits and EPS of the last three years if the Company had followed the accounting policies specified in the SEBI SBEB Regulations in respect of options granted in the last three years	Not Applicable			
Intention of the key managerial personnel and whole-time directors who are holders of Equity Shares allotted on exercise of options granted under an employee stock option scheme or allotted under an employee stock purchase scheme, to sell their Equity Shares within three months after the date of listing of the Equity Shares in the initial public offer, if any	Out of total shareholding across all ESOP Policies, following KMPs are intending to sell their Equity Shares: Narayan Barasia– 17,60,000; Pankaj Poddar– 12,00,000			
Intention to sell Equity Shares arising out of an employee stock option scheme or allotted under an employee stock purchase scheme within three months after the date of listing, by directors, senior managerial personnel and employees having Equity Shares issued under an employee stock option scheme or employee stock purchase scheme amounting to more than one per cent. of the issued capital (excluding outstanding warrants and conversions)	Not Applicable			

Note:

Fair value methodology:

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company had considered the volatility of the Company's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model are:

Particulars	***SBFC STOCK OPTION POLICY 2021 - V***
Dividend yield	-
Expected volatility	*48.77%*
Risk free interest rate	*5.07%*
Expected life of the option	*4 years 6 months*

Pursuant to the ESOP 2021 - V, the Company has not yet issued any shares of the Company, as of the date of this Draft Red Herring Prospectus.

OBJECTS OF THE OFFER

The Offer comprises a Fresh Issue of up to [•] Equity Shares, aggregating up to ₹7,500 million by our Company and an Offer for Sale of up to [•] Equity Shares, aggregating up to ₹8,500 million by the Promoter Selling Shareholders. For details of the Promoter Selling Shareholders and their respective portion of the Offered Shares, see "*The Offer*" on page 65.

Offer for Sale

Each Promoter Selling Shareholder will be entitled to its respective share of the proceeds of the Offer for Sale after deducting its respective proportion of the Offer related expenses and relevant taxes thereon. Our Company will not receive any proceeds from the Offer for Sale by the Promoter Selling Shareholders and the proceeds received from the Offer for Sale will not form part of the Net Proceeds. For further details, see "- *Offer related expenses*" on page 106 below.

Fresh Issue

Our Company proposes to utilize the Net Proceeds towards augmenting our Company's capital base to meet our future capital requirements arising out of the growth of our business and assets ("**Object**"). For further details, please see "-**Details of utilisation of Net Proceeds".**

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

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

Net Proceeds

The details of the proceeds from the Fresh Issue are set forth in the table below:

(*in ₹ million*)

Particulars	Estimated amount
Gross Proceeds from the Fresh Issue	7,500
(Less) Offer related expenses in relation to the Fresh Issue	([•])
Net Proceeds*	[•]

**To be determined upon finalisation of the Offer Price and updated in the Prospectus prior to filing with the RoC.*

Requirement of funds and utilisation of Net Proceeds

Augmenting the capital base of our Company

As an NBFC, registered with the RBI, we are subject to regulations relating to capital adequacy, which determine the minimum amount of capital we must hold as a percentage of the risk-weighted assets on our balance sheet and of the risk adjusted value of off-balance sheet items, as applicable. As per the capital adequacy norms issued by the RBI, we are required to have a regulatory minimum Capital to Risk Weighted Assets Ratio ("**CRAR**") of 15% consisting of Tier I and Tier II capital. Additionally, we are required to maintain a Tier I capital of 10% at all times.

As of March 31, 2022 our Company's CRAR was 26.21% of which the Tier I capital was 25.90 % and as of June 30, 2022, our Company's CRAR was 31.97% of which the Tier I capital was 31.63%. The Net Proceeds are proposed to be utilized for increasing our capital base. We anticipate that the Net Proceeds will be sufficient to satisfy our Company's Tier- I capital requirements.

Our Company proposes to utilize the Net Proceeds towards augmenting its Tier I capital base to meet future capital requirements which are expected to arise out of growth of our business and assets, and to ensure compliance with the RBI guidelines. For further details, see "*Key Regulations and Policies*" beginning on page 217.

Means of finance

The entire requirement of funds towards the Object will be met from the Net Proceeds. Accordingly, we confirm that there is no requirement for us to make firm arrangements of finance through verifiable means towards at least

75% of the stated means of finance, excluding the amount to be raised from the Fresh Issue or through existing identifiable internal accruals.

Offer related expenses

The total expenses in relation to the Offer are estimated to be approximately ₹[•] million. The expenses in relation to the Offer include, among others, listing fees, underwriting commission, selling commission, fees payable to the BRLMs, fees payable to legal counsel, fees payable to the Registrar to the Offer, Banker(s) to the Offer, processing fee to the SCSBs for processing ASBA Forms, brokerage and selling commission payable to Registered Brokers, RTAs and CDPs, printing and stationery expenses, advertising and marketing expenses and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchanges.

All costs and expenses in relation to the Offer (other than the listing fee, audit fees, fees payable to domestic legal counsel to the Company and all corporate publicity, other than strictly Offer-related advertisements, which shall be solely borne by the Company) shall be shared between the Company and the Promoter Selling Shareholders pursuant to the Offer in accordance with applicable law, provided that the Promoter Selling Shareholders shall be liable to only such proportionate fees, costs and expenses to the extent of its respective portion of the Equity Shares they have offered and sold in the Offer. It is clarified that all the payments shall be made first by the Company on behalf of such Promoter Selling Shareholders and each of the Promoter Selling Shareholders agree, severally and not jointly, it shall reimburse the Company, on a pro-rata basis, in proportion to its respective portion of the shares they have offered and sold in the Offer.

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

Sr. No	Activity	Estimated amount[(1)] (*in ₹ million*)	As a % of total estimated offer expenses[(1)]	As a % of Offer Size[(1)]
1.	BRLMs' fees and commissions (including underwriting commission, brokerage and selling commission)	[•]	[•]	[•]
2.	Selling commission/processing fee for SCSBs, Banker(s) to the Offer, processing fees payable to Sponsor Bank(s) and fee payable to the Sponsor Bank(s) for Bids made by UPI Bidders[(2)(3)(4)]	[•]	[•]	[•]
3.	Selling commission and uploading charges for members of the Syndicate (including their sub-Syndicate Members), Registered Brokers, RTAs and CDPs[(5)]	[•]	[•]	[•]
4.	Fees payable to the Registrar to the Offer	[•]	[•]	[•]
5.	Other expenses:			
	(i) Listing fees, SEBI filing fees, upload fees, BSE and NSE processing fees, book building software fees and other regulatory expenses	[•]	[•]	[•]
	(ii) Printing and stationery expenses	[•]	[•]	[•]
	(iii) Advertising and marketing expenses	[•]	[•]	[•]
	(iv) Fees payable to auditors/other advisors to the Offer a. Statutory Auditors; b. Independent Chartered Account c. Industry expert.	[•]	[•]	[•]
	(v) Miscellaneous, if any	[•]	[•]	[•]
	Total estimated Offer Expenses	[•]	[•]	[•]

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

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

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

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

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

Portion for Retail Individual Investors	₹[•] *per valid Bid cum Application Form (plus applicable taxes)*

Portion for Eligible Employees	₹[•] *per valid Bid cum Application Form (plus applicable taxes)*
Portion for Non-Institutional Investors	₹[•] *per valid Bid cum Application Form (plus applicable taxes)*

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

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

**For each valid application*

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

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

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

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

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

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

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

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

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

** Based on valid applications*

All such commissions and processing fees set out above shall be paid as per the timelines in terms of the Syndicate Agreement and Cash Escrow and Sponsor Bank Agreement. Further, 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 2, 2021 read with SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022.

Interim use of Net Proceeds

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

In accordance with Section 27 of the Companies Act, 2013, our Company confirms that it shall not use the Net Proceeds for buying, trading or otherwise dealing in shares of any other listed company or for any investment in the equity markets.

Bridge financing facilities

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

Monitoring utilisation of funds

In terms of Regulation 41 of the SEBI ICDR Regulations, our Company shall appoint a monitoring agency to monitor the utilisation of the Net Proceeds prior to filing the Red Herring Prospectus. Our Company undertakes to place the report(s) of the Monitoring Agency on receipt before the Audit Committee without any delay, in accordance with applicable law. Our Company will disclose the utilisation of the Net Proceeds, including interim use under a separate head in its balance sheet for such Fiscals as required under the SEBI ICDR Regulations, the SEBI Listing Regulations and any other applicable laws or regulations, clearly specifying the purposes for which the Net Proceeds have been utilised.

Pursuant to Regulation 18(3) and Regulation 32(3) of the SEBI Listing Regulations, our Company shall on a quarterly basis, disclose to the Audit Committee the use and application of the Net Proceeds. Furthermore, in accordance with Regulation 32(1) of the SEBI Listing Regulations, our Company shall furnish to the Stock Exchanges on a quarterly basis, a statement indicating (i) deviations, if any, in the actual utilisation of the proceeds of the Fresh Issue from the object of the Fresh Issue as stated above; and (ii) details of category wise variations in the actual utilisation of the proceeds of the Fresh Issue from the object of the Fresh Issue as stated above, until such time as the proceeds of the Fresh Issue have been fully utilised or the purpose for which the proceeds have been raised have been achieved. This information will also be uploaded onto our website. The explanation for such variation (if any) will be included in our Directors' report in the annual report.

Variation in the Objects

In accordance with Section 13(8) and Section 27 of the Companies Act, 2013, our Company shall not vary the Object without our Company being authorised to do so by the Shareholders by way of a special resolution. In addition, the notice issued to the Shareholders in relation to the passing of such special resolution ("**Notice**") shall specify the prescribed details, including justification for such variation and shall be published and placed on website of our Company, as required under the Companies Act, 2013 read with applicable rules. The Notice shall simultaneously be published in the newspapers, one in English and one in Marathi, being the vernacular language of the jurisdiction where the Registered and Corporate Office is situated. The Promoters and the controlling Shareholders will be required to provide an exit opportunity to such Shareholders who do not agree to the proposal to vary the Objects, subject to the provisions of the Companies Act, 2013 and in accordance with such terms and conditions, including in respect of pricing of the Equity Shares, in accordance with the Companies Act, 2013 and the SEBI ICDR Regulations.

Appraising agency

The Object has not been appraised by any bank or financial institution or any other independent agency.

Other confirmations

Except to the extent of the proceeds received from the Offer for Sale, no part of the proceeds from the Offer will be paid by our Company to the Directors, Promoters or the Key Managerial Personnel. Our Company has not entered into and there are no anticipated transactions with our Promoters, members of the Promoter Group, Directors and Key Managerial Personnel in relation to the utilisation of the Net Proceeds.

BASIS FOR OFFER PRICE

The Offer Price will be determined by our Company and the Promoter 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 ₹10 each and the Offer Price is [•] times the Floor Price and [•] times the Cap Price of the Price Band. Investors should also see *"Our Business", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations" "Financial Statements" and "Summary of Financial Information"* on pages 193, 25, 373, 276 and 67, respectively, to have an informed view before making an investment decision.

Qualitative Factors

- *Diversified pan-India presence with an extensive network to cater to our target customer segment*;
- *100% in-house sourcing, leading to superior business outcomes;*
- *Comprehensive credit assessment, underwriting and risk management framework;*
- *Strong on-ground collections infrastructure leading to maintenance of robust asset quality;*
- *Strong liability franchise with low cost of funds;*
- *Consistent financial performance backed by profitable growth; and*
- *Experienced, cycle-tested and professional management team with strong corporate governance backed by marquee investors.*

Quantitative Factors

Some of the information presented below relating to our Company is derived from the Restated Financial Information. For details, see "*Financial Statements*" on page 276.

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

Basic and Diluted Earnings per Share ("EPS")

Year ended	Basic EPS (₹)	Diluted EPS (₹)	Weight
March 31, 2022	0.81	0.79	3
March 31, 2021	1.09	1.06	2
March 31, 2020	0.49	0.48	1
Weighted Average	0.85	0.83	
As on June 30, 2022*	**0.37**	**0.36**	

** Not annualised*

Notes:

- *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*
- *Basic Earnings per Equity Share (₹) = Net profit after tax attributable to owners of the Company, as restated / Weighted average no. of Equity Shares outstanding during the year / period*
- *Diluted Earnings per Equity Share (₹) = Net Profit after tax attributable to owners of the Company, as restated / Weighted average no. of potential Equity Shares outstanding during the year /period*
- *Earnings per Share calculations are in accordance with the notified Indian Accounting Standard 33 'Earnings per share'.*
- *The figures disclosed above are based on the Restated Financial Information of the Company.*

Price/Earning ("P/E") ratio in relation to Price Band of ₹[•] to ₹[•] per Equity Share:

Year ended	P/E at the Floor Price (no. of times)	P/E at the Cap Price (no. of times)
Based on basic EPS for Fiscal 2022	[•]	[•]
Based on diluted EPS for Fiscal 2022	[•]	[•]

Industry P/E ratio

Particulars	Face value of equity shares (in ₹)
Highest	47.01
Lowest	32.97

Particulars	Face value of equity shares (in ₹)
Industry Composite	40.09

Notes:

The industry high and low has been considered from the industry peer set provided later in this section. The industry composite has been calculated as the arithmetic average of P/E for industry peer set disclosed in this section. For further details, please see the section entitled "– Comparison of Accounting Ratios with Listed Industry Peers" on page 110.

Return on Net worth ("RoNW")

Year ended	RoNW (%)	Weight
March 31, 2022	5.18	3
March 31, 2021	7.67	2
March 31, 2020	3.75	1
Weighted Average	**5.77**	
Three month period ended June 30, 2022*	**2.24**	

** Not annualised*

Notes:

1. *Weighted average = Aggregate of year-wise weighted RoNW divided by the aggregate of weights i.e. (RoNW x Weight) for each year / Total of weights*
2. *Return on Net Worth (%) = Net Profit after tax attributable to owners of the Company, as restated / Restated average net worth at the end of the year/period.*
3. *'Net worth' under Ind-As: Net worth has been defined as 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 as on March 31, 2019, March 31, 2020; March 31, 2021 and March 31, 2022 and the three-month period ended June 30, 2022, in accordance with Regulation 2(1)(hh) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended.*

Net Asset Value ("NAV") per share

Financial Period	NAV per Equity Share (in INR)		
March 31, 2022	15.42		
As on June 30, 2022	17.52		
	At the Floor Price	**At the Cap Price**	**At the Offer Price**
NAV after the completion of the Offer	[●]	[●]	[●]

Notes:

1. *Net Asset Value per Equity Share = Net worth as per the Restated Financial Information / Number of equity shares outstanding (including shares issued to the ESOP Trust) as at the end of year/period.*
2. *'Net worth' under Ind-As: Net worth has been defined as 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 as on March 31, 2022 and the three-month period ended June 30, 2022, in accordance with Regulation 2(1)(hh) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended.*

Comparison of Accounting Ratios with Listed Industry Peers

Name of Company	Face Value (₹ Per Share)	Closing price on 12th October 2022	Total Income for Financial Year 2022 (in ₹ million)	EPS (₹) for FY 22		NAV (₹ per share) as on March 31, 2022	P/E*	RONW (%) for F.Y 2021-2022	Networth FY22 (in ₹ million)	PAT FY22 (in ₹ million)	No. of Shares March 2022
				Basic	Diluted						
SBFC Finance Limited	10	NA	1,601.23	0.81	0.79	15.42	NA	5.18	12,871.67	645.21	826,648,182
Peer Companies											
Aavas Financiers Ltd (Consolidated)	10	2,106.55	13,056.48	45.1	44.81	355.53	47.01x	12.66	28,064.30	3,551.81	78,936,451
Home First Finance Company India Ltd (Standalone)	2	838.6	5,957.01	21.26	20.85	179.58	40.22x	11.83	15,736.85	1,860.98	87,633,703
Aptus Value Housing Finance India Ltd (Consolidated)	2	302.3	8,402.17	7.58	7.53	58.68	40.15x	12.69	29,161.63	3,701.40	496,918,095

Name of Company	Face Value (₹ Per Share)	Closing price on 12th October 2022	Total Income for Financial Year 2022 (in ₹ million)	EPS (₹) for FY 22		NAV (₹ per share) as on March 31, 2022	P/E*	RONW (%) for F.Y 2021-2022	Networth FY22 (in ₹ million)	PAT FY22 (in ₹ million)	No. of Shares March 2022
				Basic	Diluted						
AU Small Finance Bank Ltd (Standalone)	10	588.35	69,154.25	36.06	35.69	238.62	16.49x	15.04	75,140.14	11,298.34	314,900,031

(Source: All the financial information for listed industry peers mentioned above is sourced from the annual reports/ financial results as available for the respective company for the year ended March 31, 2022 submitted to stock exchanges)
**P/E Ratio has been computed based on the closing price as on October 12, 2022 divided by the Diluted EPS (₹) for F.Y 2021-2022*

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

The Offer Price of ₹[•] has been determined by our Company and the Promoter Selling Shareholders in consultation with the BRLMs, on the basis of market demand from investors for Equity Shares through the Book Building Process and is justified in view of the above qualitative and quantitative parameters.

Investors should read the above mentioned information along with "*Risk Factors*", "*Our Business*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" on pages 25, 193, 373 and 276, respectively, to have a more informed view.

STATEMENT OF TAX BENEFITS

Date: November 5, 2022

To,

The Board of Directors
SBFC Finance Limited
(Formerly known as SBFC Finance Private Limited)
103, 1st Floor, C&B Square,
Sangam Complex, Andheri Kurla Road,
Village Chakala, Andheri (East)
Mumbai 400 059, Maharashtra, India

Sub: Statement of possible special tax benefits available to SBFC Finance Limited and its shareholders prepared in accordance with the requirements under Schedule VI (Part A)(9)(L) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended ("SEBI ICDR Regulations")

1. This certificate is issued in accordance with the terms of our engagement letter dated June 27, 2022.

2. We, Suresh Surana & Associates LLP, Chartered Accountants , the statutory auditors of the Company, have been informed that the Company proposes to file the Draft Red Herring Prospectus with respect to the Offer (the "DRHP") with the Securities and Exchange Board of India ("**SEBI**"), BSE Limited and National Stock Exchange of India Limited (collectively, the "**Stock Exchanges**") in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("**ICDR Regulations**") and subsequently proposes to file (i) Red Herring Prospectus with SEBI, the Stock Exchanges and the Registrar of Companies, Maharashtra at Mumbai ("**Registrar of Companies**" and such Red Herring Prospectus, the "**RHP**"); (ii) Prospectus with SEBI, the Stock Exchanges and the Registrar of Companies (the "**Prospectus**"); and (iii) any other documents or materials to be issued in relation to the Offer (collectively with the DRHP, RHP and Prospectus, the "**Offer Documents**").

3. We hereby confirm that enclosed statement ("**Statement**") in the Annexure prepared and issued by the Company, initialed by us for identification purposes, states the possible special tax benefits under the Income-tax Act, 1961 ('**Act'**) presently in force in India as on the signing date viz. the Income-tax Act, 1961, the Income-tax Rules, 1962, ('Rules'), regulations, circulars and notifications issued thereon, as applicable to the assessment year 2023-2024 relevant to the financial year 2022-2023, possible special tax benefits under the Central Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 and applicable State Goods and Services Tax Act, 2017 ("**GST Acts**"), the Customs Act, 1962 ("**Customs Act**") and the Customs Tariff Act, 1975 ("**Tariff Act**"), as amended by the Finance Act 2022 including the relevant rules, notifications and circulars issued there under, applicable for the Financial Year 2022-23, available to the Company, and its shareholders. These possible tax benefits are dependent on the Company, and its shareholders fulfilling the conditions prescribed under the relevant provisions of the Tax Rules /Act. Hence, the ability of the Company, and its shareholders, to derive the special tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives the Company, may face in the future, and accordingly, the Company, and its shareholders may or may not choose to fulfil.

4. This statement of possible special tax benefits is required as per Schedule VI (Part A)(9)(L) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 as amended ('**SEBI ICDR Regulations'**). While the term 'special tax benefits' has not been defined under the SEBI ICDR Regulations, it is assumed that with respect to special tax benefits available to the Company, the same would include those benefits as enumerated in the Statement. Any benefits under the Taxation Rules / Act other than those specified in the Statement are considered to be general tax benefits and therefore not covered within the ambit of this Statement. Further, any benefits available under any other laws within India, except for those specifically mentioned in the Statement, have not been examined and covered by this Statement.

5. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes.

6. The benefits stated in the enclosed Statement cover the possible special tax benefits available to the Company, and its shareholders and do not cover any general tax benefits available to them.

7. In respect of non-residents, the tax rates and the consequent taxation shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.

8. The benefits discussed in the enclosed Statement cover the possible special tax benefits available to the Company and its shareholders and do not cover any general tax benefits available to the Company and its shareholders. Further, the preparation of the enclosed Statement and its contents is the responsibility of the management of the Company. We are informed that this statement 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 distinct 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 issue and we shall in no way be liable or responsible to any shareholder or subscriber for placing reliance upon the contents of this Statement particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the possible special tax benefits, which an investor can avail. Neither we are suggesting nor advising the investors to invest money based on the Statement.

9. We conducted our examination of the information given in the Statement in accordance with the '*Guidance Note on Reports or Certificates for Special Purposes*' issued by the Institute of Chartered Accountants of India ("ICAI"), as revised from time to time; the aforesaid Guidance Note requires that we comply with the ethical requirements of the '*Code of Ethics*' issued by the ICAI, as revised from time to time.

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

11. Also, any tax information included in this written communication was not intended or written to be used, and it cannot be used by the Company or the investor, for the purpose of avoiding any penalties that may be imposed by any regulatory, governmental taxing authority or agency.

12. We do not express any opinion or provide any assurance whether:

- The Company, and its shareholders will continue to obtain these benefits in future;
- The conditions prescribed for availing the benefits have been/would be met;
- The revenue authorities/courts will concur with the views expressed herein.

13. The contents of the enclosed Statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company. We have relied upon the information and documents of the Company being true, correct, and complete and have not audited or tested them. Our view, under no circumstances, is to be considered as an audit opinion under any regulation or law. No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our Firm or any of partners or affiliates, shall not be responsible for any loss, penalties, surcharges, interest or additional tax or any tax or non-tax, monetary or non-monetary, effects or liabilities (consequential, indirect, punitive or incidental) before any authority / otherwise within or outside India arising from the supply of incorrect or incomplete information of the Company.

14. This Statement is addressed to Board of Directors and issued at specific request of the Company for submission to the BRLMs to assist them in conducting their due-diligence and documenting their investigations of the affairs of the company in connection with the proposed Offer. This report may be delivered to SEBI, the stock exchanges, to the Registrar of Companies, Maharashtra at Mumbai or to any other regulatory and statutory authorities by the BRLMs only when called upon by SEBI or the stock exchanges in connection with any inspection, enquiry or investigation, as the case may be, to evidence BRLMs due diligence obligations pertaining to subject matter of this report or for any defence that the BRLMs may wish to advance in any claim or proceeding with SEBI or stock exchanges in connection

with due diligence obligations of the BRLMs in the Offer pertaining to subject matter of this report. We hereby give consent to include this Statement in the Draft Red Herring Prospectus and in any other material used in connection with the Proposed Offer, and it is not to be used, referred to or distributed for any other purpose without our prior written consent. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come without our prior consent in writing. Any subsequent amendment / modification to provisions of the applicable laws may have an impact on the views contained in the Statement. While reasonable care has been taken in the preparation of this certificate, we accept no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.

For Suresh Surana & Associates LLP,
Chartered Accountants
Firm's Reg. No:- 121750W/W-100010

Ramesh Gupta
Partner
Membership No: 102306
UDIN: 22102306BCDIEP5135
Certificate No: 22212
Place: Mumbai

ANNEXURE TO THE STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO SBFC FINANCE LIMITED (THE "COMPANY") AND ITS SHAREHOLDERS

Outlined below are the possible Special Tax Benefits available to the Company and its shareholders under the Income Tax Act, 1961 presently in force in India. It is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have different interpretation on the benefits, which an investor can avail.

STATEMENT OF POSSIBLE SPECIAL DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY, AND TO THE SHAREHOLDERS OF THE COMPANY

Under the Income Tax Act, 1961 ('the Act')

1. Special tax benefits available to the company under the Act

Section 115BAA of the Act: Corporate Tax Rate as per new tax regime

- Section 115BAA, as inserted vide The Taxation Laws (Amendment) Act, 2019, provides that domestic company can opt for tax rate of 22% plus surcharge @ 10% and health and education cess @ 4% (effective tax rate of 25.168%) for the financial year 2019-20 and onwards, provided the total income of the company is computed without claiming certain specified deductions and specified brought forward losses and claiming depreciation determined in the prescribed manner.

- In case a company opts for section 115BAA, provisions of Minimum Alternate Tax (MAT) would not be applicable and earlier year MAT credit will not be available for set – off.

- The option needs to be exercised on or before the due date of filing the income tax return. Option once exercised, cannot be subsequently withdrawn for the same or any other subsequent assessment year.

  Further, if the conditions mentioned in section 115BAA are not satisfied in any financial year, the option exercised shall become invalid for assessment year in respect of such financial year and subsequent assessment years, and the other provisions of the Act shall apply as if the option under section 115BAA had not been exercised.

- The company has represented to us that they have opted section 115BAA of the Act for AY 2020-2021 and onwards.

Section 80JJAA of the Act: Deduction in respect of employment of new employees

- In accordance with and subject to the conditions specified under Section 80JJAA of the Act, a company is entitled to a deduction of an amount equal to 30% of additional employee cost incurred in the course of business in a financial year, for 3 consecutive assessment years including the assessment year relevant to the financial year in which such additional employment cost is incurred.

- Additional employee cost means the total emoluments paid or payable to additional employees employed in the financial year. The deduction under section 80JJAA would continue to be available to the company even where the company opts for the lower effective tax rate of 25.168% as per the provisions of section 115BAA of the Act (as discussed above).

- The company should be eligible to claim this deduction in case it incurs additional employee cost within the meaning of Explanation (i) to sub-section (2) of section 80JJAA of the Act and satisfies the conditions as mentioned in the said section.

2. Special tax benefits available to the shareholders under the Act

- Dividend income will be subject to tax in the hands of shareholders at the applicable slab rate / corporate tax rate (plus applicable surcharge and cess) or as per the applicable Double Tax Avoidance Agreements (as shall be relevant).

- In case of dividend income earned by domestic shareholders, reported under the head "Income from other sources", shall be computed after making deduction of a sum paid by way of interest on the capital borrowed for the purpose of investment. However, no deduction shall be allowed from the dividend income, other than deduction on account of interest expense, and in any financial year such deduction shall not exceed 20% of the dividend income under section 57 of the Act.

- As per section 2(29AA) read with section 2(42A) of the Act, a listed equity share is treated as a long term capital asset if the same is held for more than 12 months immediately preceding the date of its transfer.

- Long term capital gains on transfer on shares on which Securities Transactions Tax has been paid will be subject to tax in the hands of shareholders as per the provisions of Section 112A of the Act at 10% (plus applicable surcharge and cess). The benefit of indexation of costs shall not be available.

- Short term capital gains arising on transfer of shares on which Securities Transactions Tax has been paid will be subject to tax in the hands of shareholders as per the provisions of Section 111A of the Act at 15% (plus applicable surcharge and cess).

- Non-resident shareholders including foreign portfolio investors may choose to be governed by the provisions of Double Taxation Avoidance Agreement, to the extent they are more beneficial and subject to provision of the prescribed documents.

Notes:

- These tax benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company or its shareholders may or may not choose to fulfil.

- This statement does not discuss any tax consequences in the country outside India of an investment in the shares. The shareholders / investors in the country outside India are advised to consult their own professional advisors regarding possible income-tax consequences that apply to them.

- Surcharge rate shall be maximum 15% in case of dividend income and capital gains.

- Health and Education Cess ('cess') @ 4% on the tax and surcharge as shall be applicable, is payable by all category of taxpayers.

- We understand that the Company has opted for concessional income tax rate under section 115BAA of the Act. Accordingly, surcharge shall be levied at the rate of 10% irrespective of the amount of total income.

  We understand that the Company has opted for concessional tax rate under section 115BAA of the Act. Hence, it will not be allowed to claim any of the following deductions;

  - Deduction under the provisions of section 10AA (deduction for units in Special Economic Zone)

  - Deduction under clause (iia) of sub-section (1) of section 32 (Additional depreciation)

  - Deduction under section 32AD or section 33AB or section 33ABA (Investment allowance in backward areas, Investment deposit account, site restoration fund)

  - 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)

  - Deduction under section 35AD or section 35CCC (Deduction for specified business, agricultural extension project)

  - Deduction under section 35CCD (Expenditure on skill development)

  - Deduction under any provisions of Chapter VI-A other than the provisions of section 80JJAA and section 80M;

- 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 above;

- 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 above

- Further, it is also clarified in section 115JB(5A) 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.

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

STATEMENT OF POSSIBLE SPECIAL INDIRECT TAX BENEFITS AVAILABLE TO THE COMPANY, AND TO THE SHAREHOLDERS OF THE COMPANY

Outlined below are the possible tax benefits available to the Company and its shareholders under the Indirect tax laws in force in India. This Statement is as per the Central Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 and applicable State Goods and Services Tax Act, 2017 ("GST Acts"), the Customs Act, 1962 ("Customs Act") and the Customs Tariff Act, 1975 ("Tariff Act"), as amended by the Finance Act 2021 including the relevant rules, notifications and circulars issued there under, applicable for the Financial Year 2022-23, presently in force in India.

UNDER THE INDIRECT TAX

BENEFITS TO THE COMPANY UNDER VARIOUS INDIRECT TAX LAWS:

1. Special tax benefits available to the Company

(i) The Company has a total of Seventeen (19) GSTIN's operating in India.

(ii) We understand that the Company is into a Non Banking Finance Company Financial Services. In the purview of Sub-Section (4) of Section 17, Non-Banking Financial Companies will benefit credit of tax paid regarding services & inputs.

2. **Special Tax Benefits available to the Shareholders of the Company**

(i) The shareholders of the Company are not required to discharge any GST on transaction in securities of the Company.

Securities are excluded from the definition of Goods as defined u/s 2(52) of the Central Goods and Services Tax Act, 2017 as well from the definition of Services as defined u/s 2(102) of the Central Goods and Services Tax Act, 2017.

(ii) Apart from above, the shareholders of the Company are not eligible to special tax benefits under the provisions of the Customs Tariff Act, 1975 and / or Central Goods and Services Tax Act, 2017, Integrated Goods and Services Tax Act, 2017, respective Union Territory Goods and Services Tax Act, 2017 respective State Goods and Services Tax Act, 2017, Goods and Services Tax (Compensation to States) Act, 2017 including the relevant rules, notifications and circulars issued there under.

Notes:

1. This Statement covers only certain relevant Indirect tax law benefits and does not cover any other benefit under any other law.

2. These tax benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Indian Indirect Tax Regulation. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company or its shareholders may or may not choose to fulfil.

3. The tax benefits discussed in the Statement are not exhaustive and is only intended to provide general information to the investors and hence, 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 his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

4. The Statement is prepared on the basis of information available with the management of the Company and there is no assurance that:

    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 view expressed herein.

The above views are based on the existing provisions of laws and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes.

For and on behalf of the Board of Directors of

SBFC Finance Limited

Name: Narayan Barasia
Designation: Chief Financial Officer
Place: Mumbai
Date: November 5, 2022

SECTION IV- ABOUT OUR COMPANY

INDUSTRY OVERVIEW

*Unless otherwise indicated, industry and market data used in this section has been derived from the report titled "Analysis of NBFC sector and select asset classes in India" dated November 2022 (the "CRISIL Report"), prepared and issued by CRISIL Research Limited ("**CRISIL**") appointed on June 23, 2022, exclusively commissioned and paid for by our Company in connection with the Offer. The data included herein includes excerpts from the CRISIL Report and may have been re-ordered by us for the purposes of presentation. A copy of the CRISIL Report is available on the website of our Company at https://www.sbfc.com/for-investors. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. Accordingly, investors must rely on their independent examination of, and should not place undue reliance on, or base their investment decision solely on this information. The recipient should not construe any of the contents in this report as advice relating to business, financial, legal, taxation or investment matters and are advised to consult their own business, financial, legal, taxation, and other advisors concerning the transaction.*

While preparing its report, CRISIL has also sourced information from publicly available sources, including our Company's financial statements available publicly. However, financial information relating to our Company presented in other sections of this Draft Red Herring Prospectus has been prepared in accordance with Ind AS and restated in accordance with the SEBI ICDR Regulations. Accordingly, the financial information of our Company in this section is not comparable with Ind AS financial information presented elsewhere in this Draft Red Herring Prospectus.

Macroeconomic scenario

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 the European Union (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.

Global trade had a successful year in 2021, with merchandise trade growing 26% year-on-year in value terms. 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, too, reached record highs across both imports and exports, with imports growing by 62.8% year-on-year in May 2022 on a lower base owing to high crude oil and commodity prices, rising demand for consumer goods and partial recovery in industrial demand. Exports also grew by 20.6% year-on-year in May 2022, supported by a lower base, robust external demand and higher oil prices which benefitted petroleum exports. However, going forward, CRISIL Research expects a reversal of trend with multiple headwinds such as slowdown in global growth, higher commodity prices and aggressive monetary tightening dampening the demand.

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 the first to third quarter GDP numbers, and a mild impact of the 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, in Fiscal 2020. The pandemic came at an inopportune time since India was showing signs of recovery following a slew of fiscal/monetary measures as nominal GDP grew by 8.8% on year in the fourth quarter of Fiscal 2021 as compared to 4.7% in the fourth quarter of Fiscal 2020. However, COVID-19 pandemic sharply slowed the Indian economy in the first quarter of Fiscal 2021 leading to a degrowth of 24% year-on-year for the same period, but the huge economic costs that it extracted, forced the economy to open and recover in the second quarter of Fiscal 2021. A sharp cutback in operating costs for corporates due to job and salary cuts, employees exercising work from home options, low input costs due to benign interest rates, crude and commodity prices also helped the recovery.

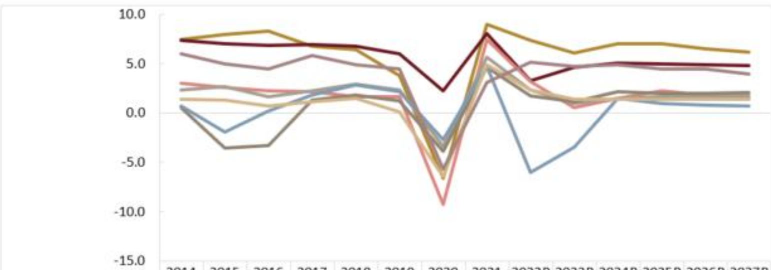
The fierce second wave of COVID-19 pandemic challenged the healthcare ecosystem in the first quarter of Fiscal 2022, but it did not hit economic activity as hard as the first wave did. The main reason for this was decentralised and less-stringent lockdowns, which reflect the 'learning to live with the virus attitude' that authorities adopted. Many states also permitted construction and manufacturing activities to continue during the lockdown. In the near-term, while risks due to the COVID-19 pandemic seem to be waning, high inflation, exacerbated by supply chain challenges as a result of the Russia-Ukraine war, and consequent tightening of interest rates by central banks globally pose risks to economic growth globally and in India. According to IMF (*World Economic Outlook – July 2022*), global growth prospects have changed markedly since last year. In 2021, global growth rebounded with a robust growth of 6.1% from (3.1)% the previous year, but it is expected to slow in 2022 to 3.2%, impact of which is expected to be witnessed in Indian economy as well. Further, there exists a downside risk arising from high inflation and the Ukraine war, which could push the world economy to the brink of recession, if unchecked.

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 is likely to 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 calendar year 2022 due to its broad range of Fiscal, monetary and health responses. However, IMF projects the growth to slow down to 6.1% in 2023.

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



	2014	2015	2016	2017	2018	2019	2020	2021	2022P	2023P	2024P	2025P	2026P	2027P
India	7.4	8.0	8.3	6.8	6.5	3.7	-6.6	8.9	7.4	6.1	7.0	7.0	6.5	6.2
China	7.4	7.0	6.9	6.9	6.8	6.0	2.2	8.1	3.3	4.6	5.1	5.0	4.9	4.8
United Kingdom	3.0	2.6	2.3	2.1	1.7	1.7	-9.3	7.4	3.2	0.5	1.5	2.2	1.8	1.5
United States	2.3	2.7	1.7	2.3	2.9	2.3	-3.4	5.7	2.3	1.0	1.4	1.7	1.7	1.7
Brazil	0.5	-3.5	-3.3	1.3	1.8	1.2	-3.9	4.6	1.7	1.1	2.2	2.0	2.0	2.0
Russia	0.7	-2.0	0.2	1.8	2.8	2.2	-2.7	4.7	-6.0	-3.5	1.5	1.0	0.8	0.7
South Africa	1.4	1.3	0.7	1.2	1.5	0.1	-6.4	4.9	2.3	1.4	1.4	1.4	1.4	1.4
Malaysia	6.0	5.0	4.5	5.8	4.8	4.4	-5.6	3.1	5.1	4.7	4.9	4.4	4.4	3.9

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 Fiscal 2021/22 starting in April 2021, hence 2022P numbers for India can be taken as actuals
P: Projected
Source: IMF (World Economic Outlook – July 2022 update)

Indian economy to be a major part of world trade

Along with being one of the fastest growing economy in the world, India ranked sixth 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.

GDP Ranking of key economies across the world (2021)

Country	GDP Rank	% Share (World GDP)	PPP Rank	% Share (World GDP, PPP)
United States	1	23.8%	2	15.7%
China	2	18.1%	1	18.6%
Japan	3	5.1%	4	3.8%
Germany	4	4.3%	5	3.3%
United Kingdom	5	3.3%	10	2.3%
India	6	3.3%	3	6.9%
France	7	3.0%	11	2.3%
Italy	8	2.1%	13	1.9%
Canada	9	2.0%	16	1.4%
Korea	10	1.9%	14	1.7%
Russia	11	1.8%	6	3.0%

Source: IMF, CRISIL Research

With continuous growth in GDP, India is expected to become the third largest global economy by 2030, as per the Centre for Economics and Business Research. 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.

Consumer Price Index ("CPI") inflation to average at 6.8% in Fiscal 2023

India remains vulnerable to external shocks as crude prices rules at over $100 per barrel, impacting major macroeconomic variables. Inflation based on the CPI, also known as retail inflation, rose for the seventh consecutive month, reaching 7.8% in April 2022, the highest since May 2014. Most major goods and services saw prices jump, with food and fuel recording relatively higher inflation. Core inflation (CPI excluding food and beverages and fuel and light) also rose to its 8-year high, reflecting the broad-basing of inflationary pressures in the economy.

While inflation moderated to 7.0% in May 2022, inflation is expected to continue to remain elevated, as wide-ranging rises in commodity prices and supply disruptions push producers to pass on cost pressures to consumers. While the government has undertaken several measures to cool down inflation including putting in place export duty on several finished steel products, putting an export cap on sugar, and banning wheat exports, high crude oil prices and supply bottlenecks are expected to keep broad-based pressure on food, fuel and core inflation. For instance, CRISIL Research expects Brent Crude to average $105-$110 per barrel in 2023 as compared to $80 per barrel in Fiscal 2022. CRISIL Research expects CPI inflation to average 6.8% in Fiscal 2023 compared to 5.5% in the previous year, with risks tilted to the upside. The monsoons being normal and well-distributed (103% of the long-period average), as per the Indian Metrological Department's forecast, would be critical to the inflation trajectory.

Annual Inflation (year-on-year%) trend

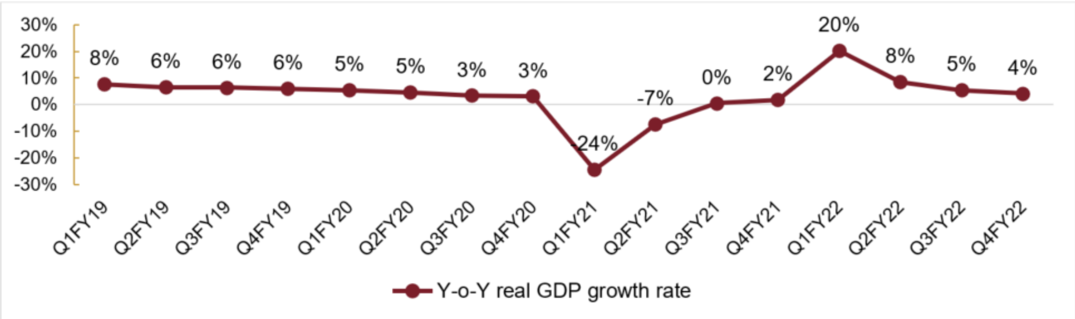
Source: CSO, Ministry of Industry and Commerce, CRISIL Research

Financial conditions begin to tighten with mounting inflation

The Reserve Bank of India's (RBI's) Monetary Policy Committee ("**MPC**") raised policy rates by 40 bps in May 2022. This was followed by another rate hike of 50 bps in June 2022, and another 50 bps in August, thus bringing the repo rate to 5.40%, standing deposit facility ("**SDF**") to 5.15% and marginal standing facility ("**MSF**") to 5.65%. The hike in interest rate was required as inflation, despite some softening was above RBI's limit. Spill over risks from hike in US federal rates and other major central banks is also a factor for the increase in repo rates. Compared with 140 bps hike by RBI in 2022 so far, the US federal policy rates have been hiked by 225 bps in 2022 so far. MPC expects CPI inflation to remain above 6% in the next two quarters as well.

Despite slower global growth, MPC believes India's economic recovery is gaining strength. The latest GDP numbers showed the growth slowing to 4.1% year-on-year in the fourth quarter of Fiscal 2022 compared to 5.4% in the previous quarter. However, the first quarter of Fiscal 2023 shows broadening recovery. High frequency indicators such as bank credit, railway, freight traffic, Goods and Service Tax ("**GST**") collections and steel consumption also indicate improvement in economy. Further, MPC also expects normal monsoons, rebound in contact-based service and investment activity gains to augur well for the economy.

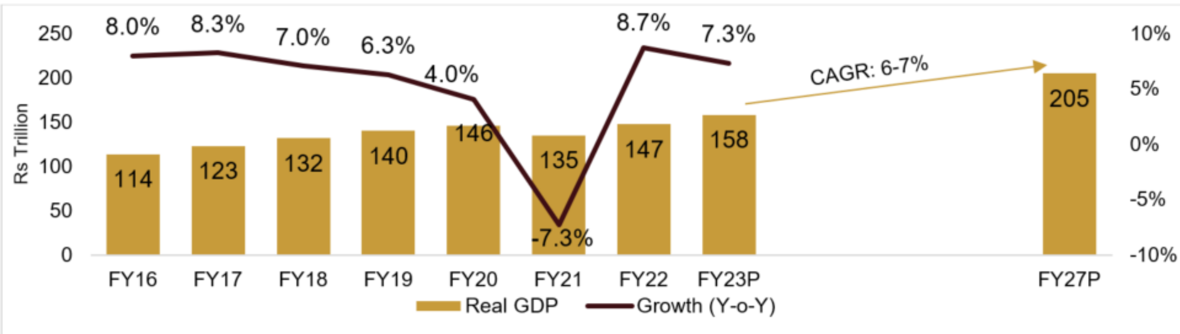
Trend in real GDP growth rate on quarterly basis



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 Research expects CAD to rise to 3% of 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 the rupee's depreciation. Due to these factors, CRISIL Research expects another 75-bps hike in repo rate this Fiscal, thereby bringing repo rate at 50 bps above the pre-pandemic levels. Further, because of slowing global growth, persistently high crude prices and rising domestic interest rates, CRISIL Research 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: Fiscal 2023 is projected based on CRISIL estimates Fiscal 2024-Fiscal 2027 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 forecast and rebound in contact-intensive services are expected to bring some succor.
Consumer price index (CPI) inflation (y-o-y)	5.5%	6.8%	CPI inflation will be inflated due to external factors. This will be due to persistent high international commodity prices and input costs putting pressure on food, fuel and core inflation. The other factor is due to the heatwave's adverse impact on critical food items like wheat and vegetables.
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 Federal Reserve System (The Fed) along with surging crude oil price is expected to cause a surge in G-Sec yields.
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.
Rs/$ (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.

*Note: *NSO estimate, ^ with downside risk, P – Projected*
Source: Reserve Bank of India (RBI), NSO, CRISIL Research

Positive government regulations to aid economic growth

After clawing back in Fiscal 2022, CRISIL Research forecasts India's GDP to grow at approximately 7% per annum between Fiscals 2023 and Fiscal 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
- Policies aimed towards greater formalisation of the economy, which are bound to lead to an acceleration in per capita income growth

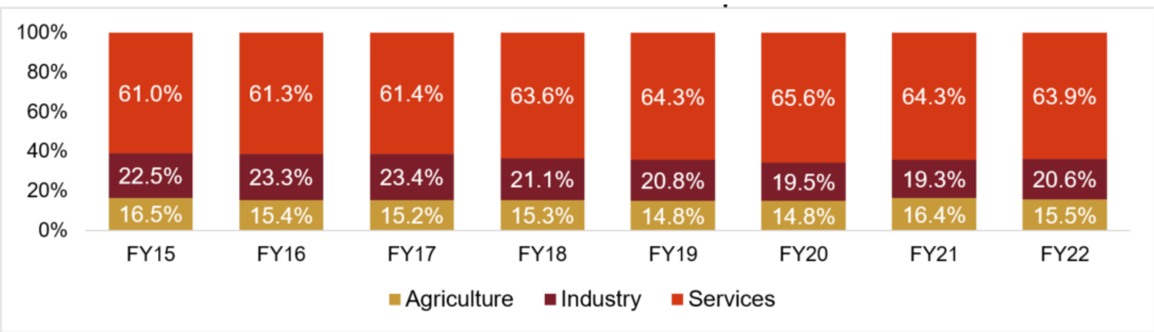
Prior to the onset of the pandemic, India's GDP growth slowed on account of existing vulnerabilities such as a weak financial sector and subdued private investment. However, considering production-linked incentive ("**PLI**") scheme, reduction in corporate tax rate, labour law reforms together with healthy 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. A Reserve Bank of India ("**RBI**") study points out that an increase in capex by the central and state governments by one rupee each induces an increase in output by ₹ 3.25 and ₹ 2.0, respectively *(Source: RBI Bulletin – April 2019).* The lift in the consumption cycle is tied to broad based pick-up in economic activity – which the Indian government is trying to engineer through focus on investments. This is expected to enhance the growth potential of India's economy and, it is hoped, will bring endurance to growth in the medium term. However, refraining from giving a direct consumption support may curb the pace of economy recovery in short term.

Contribution of various sectors to India's 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 the 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 approximately 7%, thereby increasing the contribution of 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



Source: RBI; CRISIL Research

Budget turns expansionary with an eye on medium term

The Union Budget 2022-2023 bet big on an investment push to lift economic growth, two years and three waves into the COVID-19 pandemic. The idea is to push the growth multiplier rather than stoke consumption through direct budgetary support. For Fiscal 2023, the government's revenue expenditure is budgeted to grow less than 1% after growing 2.7% in Fiscal 2022. The total capex of the government (budgetary capex plus revenue grants for capital creation and capex by central public sector enterprises) is budgeted to rise 14.5% as compared with only 3.1% in the current Fiscal. The government thus has tightened the belt around revenue expenditure and frontloaded infrastructure spending that is expected to lead to faster economic growth.

Among the sectors, infrastructure continues to be in the bright spot with a 30% hike in budgetary support. In addition, railways, water and green energy has also received strong impetus. The overarching picture is that the Union Budget 2022-23 sets the tone for much-needed infrastructure growth for the next three to four years. That is expected to help both, sustain development and create jobs. But implementation, which is all-crucial, remains the elephant in the room. Broadly, the budget had the below key highlights:

- **Push for Capex**

Significantly, the Union Budget 2022-2023 chose to push the pedal on investment at this juncture resulting into a rise in budgetary capex which is projected to increase in Fiscal 2023. Studies highlight that the positive spill over effects of public investment only amplify during periods of uncertainty. For the Indian economy specifically, capex typically has higher multiplier effect than revenue spending, by crowding in private investment.

- **Improved spending quality**

While maintaining focus on capex, the Union Budget 2022-2023 also allowed for some normalisation of extraordinary spending that took place in response to the COVID-19 pandemic. In Fiscal 2023, Indian government spending is budgeted to grow less than 1% as compared to 2.7% in Fiscal 2022.

That said, it also attempts to reduce revenue spends (spending towards Mahatma Gandhi National Rural Employment Guarantee Act, food subsidies to Food Corporation of India) after deducting grants for capital creation, only to support capex and provide a stimulus to the Indian economy.

- **Leg up to the manufacturing sector**

Manufacturing sector was in doldrums even before the COVID-19 pandemic struck and was affected in a worse manner in Fiscal 2021 along with the services sector. The Union Budget 2022-2023 announced more measures to address this, in continuation with the Aatmanirbhar Bharat package and Production-Linked Incentive ("**PLI**") scheme, such as total outlay under the PLI scheme for manufacturing of high-efficiency solar modules has been increased by ₹ 195 billion, taking it to ₹ 240 billion. The Indian government has also budgeted ₹ 74 billion under the PLI scheme across 10 sectors for Fiscal 2023. CRISIL Research estimates that the PLI scheme will entail ₹ 2.5 trillion - ₹ 3.0 trillion capex and generate incremental revenue of ₹ 30 trillion -₹ 35 trillion over its tenure, auguring well for private capex recovery.

- **Continuing transparency**

In efforts to improve transparency, the Indian government has reduced its recourse to off-budget borrowings in the Union Budget 2022-23 and is gradually paying back the public sector enterprises it has borrowed from. In the past, the Indian government funded subsidies on items such as food, fertilisers, and oil by way of special bonds raised through the FCI, fertiliser companies and oil marketing companies. According to the statement of liabilities, these debts are being paid down and have come down to ₹ 1.5 trillion in Fiscal 2022 from ₹ 1.6 trillion in Fiscal 2021. This is further budgeted to decline to ₹ 1.4 trillion by the end of Fiscal 2023.

- **An eye on medium term**

A higher Fiscal deficit number (6.9% of GDP as compared to 6.8% budgeted for Fiscal 2022), a small reduction (to 6.4%) in Fiscal 2023 and a gradual reduction to 4.5% by Fiscal 2026, is expected to create some room for spending in Fiscal 2022 as well over the medium term. The Indian government plans to use the additional space to drive public investments in infrastructure and create employment. It also tries to lift the medium-term growth potential through a sharper focus on financial sector reforms such as:

- **Deepening Financial Inclusion:** In another progressive step for the financial sector, the Indian Government, in the Union Budget 2022-23, also announced its intention to add 0.15 million post offices to the core banking system to enable financial inclusion and access to accounts through net and mobile banking, and ATMs and provide online fund transfers between post office and bank accounts

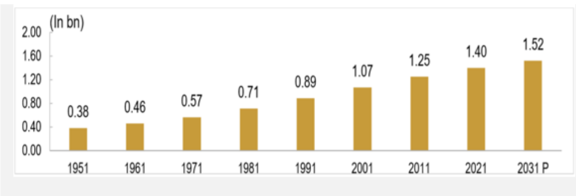
- **Extending ECLGS:** The allocation under Emergency Credit Line Guarantee Scheme ("**ECLGS**") has been increased from ₹ 4.5 trillion to ₹ 5.0 trillion and the timeline for sanctions has been extended to March 2023. However, the enhancement of ₹ 500 billion has been earmarked exclusively for hospitality and related enterprises, which have been impacted the most due to the COVID-19 pandemic.

Key growth drivers

India has world's second largest population

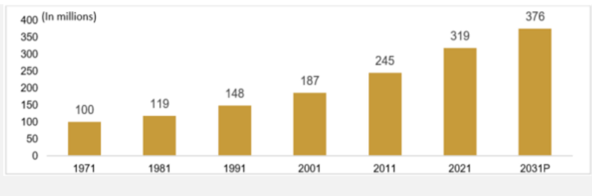
As per Census 2011, India's population was approximately 1.25 billion, and comprised nearly 245 million households. The population, which grew at nearly 1.5% CAGR between 2001 and 2011, is expected to increase at 1.1% CAGR between 2011 and 2021, to 1.4 billion. The population is expected to reach 1.5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

India's population growth trajectory



Note: P: Projected
Source: United Nations Department of Economic and Social affairs, Census India, CRISIL Research

Number of households in India

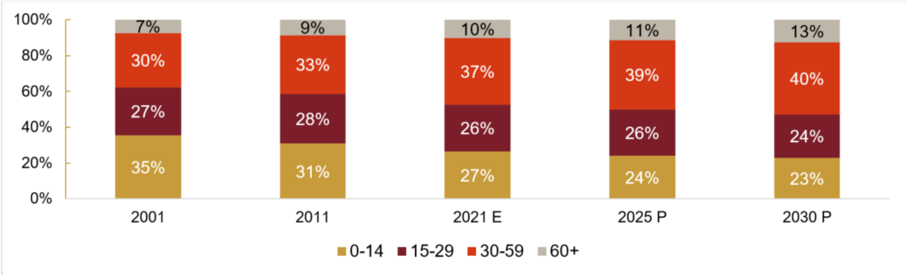


Note: P: Projected
Source: United Nations Department of Economic and Social affairs, Census India, CRISIL Research

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 approximately 90% of Indians are still below the age of 60 in calendar year 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.

India's demographic dividend

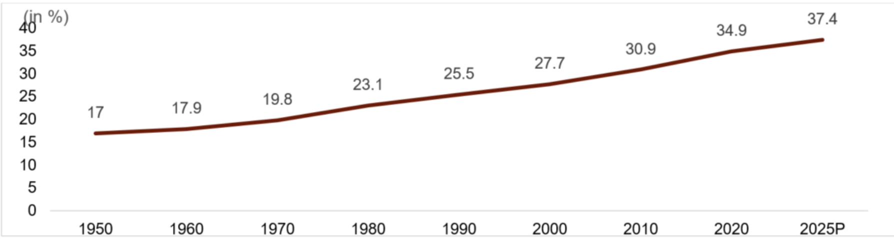


Note: E: Estimated, P: Projected
Source: United Nations Department of Economic and Social affairs, CRISIL Research

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.

Urban population as a percentage of total population (%)



Note: P – Projected, Source: Census 2011, World Urbanization Prospects: The 2018 Revision (UN)

Increasing per capita GDP

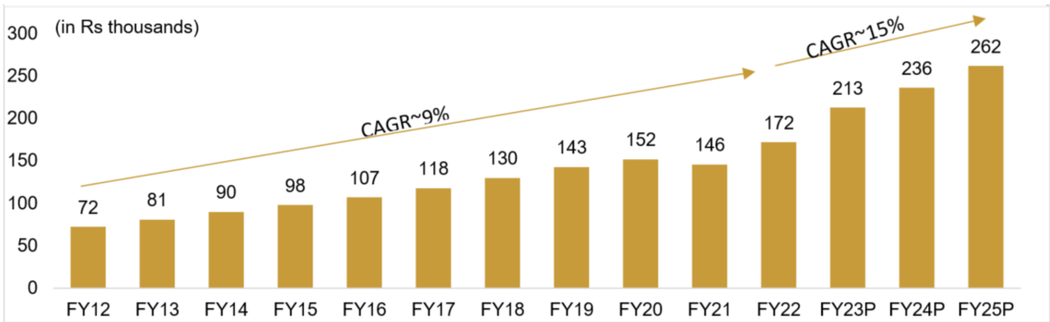
In Fiscal 2022, India's per capita income expanded by 7.6%. As per IMF estimates, India's per capita income (at constant prices) is expected to grow at 6% CAGR from Fiscals 2022 to Fiscal 2025.

Per capita income	Level in FY22 (INR '000)		Growth at constant prices (%)										
	Current prices	Constant prices	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY25 P
	172	107	3.3	4.6	6.2	6.7	6.8	5.7	5.8	2.9	-7.6	7.6	6.0*

Note – P: Projected, (*) - 3-year CAGR growth (Fiscal 2022-Fiscal 2025), As per IMF estimates of April 2022
Source – Ministry of Statistics and Program Implementation (MOSPI), International Monetary Fund (IMF), CRISIL Research

As per IMF's estimates, India's nominal GDP per capita (at current prices) is projected to increase at a CAGR of 15% from Fiscal 2022 to Fiscal 2025.

Trend in Nominal GDP per capita (at current prices)



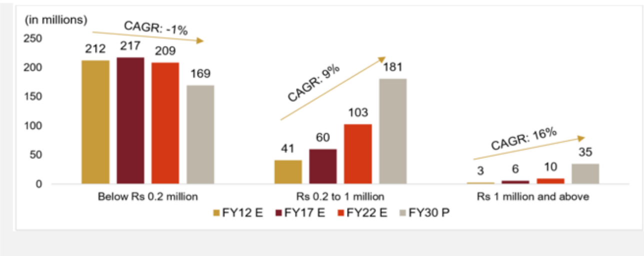
Note: P- Projected; Fiscal 2023-Fiscal 2025 Data projected as per IMF estimates
Source: MOSPI, IMF, CRISIL Research

Rising Middle India population to help sustain growth

Proportion of Middle India (defined as households with annual income of between ₹ 0.2 million to ₹ 1 million) has been on a rise over the last decade and is expected to grow further with continuous increase in the GDP and household incomes. To illustrate, CRISIL Research estimates that there were 41 million households in India in this category as of Fiscal 2012, and by Fiscal 2030, they are projected to increase to 181 million households translating into a CAGR of 9% over this time period. This growth in the number of middle-income households is expected to lead to enhanced opportunities for retail and MSME financiers as well as consumer goods marketers. A large number of these households, which have entered the middle-income bracket in the last few years, are likely to be from semi-urban and rural areas. The rise in incomes in these areas is also evident when one observes the trend in share of deposits coming into banks.

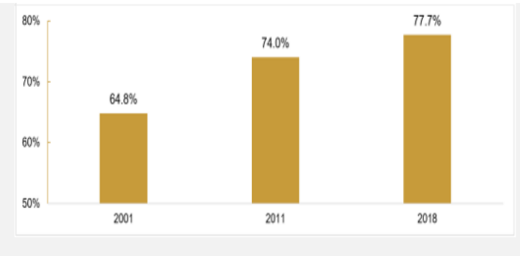
Consistent improvement in the literacy levels, increasing access to information and awareness, increase in the availability of basic necessities such as electricity, cooking gas, toilets and improvement in road infrastructure has led to an increase in aspirations of Middle India, which is likely to translate into increased opportunities for financial service providers. In fact, some of these trends are already visible. Smart phone ownership, internet users and the proportion of users accessing social media is increasing at a breakneck speed. Smaller cities and towns (with population less than 1 million) account for a significant portion of sales of e-retailers.

Middle India households to witness high growth over Fiscal 2012 to Fiscal 2022



Note: E: Estimated, P: Projected
Source: CRISIL Research

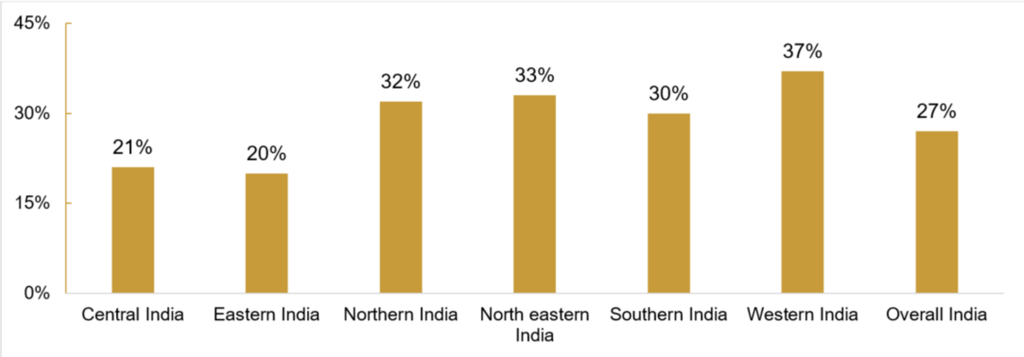
Overall literacy rate on the rise in India



Source: Census 2011, NSO Survey on household social consumption (2017-18),CRISIL Research

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 increase in recent years. Going forward, CRISIL Research expects financial penetration to increase on account of increasing financial literacy.

Financial Literacy across India



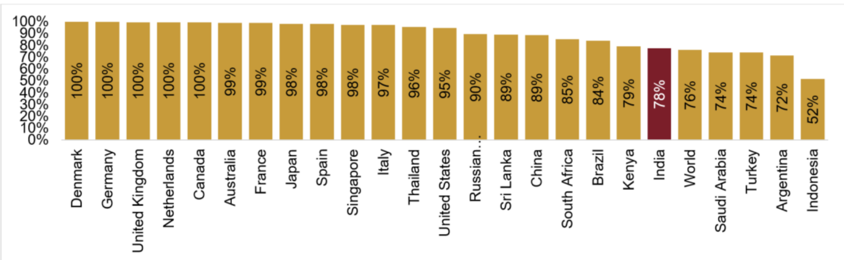
Source: *National Financial Literacy and Inclusion Survey (NCFE-FLIS) 2019 Report, National Centre for Financial Education*

Financial Inclusion on a fast path in India

Overall literacy in India is at 77.7% as per the results of recent NSSO survey conducted from July 2017 to June 2018 which is still below the world literacy rate of 86.5%. However, according to the National Financial Literacy and Inclusion Survey 2019, only 27% of Indian population is financially literate, thereby 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.

According to the World Bank's Global Findex Database 2021, the global average of adult population with an account opened with a bank, financial institution or mobile money provider, was approximately 69% in 2017. India's financial inclusion has improved significantly over 2014 to 2017 as adult population with bank accounts increased from 53% to 78% *(Source: Global Findex Database)* due to the Indian government's concentrated efforts to promote financial inclusion and the proliferation of supporting institutions.

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

Pradhan Mantri Jan Dhan Yojana ("**PMJDY**") launched in August 2014, is aimed at ensuring that every household in India has a bank account which they can access from anywhere and avail of all financial services such as savings and deposit accounts, remittances, credit and insurance affordably. PMJDY focuses on household coverage compared to the earlier schemes that focused on coverage of villages. It aims to extend banking facilities to all within a reasonable distance in each sub-service area (consisting of 1,000-1,500 households) across India.

Account Aggregators framework to build a financial data ecosystem in India

On September 2, 2021, RBI launched the Account Aggregators scheme, which is a framework to allow financial data more accessible by creating intermediaries called account aggregators. These intermediaries will collect and share financial information to various entities. It is a big step towards creating a financial ecosystem where it will save transaction cost and ensure a person's credit worthiness.

PLI scheme to boost manufacturing in the long run

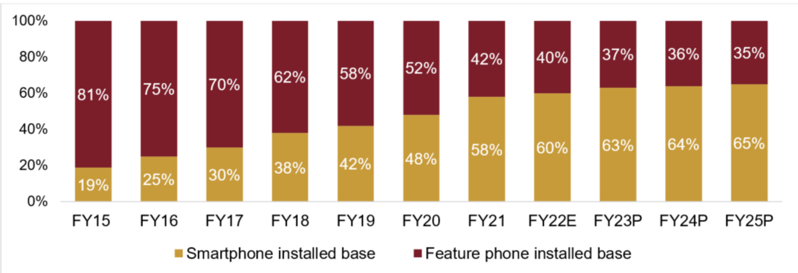
The Government has budgeted approximately ₹ 2 trillion to give incentives to the locally manufacturing units to 13 key sectors. The key sectors to get benefit from the scheme include automobiles, pharma, telecom, electronics, food, textile, steel, and energy. By incentivising production subject to achieving the desired scale, the scheme aims to spawn a handful of globally competitive large scale manufacturing units in the identified sectors. Furthermore, the Government also hopes to reduce India's dependence on raw material imports from China. The scheme is expected to provide a boost to India's exports and economic growth over the medium-term and create more employment opportunities as many of these sectors are labour intensive in nature. Along with the PLI, entering into free trade agreements with key importing countries will also be critical. The rate of incentives offered under PLI are measured as a percentage of incremental sales over a five to seven year period varies between 4%-6% for mobile phones and white goods, 5%-20% for pharma active ingredients and 8%-18% for auto and auto components. CRISIL Research expects the PLI scheme to lead a potential overall capex of ₹ 2.5 trillion to ₹ 3 trillion over the scheme period.

Digitisation to support economic growth and financial services

Technology is expected to play a pivotal role in taking the financial sector to the next level of growth, by helping to surmount challenges stemming from India's vast geography, which makes physical footprints in smaller locations commercially unviable. Technology is conducive for India, considering its demographic structure where the median age is less than 30 years. The young population is tech savvy and at ease with using it to conduct the entire gamut of financial transactions. With increasing smartphone penetration and faster data speeds, consumers are now encouraging digitisation as they find it more convenient. Digitisation will help improve efficiency and optimise cost. Players with better mobile and digital platforms will draw more customers and emerge as winners in the long term.

Mobile penetration: Higher mobile penetration, improved connectivity, and faster and cheaper data speed, supported by Aadhaar and bank account penetration have led India to shift from being a cash-dominated economy to a digital one.

Data-savvy and younger users to drive adoption of smartphones



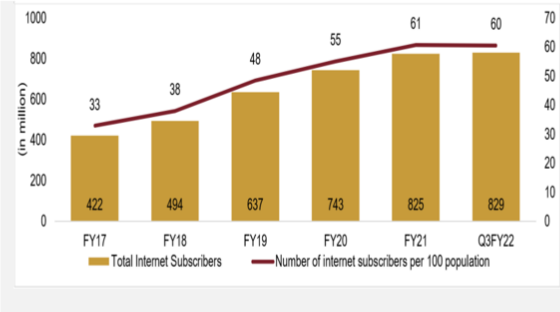
Note: E: Estimated, P: Projected
Source: CRISIL Research

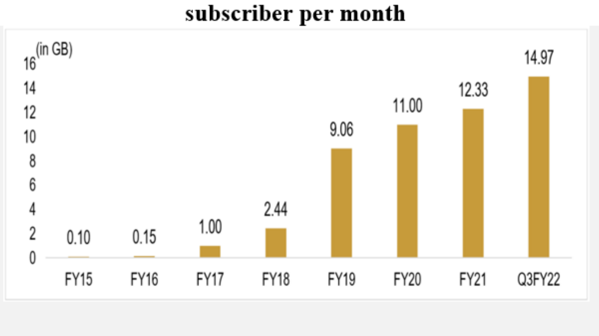
Rise in 4G penetration and smartphone usage

India had 1,021.9 million wireless subscribers as of March 31, 2022, and the number is growing at a steady pace every year. The reach of mobile network, internet and electricity is continuously expanding the subscriber footprint to remote areas leading to rising smartphone and internet penetration in the country. Internet subscribers have risen sharply in India from 422 million subscribers in Fiscal 2017 to 829 million subscribers in the third quarter of Fiscal 2022 growing at a CAGR of 14%. In terms of number of internet subscribers per 100 population, number has almost doubled from 33 in Fiscal 2017 to 60 in the third quarter of Fiscal 2022.

Average wireless data usage per month per subscriber has seen an increasing trend over the last eight years. Per subscriber per month data usage was 0.1 GB in Fiscal 2015 which has increased to 15 GB in the third quarter of Fiscal 2022. This is due to increasing internet data penetration in the country.

Trend in internet subscribers in India **Trend of average wireless data usage per wireless data subscriber per month**





Source: TRAI, CRISIL Research *Source: TRAI, CRISIL Research*

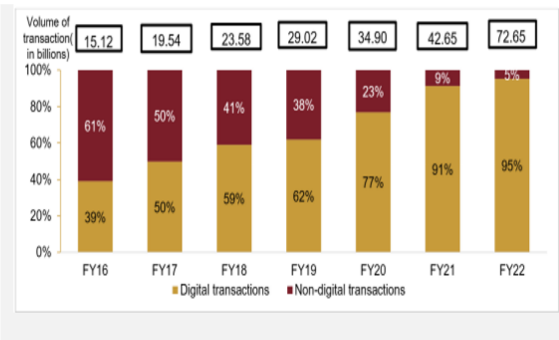
Increasing share of digital channels in domestic monetary transactions

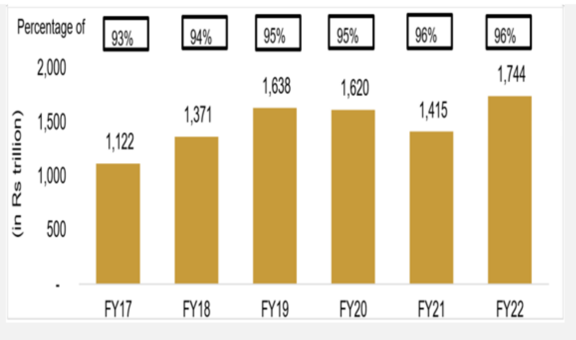
The share of different channels in domestic money transfer has changed significantly over the past five years. Banks, for example, are witnessing a change in customer behaviour with fewer customers visiting bank branches for transactions. This change in behaviour was led by demonetisation when cash transactions slowed down, many new accounts were opened, and digital banking witnessed a surge in use and continued its growth trajectory. The preference has also shifted from cost factors to convenience and ease of performing transactions, which helps in saving time spent in queues, not disturbing the daily working hours and avoiding any potential monetary loss. Post-COVID, with consumers preferring to transact digitally rather than engage in physical exchange of any paper or face-to-face contact, digital transactions have received another shot in the arm.

Digital payments have witnessed substantial growth

Total digital payments in India have witnessed significant growth over the past few years. Between Fiscal 2016 and Fiscal 2022, the volume of digital payments transactions has increased from 6.3 billion to 69.2 billion, causing its share in overall payment transactions to increase from 39% in Fiscal 2016 to 95% in Fiscal 2022 During the same period, value of digital transactions has increased from ₹ 920 trillion in Fiscal 2016 to ₹ 1,744 trillion in Fiscal 2022.

Trend in volume of digital payments **Trend in Value of Digital Payments**





Note: Digital Payments includes RTGS payments, Credit transfers (AePS, APBS, ECS Cr, IMPS, NACH, NEFT, UPI), Debit Transfers (BHIM, ECS Dr, NACH Dr, NETC), Card Payments (Debit and Credit Cards) and Prepaid Payments Instruments
Source: RBI, CRISIL Research

Note: Digital Payments includes RTGS payments, Credit transfers (AePS, APBS, ECS Cr, IMPS, NACH, NEFT, UPI), Debit Transfers (BHIM, ECS Dr, NACH Dr, NETC), Card Payments (Debit and Credit Cards) and Prepaid Payments Instruments
Source: RBI, CRISIL Research

Measures deployed to counter the pandemic's onslaught on growth

Reserve Bank of India goes all out to combat the crisis

The MPC of the Reserve Bank of India (RBI) slashed the repo rate by 115 bps to address financial market stress in the wake of the COVID-19 pandemic and the subsequent lockdown. In an unusual move, the MPC also asymmetrically slashed 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:

- **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.

- **Supporting financial market liquidity:** The RBI initially announced targeted long-term repo operations 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 and individual borrowers from the adverse impact of the intense second wave of COVID-19 across the country. Resolution framework 2.0 was announced wherein individuals and MSMEs having aggregate loan exposure of up to ₹ 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.

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.

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 Indian 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 billon)

Under this scheme, the Indian 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 that benefit low-income groups customers.

Special credit facility for street vendors (₹ 50 billon)

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 amounting to ₹ 2.65 trillion. 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.

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. Emergency credit line guarantee scheme extended till March 31, 2021.

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 Budged 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.

    - Performance security on contracts to be reduced to 3% instead of 5-10%

    - EMD will not be required for tenders and will be replaced by Bid Security Declaration

    - 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 has been extended till March 2022** or till guarantees for an amount of ₹ 4.5 trillion is issued under the scheme, whichever is earlier. As of December 2021, loans sanctioned have crossed ₹ 3.19 trillion under the scheme.

In June 2021, the government increased the overall admissible guarantee limit from ₹ 3.0 trillion to ₹ 4.5 trillion. In addition, the limit of admissible guarantee and outstanding loan amount is increased from 20% to 40% of outstanding for COVID-affected sectors like hospitality, travel and tourism, leisure and sporting and civil aviation sector, subject to a maximum of ₹ 2,000 million per borrower.

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

1. 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%;

2. Additional ECLGS assistance of up to 10% of the outstanding loans as on February 29, 2020 was allowed to borrowers covered under ECLGS 1.0;

3. Civil aviation was included in the list of sectors covered;

4. 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 was lower; and

5. Borrowers who had availed loans under ECLGS 1.0 of overall tenure of four 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 five 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 improved significantly with the help of schemes like PMJDY, Pradhan Mantri Jeevan Jyoti Bima Yojana **("PMJJBY")** and Pradhan Mantri Suraksha Bima Yojana **("PMSBY")**

Further, GST has spawned structural changes in the supply chain and logistics network in the country which ensures that more players in the supply chain come under the tax ambit. The GST regime has been stabilising fast and is expected to bring more transparency and formalisation, eventually leading to higher economic growth.

The PLI scheme aims to spawn a handful of globally competitive large scale manufacturing units in the identified sectors. Furthermore, the Government also hopes to reduce India's dependence on raw material imports from China.

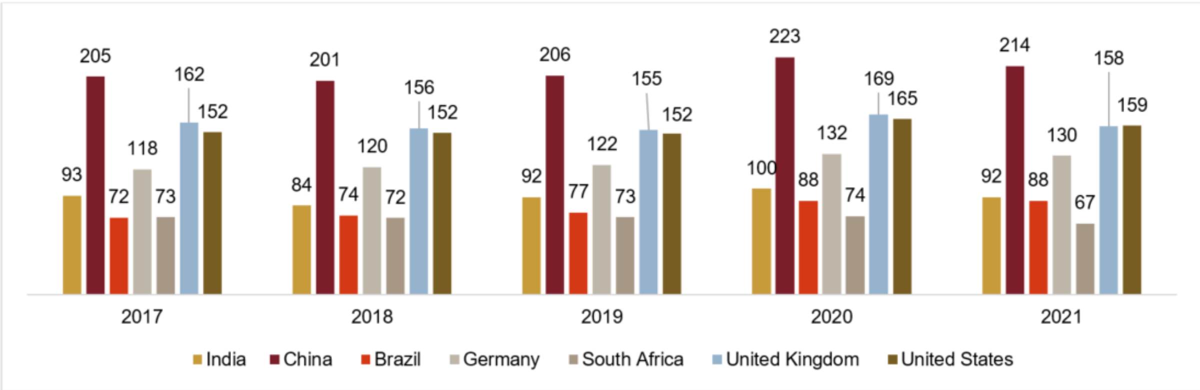
The Insolvency and Bankruptcy Code is a reform that will structurally strengthen the identification and resolution of insolvency in India. It attempts to simplify legal processes, preserve value for creditors and provide them with greater certainty of outcome.

On September 20, 2019, the finance minister announced Taxation Laws (Amendment) Ordinance, 2019 to make certain amendments in the Income Tax Act, 1961, to allow any domestic company the option to pay income tax at the rate of 22%, subject to the condition that they will not avail of any exemption/incentive. The amendments could boost the capital base of the financial institutions and help revive growth in the financial services sector, which has been battling with high NPAs, increasing defaults and liquidity concerns.

Credit penetration is lower in India compared to other countries

In terms of the credit to GDP ratio, India has a low credit penetration compared with other developing countries, such as China indicating that the potential that can be tapped.

Credit to GDP ratio (%) 2021



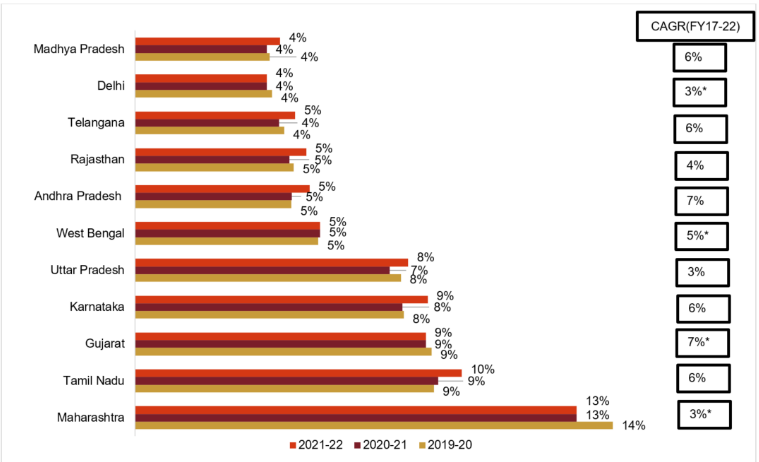
Note: Data is represented for calendar years for all countries except India. For India, numbers are for Fiscal year 2021.
Source: Bank of International Settlements, CRISIL Research

State-wise analysis

Contribution of states to Indian GDP

Maharashtra has the highest GSDP among Indian states, thereby contributing approximately 13% to overall GDP of the country. It is followed by Tamil Nadu (10% of India's GDP) and Gujarat (9% of India's GDP). Maharashtra has the highest share due to the large contribution of the industrial and services activities in the state. In terms of GDP growth, Mizoram, Tripura and Sikkim has witnessed the fastest 5-year CAGR of 11%, 9% and 8% respectively. Amongst the top 10 states, Gujarat and Andhra Pradesh has witnessed the fastest 5-year CAGR of 7%.

Top 10 Indian states with their contribution to India's GDP



*Note: *: Calculated as CAGR from Fiscal 2016-2021*
Source: MOSPI, CRISIL Research

Delhi, Maharashtra and Chandigarh have a higher credit penetration compared to other states

Delhi, Maharashtra and Chandigarh have a credit to GDP ratio of more than 100% in Fiscal 2022 which indicates that credit penetration in the state is higher as compared to other states in the country. Chandigarh has the highest credit penetration of 278% in Fiscal 2022 followed by Delhi at 246%. Maharashtra has the third highest credit penetration in Indian States at 169% which has the highest contribution to Indian GDP. Delhi and Chandigarh which are smaller states have high credit concentration, for example Chandigarh has an urban credit share of 100% and Delhi has a metropolitan credit share of 99%. Densely populated states like Bihar and Uttar Pradesh have rural credit share at 22% and 17%, respectively, which is low considering majority of the population lives in rural areas.

State-wise credit penetration and Gross Domestic State Product (at constant prices) for Fiscal 2022

States	Credit Penetration	GDP (FY21-22) in Rs billion	Percentage share in India's GDP	Rural Credit Share	Semi Urban Credit Share	Urban Credit Share	Metropolitan Credit Share
Maharashtra*	169%	18,893	12.6%	2%	4%	4%	90%
Tamil Nadu	79%	13,984	9.4%	11%	23%	14%	52%
Karnataka	64%	12,522	8.4%	8%	11%	16%	65%
Gujarat*	51%	12,443	8.3%	6%	13%	16%	64%
Uttar Pradesh	47%	11,687	7.8%	17%	16%	31%	36%
West Bengal*	56%	7,927	5.3%	14%	9%	18%	59%
Andhra Pradesh	66%	7,469	5.0%	15%	24%	30%	32%
Rajasthan	53%	7,330	4.9%	14%	23%	23%	40%
Telangana	86%	6,856	4.6%	6%	10%	8%	75%
Madhya Pradesh	53%	6,217	4.2%	12%	22%	18%	49%
Haryana	55%	5,888	3.9%	8%	15%	68%	8%
Delhi*	246%	5,647	3.8%	0%	0%	0%	99%
Kerala	72%	5,509	3.7%	2%	50%	48%	0%
Odisha	38%	4,276	2.9%	19%	24%	56%	0%
Bihar*	40%	4,199	2.8%	22%	24%	24%	31%
Punjab	64%	4,162	2.8%	19%	27%	25%	28%
Assam	32%	2,738	1.8%	23%	30%	47%	0%
Chhattisgarh*	51%	2,455	1.6%	8%	17%	26%	49%
Jharkhand*	37%	2,271	1.5%	18%	20%	27%	35%
Uttarakhand*	35%	1,759	1.2%	21%	22%	57%	0%
Himachal Pradesh	30%	1,244	0.8%	58%	32%	10%	0%
Jammu & Kashmir	61%	1,239	0.8%	35%	26%	20%	20%
Goa	40%	565	0.4%	17%	83%	0%	0%
Tripura	22%	469	0.3%	30%	26%	44%	0%
Chandigarh*	278%	290	0.2%	0%	0%	100%	0%
Puducherry	55%	267	0.2%	10%	20%	71%	0%
Meghalaya	33%	254	0.2%	36%	19%	45%	0%
Sikkim	22%	221	0.1%	27%	10%	63%	0%
Manipur*	39%	208	0.1%	29%	21%	50%	0%
Mizoram*	17%	204	0.1%	8%	24%	68%	0%
Arunachal Pradesh*	31%	182	0.1%	27%	73%	0%	0%
Nagaland*	35%	178	0.1%	23%	46%	31%	0%

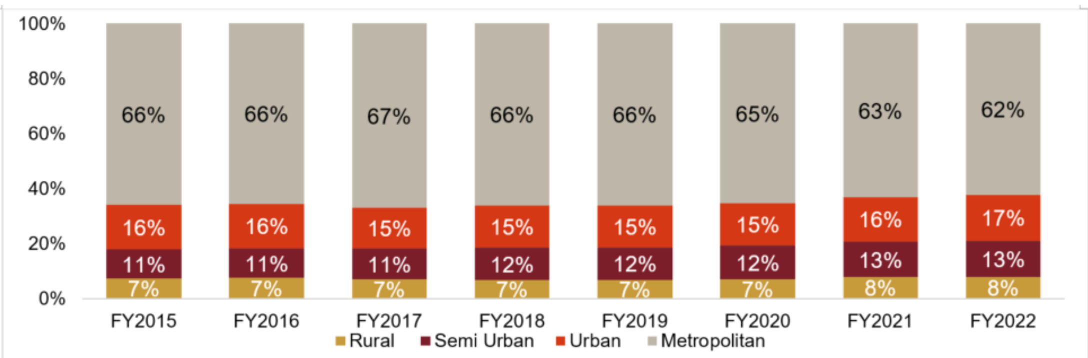
*Note: Credit penetration calculated as banking credit to states in Fiscal 2022 divided by state GSDP (at constant prices) in Fiscal 2022; Region wise credit % calculated as credit divided by total credit, GDP taken as GSDP at constant prices, Base Year: 2011-12., * GDSP taken for Fiscal 2021, Source: RBI, MOSPI, CRISIL Research Estimates*

Rural India – Under penetration and untapped market presents a huge opportunity for growth

Credit to metropolitan areas has decreased over the past few years with its share decreasing from 66% in Fiscal 2015 to 62% in Fiscal 2022. Between the same period, credit share has witnessed a marginal rise in rural and urban areas. For semi-urban areas, credit share has gone up from 11% in Fiscal 2015 to 13% in Fiscal 2022.

At end of Fiscal 2022 rural areas, which account for 47% of GDP, received just 8% of the overall banking credit, which shows the vast market opportunity for banks and NBFCs to lend in these areas. With increasing focus of government towards financial inclusion, rising financial awareness, increasing smartphone and internet penetration, CRISIL Research expects delivery of credit services in rural area to increase. Further, usage of alternative data to underwrite customers will also help the financiers to assess customers and cater to the informal sections of the society in these regions.

Share of rural and semi-urban credit has increased marginally between Fiscal 2015 and Fiscal 2022

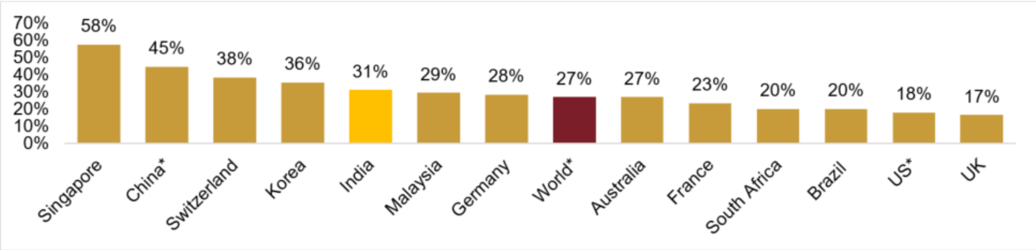


Source: RBI, MOSPI, CRISIL Research

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 2021, greater than the world average of 27%.

Gross Domestic Savings rate: India vs other countries (2021)



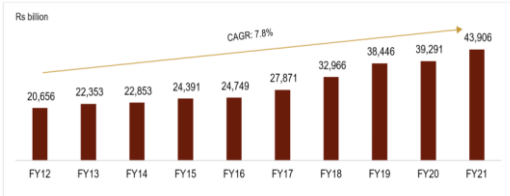
Note: Gross Domestic Saving consists of savings of household sector, private corporate sector and public sector; (*) Data as of 2020
Source: World Bank, Handbook of Statistics on Indian Economy 2020-21, RBI, MOSPI, CRISIL Research

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% in Fiscal 2021

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

Household savings growth



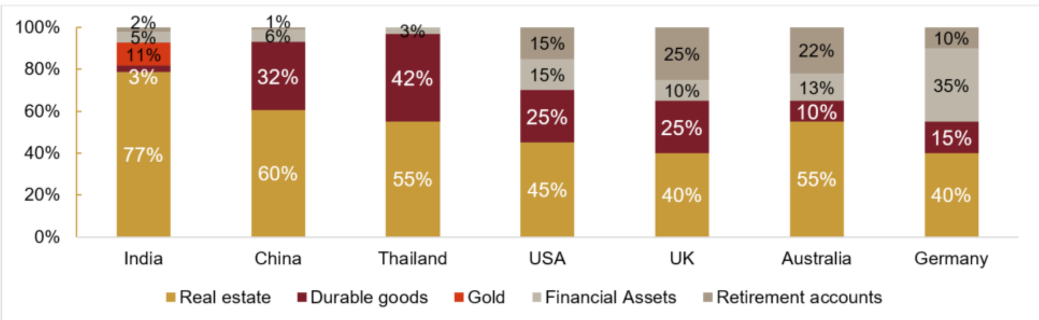
Note: The data is for financial year ending March 31, 2021
Source: MOSPI, CRISIL Research

CRISIL Research expects India to continue being a high savings economy. CRISIL Research is also sanguine on savings rate increasing in the medium-term, as households become more focused post the pandemic-induced uncertainty on creating a nest egg for the future.

Physical assets still account for majority of the savings.

Unlike most other countries, where financial savings account for a significant proportion of savings, physical assets in the form or real estate, gold and silver still account for most household savings in India.

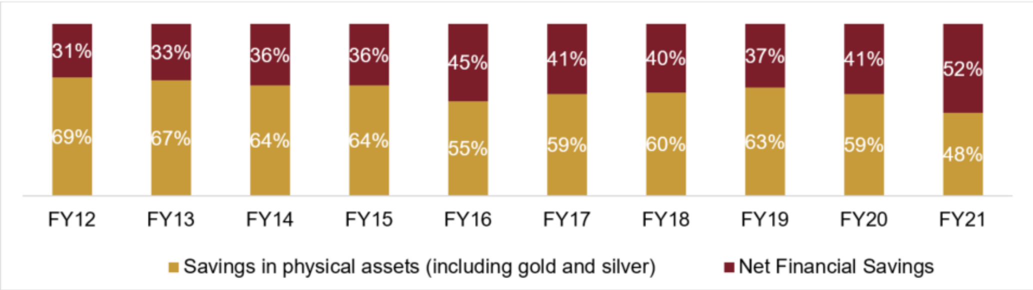
Trend of savings in India and other economies



Source: Report of the Household Finance Committee: July 2017, RBI, CRISIL Research

Although households' savings in physical assets has declined to 48% in Fiscal 2021 from 69% in Fiscal 2012, it constitutes a substantial share in overall savings. On the other hand, the share of financial savings has witnessed an uptrend to 52% in Fiscal 2021 from 31% in Fiscal 2012. With volatility in the financial markets post COVID and the prevalent lower rates of return in the fixed income products on account of accommodative stance of RBI, some proportion of savings is expected to continue to remain in the physical assets. In the long-term, with increase in financial literacy, CRISIL Research expects the share of financial assets as a proportion of net household savings to increase over the next five years, thereby boosting investments in assets such as insurance and mutual funds.

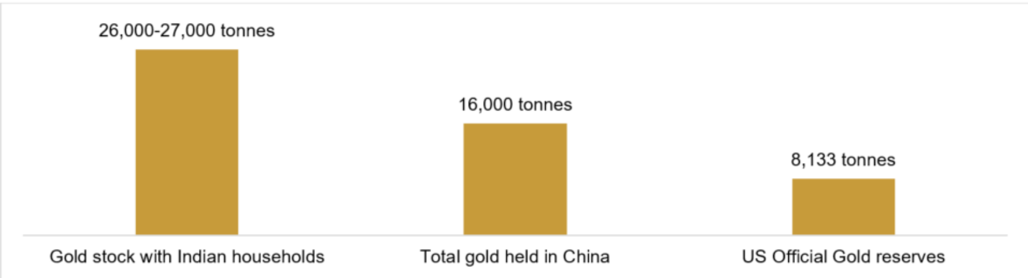
Trend of household savings in India



Note: The data is for financial year ending March 31, 2021, Source: Handbook of Statistics on Indian Economy 2018-19, RBI, MOSPI, CRISIL Research

As of March 2011, Indian households had gold stock of around 19,000 to 20,000 tonnes which has increased to 27,400 tonnes as of March 2022, of which just around 7% is pledged with financiers, as per CRISIL Research estimates.

India has world's largest private gold holdings



Source: CRISIL Research estimates

As more and more households become more open to monetising their gold holdings to meet either personal or business needs and the ease of obtaining a gold loan improves, the addressable market for financiers would expand significantly. At the average market price of ₹ 50,880 per 10 gram of gold in May 2022, monetising even 20% of the gold stock in the form of a loan at a 70% loan-to-value ratio ("**LTV**") is expected to lead to a ₹ 18 trillion market opportunity for financiers.

NBFC Sector Assessment

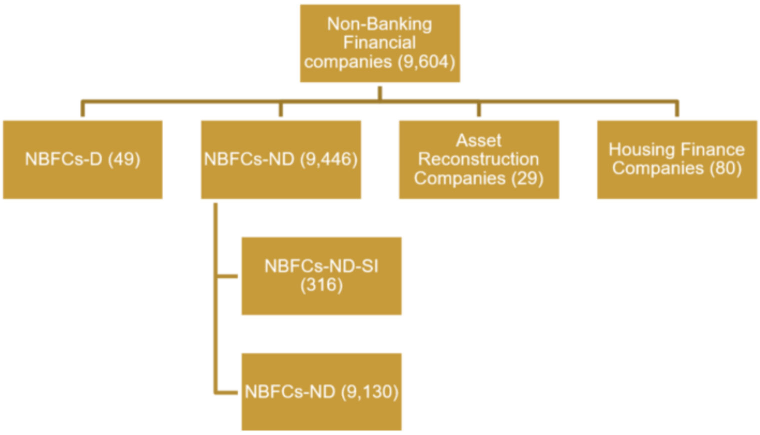
Constituents of NBFC industry in India

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

Classification of NBFCs

NBFCs are classified on the basis of liabilities into two broad categories: a) deposit-taking; and b) non-deposit-taking. Deposit-taking NBFCs are subject to requirements of capital adequacy, liquid assets maintenance, exposure norms, etc. Further, in 2015, non-deposit-taking NBFCs with an asset size of ₹ 5 billion and above were labelled as 'systemically important non-deposit taking NBFCs' ("**NBFC–ND–SI**") and separate prudential regulations were made applicable to them.

Classification of NBFCs based on liabilities



Note: Figures in brackets represent the number of entities registered with RBI as of January 2022.
Source: RBI, CRISIL Research

Key regulations pertaining to NBFCs

Given the importance of NBFCs in financial system especially by accessing public funds and inter-connectedness with banking, they are subject to prudential regulations by the Reserve Bank of India (RBI) as given below

Regulatory distinction between banks and NBFCs

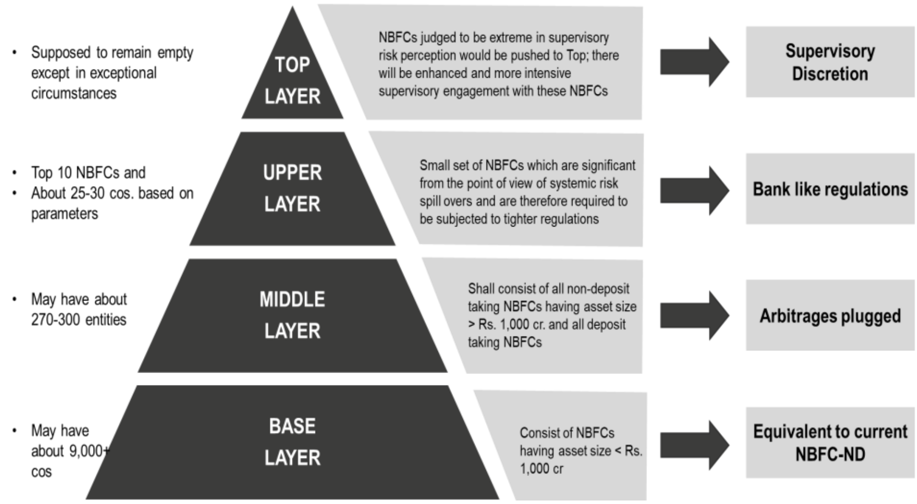
	NBFC – ND –SI	NBFC – D	Banks (Basel-III)
Minimum net owned funds	Rs. 20 million	Rs. 20 million	N.A.
Capital Adequacy	15.0%	15.0%	11.5%
Tier I Capital	10.0%	10.0%	9.5%
Stage III assets	90 days#	90 days#	90 days
Cash Reserve ratio (CRR)	N.A.	N.A.	3.0%
Statutory liquidity ratio (SLR)	N.A.	15.0%	18.00%
Priority Sector	N.A.	N.A.	40% of advances
SARFAESI eligibility	Yes*	Yes*	Yes
Exposure norms (% of NOF)	Single borrower: 15% (+10% for IFC)	Single borrower: 15%	Single borrower: 15% (+5% for infrastructure projects)
	Group of borrowers: 25% (+15% for IFC)	Group of borrowers: 25%	Group of borrowers: 30% (+10% for infrastructure projects)

Note: NA = Not applicable, Min. net owned funds for NBFC-MFI and NBFC - Factors is ₹ 50 million, while for IFC it is ₹ 3,000 million
**The Ministry of Finance in its union budget of 2021 has proposed the SARFAESI threshold to be reduced from the existing level of ₹5 million to ₹2 million, # Discretion with the audit committee of NBFCs to defer stage 3 classification beyond 90+dpd, Source: CRISIL Research*

Scale based approach proposed for NBFCs

The Reserve Bank of India (RBI) in January 2021 had proposed a tighter regulatory framework for NBFCs by creating a four-tier structure with a progressive increase in intensity of regulation in a discussion paper titled 'Revised Regulatory Framework for NBFCs - A Scale-based Approach'. Based on the inputs received, in October 2021, RBI put in place a revised regulatory framework for NBFCs, which is slated to be effective from October 2022.

In the framework for Scale Based Regulation for NBFCs, the RBI has said the regulatory and supervisory framework of NBFCs should be based on a four-layered structure based on their size, activity, and perceived riskiness: Base Layer, Middle Layer, Upper Layer and Top Layer. NBFCs in lower layer will be known as NBFC-Base Layer ("**NBFC-BL**"). NBFCs in middle layer will be known as NBFC-Middle Layer ("**NBFC-ML**"). An NBFC in the Upper Layer will be known as NBFC-Upper Layer ("**NBFC-UL**") and will invite a new regulatory superstructure. There is also a top layer, ideally supposed to be empty.



Source: RBI, CRISIL Research

RBI has taken a balanced view, and instead of going for a one size fits all, it has opted for differential regulation based on size and the systemic importance of an NBFC. Further, the importance of NBFCs in providing credit to underserved customers has been recognised. The RBI has not proposed imposition of CRR and SLR on NBFCs, which would come as a relief to NBFCs.

The proposed 9% common equity tier-1 ratio should not be difficult to manage as majority of the NBFCs remain well capitalised. Cap on leverage levels would impact NBFCs in the mortgage business if limits are proposed in line with other asset classes. Differential standard asset provisioning will have a negative impact for NBFCs who have large exposure to sensitive sectors like commercial real estate (for example: CRE at the rate of 1.00%, CRE-RH at the rate of 0.75%; current norm for NBFCs is 0.4%). Cap of ₹ 0.01 billion on IPO financing per individual would hurt NBFCs operating in this space. Post this regulatory change, few NBFCs falling in the NBFC-UL category may consider conversion into universal banks. Overall, we believe the scale-based approach will translate into greater regulatory oversight and better governance practices, which will structurally strengthen the sector.

RBI tightens provisioning norms on Standard assets for NBFC Upper Layer

On June 6th, 2022, the RBI released a circular aligning provisioning for standard assets by NBFCs in the upper layer as per RBIs scale-based regulations with that prevalent with the banks, which would be effective from October 1, 2022. The impact of the norms is unlikely to be material as most large NBFCs already maintain Stage 1 and Stage 2 provisioning, which is comfortably higher than the required levels. The below table shows the provisioning that NBFC-ULs are required to maintain in respect of standard assets for the funded amount outstanding:

Provisioning norms for standard assets

Category of Assets	Rate of Provision
Individual housing loans and Small and Micro Enterprises	0.25%
Housing loans extended at teaser rates	2.00%, which will decrease to 0.40% after 1 year from the date on which the rates are reset at higher rates (if account remains standard)
Advances to Commercial Real Estate – Residential Housing (CRE - RH) sector	0.75%
Advances to Commercial Real Estate (other than CRE -RH) sector	1.00%
Restructured Advances	As stipulated in the applicable prudential norms for restructuring of advances
All other loans and advances not included above, including loans to Medium Enterprises	0.40%

Note: NBFC-UL includes non-banking financial companies and housing finance companies, Source: RBI, CRISIL Research

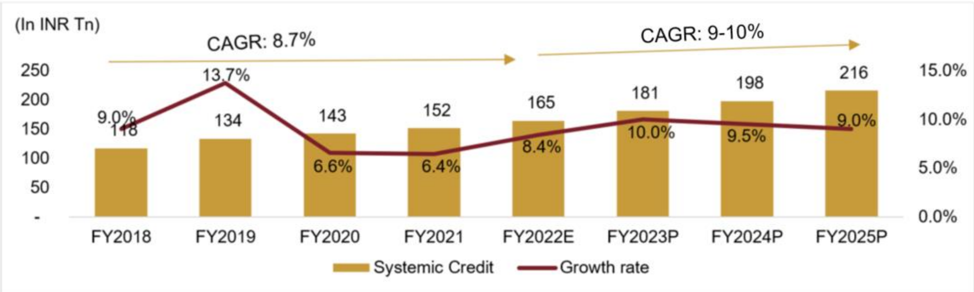
Systemic credit to grow at 9% -10% CAGR between Fiscal 2022-2025

Corporate credit determines the growth in overall credit as it accounts for nearly two-third of systemic credit. Overall systemic non-retail credit grew approximately 9% in Fiscal 2019, mainly driven by public sector undertakings and energy sector (oil and gas and power generation and distribution). The corporate credit of banks grew just approximately 3% year-on-year as of March 2019, as demand dropped sharply, and alternate capital market channels opened up. The financial sector, which was already reeling under the NBFC liquidity crisis, saw financial institutions turn cautious towards corporate lending and shift their focus towards the retail segment. While this shift has caused retail credit to drive overall credit growth, it witnessed a slowdown in growth from 18.3% in Fiscal 2018 to 15.4% in Fiscal 2019 on account of a slump in consumption. The slowdown in economic activity, coupled with heightened risk aversion among lenders, further tightened the overall credit growth to approximately 6.6% in Fiscal 2020. Retail credit grew by 16.3% in Fiscal 2020.

Overall systemic credit growth took a hit in first half of Fiscal 2021 on account of a significant slowdown in retail credit and intensifying COVID-19 pandemic which triggered a national lockdown. The COVID-19 pandemic came as a jolt for an already slowing economy with a decadal low growth in GDP, low private consumption, cautious lending by financial institutions, poor capital expenditure (capex), and in turn, weakening credit growth. However, with a slew of government and regulatory measures announced, Indian economy started to revive in the second half of the Fiscal. In Fiscal 2021, credit grew by approximately 6.4% supported by disbursements to MSMEs under the ECLGS and an uptick in economic activity post the COVID lockdown.

In Fiscal 2022, the systemic credit growth picked up steam despite the second wave of COVID hurting economic growth in the first quarter of the Fiscal. The systemic credit grew at 8.4% from the previous year to reach approximately ₹ 165 trillion. The growth was mainly driven by the budgetary push towards investments, pick-up in private investment, and business activity also slowly humming back to pre-COVID levels. CRISIL Research projects systemic credit to grow at 9% - 10% CAGR between Fiscals 2022 and Fiscal 2025.

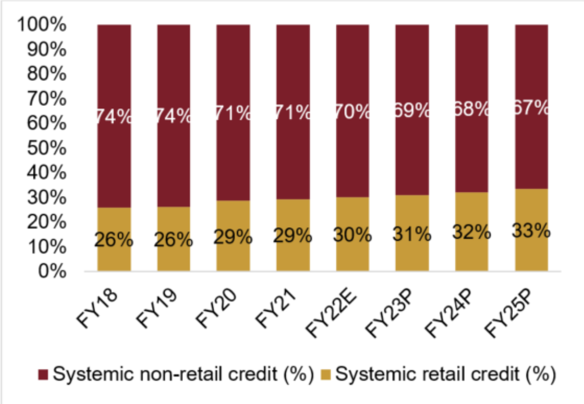
Systemic growth to bounce back in Fiscal 2022 and Fiscal 2023



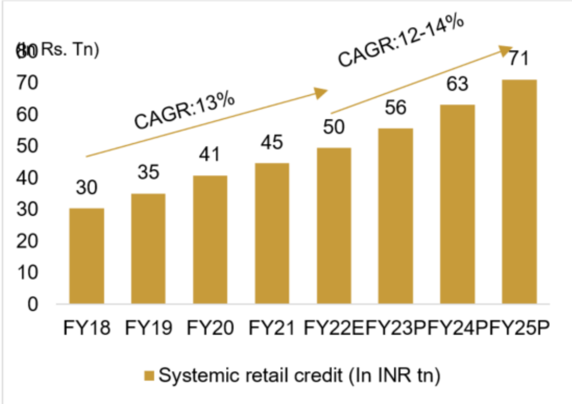
Note: E: Estimated; P: Projected; Systemic credit includes domestic banking credit, NBFC credit, commercial papers, external borrowings, corporate bonds excluding those issued by Banks and NBFC
Source: RBI, Company Reports, CRISIL Research

While systemic credit in India grew at a tepid rate of 9% CAGR annually between Fiscals 2018 and Fiscal 2022, systemic retail credit grew at a much faster rate of 13% CAGR during the same period. Retail credit growth in Fiscal 2020 was around approximately 16.3% which came down to approximately 9.2% in Fiscal 2021. However, post-pandemic, retail credit growth revived back to reach approximately 11.6% in Fiscal 2022. CRISIL Research thus expects retail credit growth to continue in the long term with banks and NBFCs' continued focus on the segment.

Retail segment accounts for 30% of overall systemic credit as of fiscal 2022



Retail credit growth to continue on a strong footing



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

Systemic credit and NBFC credit to grow at similar pace

Over the past decade, banking credit growth lagged systemic credit growth for several years as NBFCs grew at a much faster pace. However, the NBFCs suffered a blow after IL&FS defaulted in September 2018. NBFCs not having the advantage of size, rating and/or parentage had to grapple with a liquidity crisis and as raising funding became difficult. Initially, post the IL&FS crisis, banks were expected to fill the space left out by NBFCs. However, with slower economic growth and muted private capex, banking credit growth remained low at approximately 6.8% in Fiscal 2020.

In the fourth quarter of Fiscal 2020 and the first quarter of Fiscal 2021, with the outbreak COVID-19 pandemic, challenges had intensified for both banks and NBFCs. NBFCs were hit harder in terms of demand, and they also turned cautious as they lend to borrowers with relatively weaker credit profile. In the second half of Fiscal 2021, the Indian economy showed signs of improvement, the effect of which was seen in the credit growth.

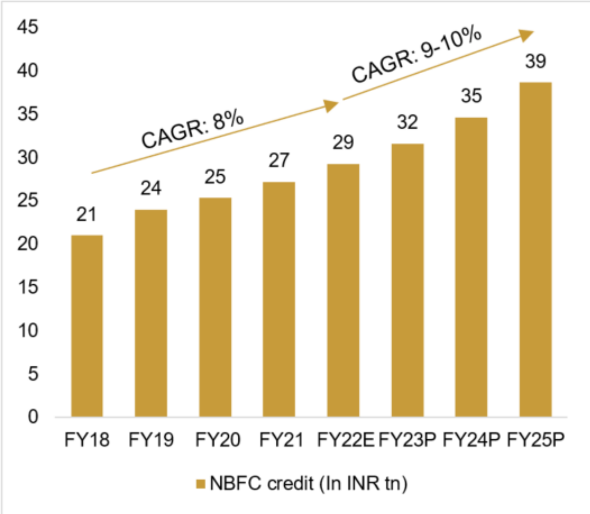
At the end of Fiscal 2021, the overall banking credit grew by approximately 4.6% on year while NBFCs witnessed a growth of 7.3% during the same period. In Fiscal 2022, the second wave of the COVID-19 pandemic led to weak demand for credit in the first quarter of the year. However, the pace of credit has now recovered, with overall credit growing by 8.4% and retail credit increasing by 11.6% year-on-year as of March 2022. Further, high frequency indicators point out that economic activity and consumer spending is returning to pre-COVID levels. With the effect of COVID-19 waning, vaccination coverage progressively improving, the situation and growth has improved further.

Due to COVID-19 pandemic, demand for credit reduced drastically on account of economic activity coming down to standstill due to lockdown led sharp fall in disbursements. However, there has been a pickup in disbursements since the second half of Fiscal 2022, a trend that is expected to continue in Fiscal 2023.

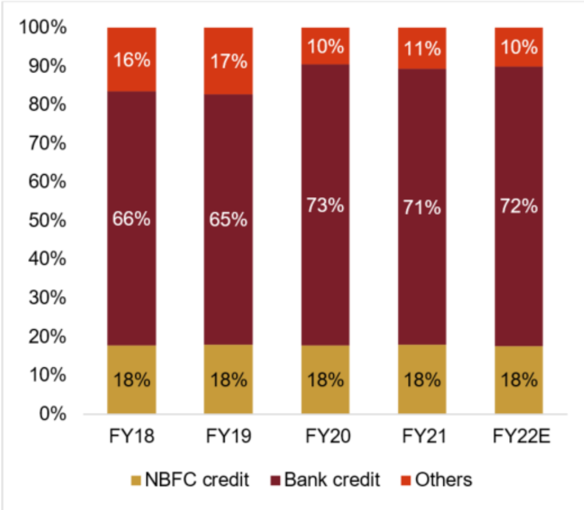
CRISIL Research projects both systemic credit and NBFC credit to grow at 9%-10% CAGR between Fiscal 2022 and Fiscal 2025. The credit growth will be driven by the retail vertical, including housing, gold and auto segments. Rapid revival in the economy is expected to drive consumer demand in Fiscal 2023, leading to healthy growth for banks and NBFCs.

Moreover, organic consolidation is underway with larger NBFCs gaining share. Between Fiscals 2018 and Fiscal 2022, the market share of the top 5 NBFCs has risen by 600 bps from 40% to 46%. Further, growth of the non-banking industry will be driven mainly by NBFCs with strong parentage who have funding advantage over other NBFCs.

NBFC credit to grow at CAGR 9-10% between fiscals 2022 and 2025



Share of NBFCs credit in overall systemic credit remained 18% in fiscal 2022



Note: P = Projected; Note: Others include Commercial papers, External borrowings, corporate bonds excluding those issued by Banks and NBFCs
Source: RBI, Company reports, CRISIL Research

NBFCs have shown remarkable resilience and gained importance in the financial sector ecosystem, growing from less than ₹ 2 trillion AUM at the turn of the century to ₹ 29 trillion at the end of Fiscal 2022. Their share in the overall credit pie has increased from 12% in Fiscal 2008 to 18% in Fiscal 2022. CRISIL Research believes that NBFCs will remain a force to reckon within the Indian credit landscape, given their inherent strength of providing last-mile funding and catering to customer segments that are difficult to address.

Retail segment to support NBFCs overall credit growth

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

Over the last few years, CRISIL Research has seen a transformation in the Indian financial services landscape. The increasing penetration of neo-banking, digital authentication and mobile phone usage as well as mobile internet has resulted in the modularization of financial services, particularly credit.

The sector has also seen the emergence of several financial technology entities ("**fintechs**") that leverage technology, data, and business insights to provide various financial products and services to identified customer segments. Fintech players in India started lending in Fiscal 2015 but they started gaining traction from Fiscal 2017 onwards. The business model of fintech firms differ widely but in almost all cases they use technology to change or support existing way of doing business, and hold the promise of enhancing customer convenience, facilitating access to credit for unserved or underserved customer segments and/or improving operating efficiency. Many times, fintechs enter into tie-ups with financing partners (banks and NBFCs) for taking the loans originated by them on the balance sheet of the partner.

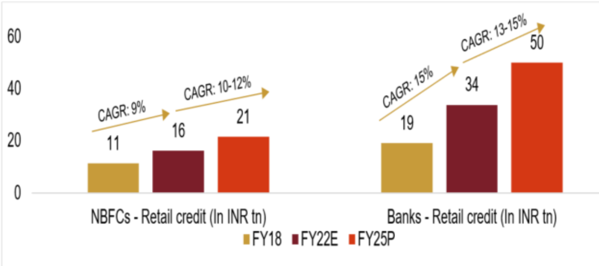
Reflecting the growing importance of NBFCs in the financial services landscape and their ability to offer differentiated solutions to meet the requirement of target customers, the market share of NBFCs in overall systemic credit has increased from approximately 16% in Fiscal 2017 to approximately 18% in Fiscal 2022.

The most important monitorable for NBFCs over the course of Fiscal 2022 and Fiscal 2023 would be how asset quality pans out. The trend in monthly collection efficiency ratio (total collections excluding foreclosures divided by scheduled billings unadjusted for moratorium) (MCR) shows a marked improvement in collections post the second COVID wave ebbing in June 2021. However, it is important that the momentum is sustained and there is no resurgence of COVID-19 that strikes NBFCs.

In Fiscal 2022, with a rebound in GDP growth, disbursements of NBFCs gained traction. Although NBFC assets witnessed approximately 7.6% growth in Fiscal 2022, it was still lower than nominal GDP growth. This is because access to funding in a timely manner and at competitive costs remained challenging, especially for smaller and mid-sized NBFCs, and concerns lingered over the impact of the COVID-19 pandemic on asset quality.

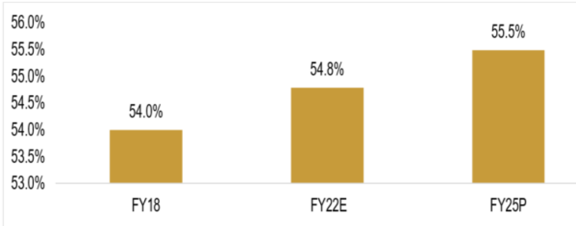
The industry will continue to witness the emergence of newer NBFCs catering to specific customer segments. The COVID-19 pandemic and consequent acceleration in both adoption of technology and change in consumer habits as well as increasing availability of data for credit decision-making has made it possible to build an NBFC lending business without investing large sums to have brick-and-mortar presence on the ground. Overall, between Fiscal 2022 to Fiscal 2025, CRISIL Research forecasts NBFC credit to grow at a CAGR of 9%-10%. Further, retail credit given out by NBFCs is forecast to grow at a faster pace of 10%-12% CAGR over the same time-period.

NBFCs retail credit is expected to grow at 10%-12% CAGR in next 3 years



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

Share of retail credit in total NBFC credit



Note: P = Projected; Retail credit includes housing finance, auto finance, microfinance, gold loans, construction equipment finance, consumer durable finance, MSME loans and education loans
Source: Company reports, CRISIL Research

Housing, auto and gold to lead NBFC credit growth

Housing outstanding book of NBFCs and HFCs grew at a healthy CAGR of 15% over Fiscal 2015 to Fiscal 2020, led by increasing demand from Tier II and III cities, rising disposable incomes, and government initiatives such as the Pradhan Mantri Awas Yojana, interest rate subvention schemes, and Fiscal incentives. However, growth slowed down in the first half of Fiscal 2021 owing to the covid-19 pandemic, but there was faster-than-envisaged revival in the second half supported by the RBI, the Centre and state governments providing impetus, which led to 7% growth for Fiscal 2021. The second COVID-19 wave impacted disbursements in the first quarter of Fiscal 2022. However, with income levels of salaried customers largely intact and home loan rates at historical low during Fiscal 2022, disbursements rebounded in the second half of Fiscal 2022 leading to a growth of 13% year-on-year. With visible recovery across most sectors and increasing demand for housing, CRISIL Research expects NBFC housing credit will continue to see momentum and is like to grow at 13%-15% for Fiscal 2023. For ticket size of less than 2.5 million portfolio outstanding of housing loans stood at ₹ 9.2 trillion - ₹ 9.3 trillion in Fiscal 2022. The affordable housing segment suffered a slowdown in 2021 on account of the second wave of COVID-19. However, CRISIL Research expects the affordable HFCs to grow at a higher rate of 15% - 17% in Fiscal 2023.

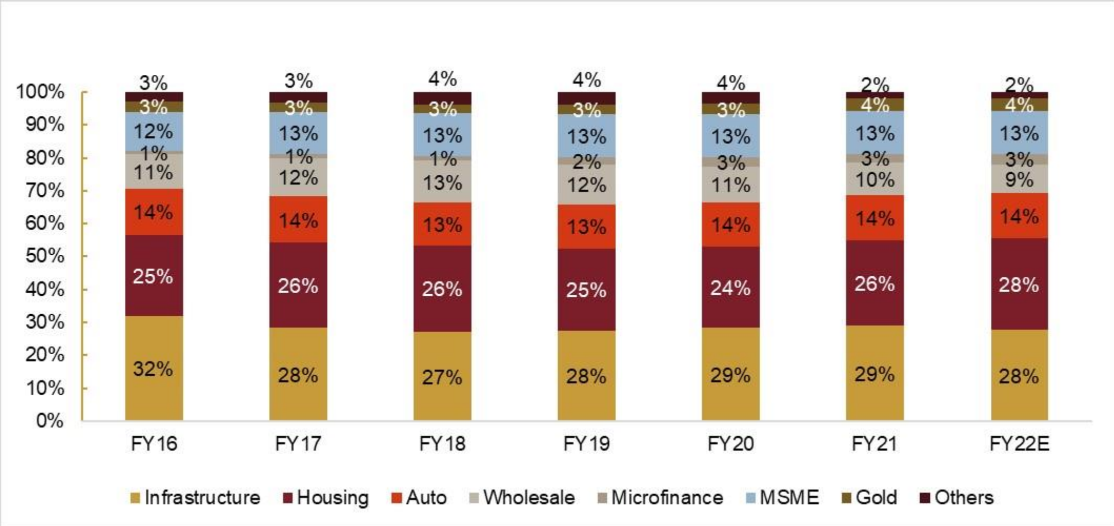
Auto finance saw 4.6% growth in Fiscal 2022, driven by asset growth in the passenger vehicle and commercial vehicle segments. This was led by the increase in sales after two consecutive Fiscals of decline. CRISIL Research expects the loan book growth in Fiscal 2023 to be led by growth in sales across all asset classes and easing of chip shortage. Customers who have been deferring their purchasing decisions due to the pandemic, will be opting for the same in Fiscal 2023, leading to demand from the replacement front as well. In addition, the segments are expected to see further price rise as well in Fiscal 2023, leading to higher disbursements in Fiscal 2023.

Gold loan finance is estimated to have grown around 17% with demand restoring in Fiscal 2022. Between Fiscal 2022 and Fiscal 2025, gold loans AUM is projected to grow at CAGR of 11% year-on-year owing to better economic stability, expanding gold loan market and better reach by various initiatives taken by NBFCs. Lenders are now comfortable lending to customers, and both banks and NBFCs are aggressively pitching gold loan products to have good quality of assets on the book. Further, innovation such as door step gold collection and disbursements will also aid market growth.

Housing and infrastructure loans account for more than 60% share in overall NBFC portfolio as of Fiscal 2022

In terms of asset size wise mix, housing loans and infrastructure loans continue to account major chunk of overall NBFC portfolio. Microfinance loans have increased their share from approximately 2% to 3% between Fiscal 2018 and Fiscal 2022. Going forward, CRISIL Research expects housing and infrastructure loans to maintain their share in overall NBFC credit. Further, gold loans is expected to perform better than other segments due to the cushion available to lenders, increase in gold prices, increased focus on online loans and doorstep service. Consumer durables financing is expected to make a come-back owing to increased demand and rise in online purchases of consumer durables.

Distribution of NBFC credit across asset classes



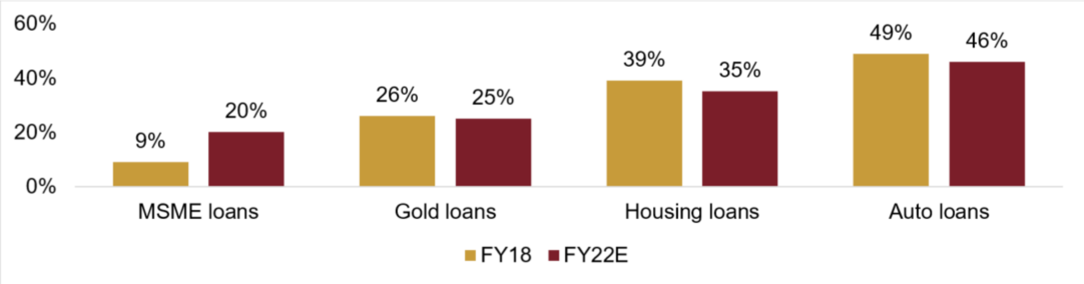
Note: Others include education loan, consumer durable loans and construction equipment finance, Source: RBI, Company reports, CRISIL Research

NBFCs have a reasonable market share across segments

NBFCs have consistently gained or maintained market share across most asset classes over the last few years. Though, in certain segments such as housing finance to prime customers, they have lost market share to banks due to the decline in market interest rates. In the gold loans market, NBFCs slightly lost market share in Fiscal 2022 due to increasing focus of banks (both public and private) towards gold loans as well as RBI permitting banks to offer gold loans at a higher loan-to-value amidst the COVID-19 pandemic. Nevertheless, NBFCs continue to have a healthy market share across other segments.

NBFCs have been able to compete with banks mainly on account of their strong origination skills, extensive reach, better customer service, faster processing, fewer documentation requirements, digitalisation of customer on-boarding process, customised product offerings, local knowledge, and differentiated credit appraisal methodology. Furthermore, by catering to under banked, lower income and mass market customers who are unserved or underserved by banks, NBFCs have enhanced financial inclusion and expanded the market for formal financial services. The rapid evolution of fintechs over the last few years has added another dimension to the market served by NBFCs and has fuelled rapid growth across the landscape.

Market share of NBFCs in overall credit across select asset classes



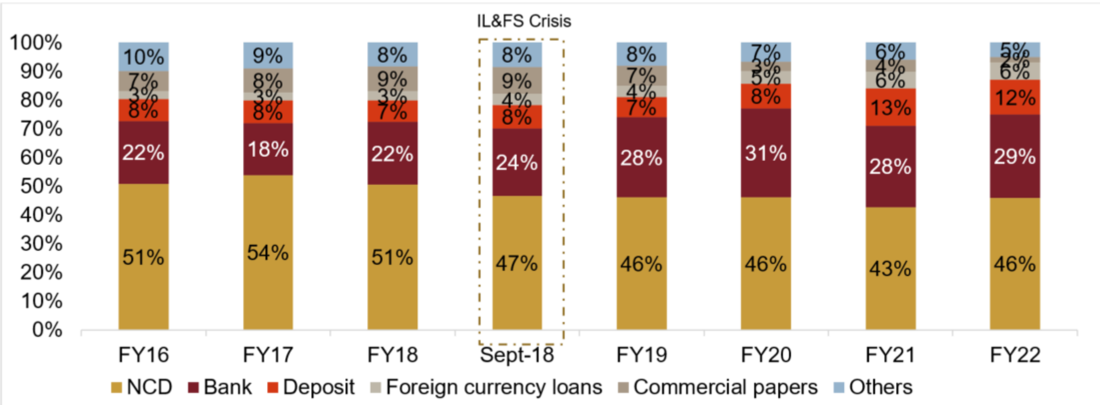
Source: Company reports. RBI, CRISIL Research estimates

Resources profile of NBFCs

NBFC's borrowing mix has been changing over the past couple of years. Capital market investors have become cautious given the challenging environment and concerns over the asset quality. Investors' risk perception has increased significantly towards players with negative asset liability management mismatch. On the other hand, NBFCs with diversified sources of borrowings, and conservative approach to asset-liability management ("**ALM**") have been able to overcome the severe liquidity crunch and volatile interest rates following IL&FS crisis. Therefore, access to the capital markets has been restricted to limited players, with others relying more on bank borrowings and borrowings from larger NBFCs and overseas debt investors to meet their requirement. This has resulted in reduction in share of Commercial Papers ("**CPs**") and non-convertible debentures ("**NCDs**") and a corresponding increase in banks borrowings during Fiscal 2019 to Fiscal 2021.

In Fiscal 2022, NBFCs' borrowings from banks continued to grow at year-on-year growth rate of 10%. Total bank borrowings increased from ₹ 5 trillion at end of March 2018 to ₹ 10.5 trillion at end of March 2022 which brought their share from 22% to 29% during the same period. Borrowings through non-convertible debentures increased to 46% of the resources mix of NBFCs as of March 2022, up from 43% at end of March 2021. During the second wave of COVID-19 pandemic, NBFCs reduced their borrowings from commercial paper due to adequate liquidity on their books. The share of CPs in the resources mix of NBFCs also decreased from 4% at end of March 2021 to 2% at end of March 2022. Going forward, CRISIL Research believes that funding access would gradually improve for NBFCs who are able to demonstrate strong performance. However, reliance on bank funding and funding from other NBFCs and small finance banks is expected to remain high.

Bank borrowings is expected to remain primary source of funds for the NBFCs, apart from NCDs



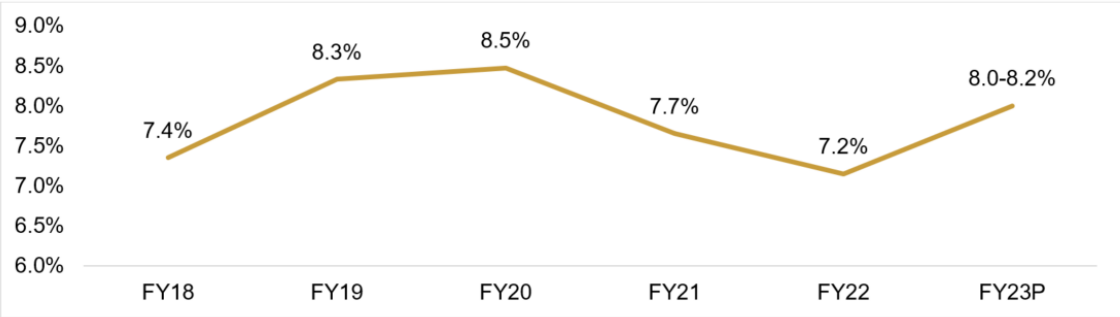
Note: Based on sample set of NBFCs accounting for more than 80% of overall borrowings of NBFCs as of March 2022; For Fiscal 2022, NCD includes Debt Securities and NCDs, Bank includes Banks and National Housing Bank, and Others include Related Parties, Foreign Institutions, External Commercial Borrowings and other sources, Source: Company reports, CRISIL Research

NBFC borrowing cost to increase in Fiscal 2023 with reversal in interest rate cycle

Soaring inflationary pressures have resulted in the RBI reversing its accommodative monetary policy stance. As of August 2022, the benchmark repo rate has already been increased by 140 bps; CRISIL Research expects a further increase of 25 bps during the current Fiscal, translating into a 165 bps increase in repo rates cumulatively.

As per CRISIL Research estimates, the upward movement in interest rates is anticipated to lead to around ₹ 18 trillion of NBFC debt bring repriced at a higher cost, of which ₹ 15 trillion will be on account of existing debt being repriced owing to interest rate reset or on maturity and another ₹ 3 trillion will be interest levied on incremental debt taken to support lending growth. However, due to lag in the increase in MCLR by banks as compared to the increase in repo rate, the overall increase in borrowing cost of NBFCs in Fiscal 2023, at 85-105 bps, would be lower than the repo rate increase. However, given the steep fall in borrowing costs in Fiscal 2021 due to the system being awash with liquidity, the borrowing costs for NBFCs in Fiscal 2023 will still stay below the long-term average. Gross spreads of NBFCs are expected to be compressed by 40-60 bps in Fiscal 2023, partly cushioned by-passing interest rate hikes to some extent.

NBFC borrowing cost decreased in Fiscal 2022; to rise by 85-105 bps in Fiscal 2023



Note: P = Projected, Data represents cost of borrowing of players which cumulatively accounts for 85% of overall NBFC AUM
Source: Company reports, CRISIL Research

For AAA rated entities, cost of borrowings remained well below 7% as of Fiscal 2022 and has reduced from approximately 9%-10% in Fiscal 2016. For A+ and above rated companies as well, cost of borrowings has been below 9.5% in Fiscal 2022. Cost of borrowing has remained high for BBB category NBFCs.

Average Cost of borrowing trend by ratings category

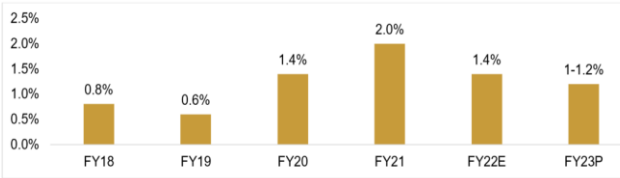
Note: Latest credit rating is considered for classifying companies across different buckets, Source: Company reports, CRISIL Research

Higher credit costs impacted the ROAs of NBFCs in Fiscal 2021 and Fiscal 2022; profitability to sustain in Fiscal 2023 despite increase in borrowing costs

Fiscal 2021 witnessed lower interest income on account of lower yields. Lower yields, in turn, along with the higher credit cost on account of pandemic-related provisioning (including 10% regulatory provision on restructured book) led to a fall in return on assets of NBFCs. In addition, the credit costs remained high for large players in Fiscal 2022, especially in the wholesale segment, which led to fall in profitability of the NBFCs.

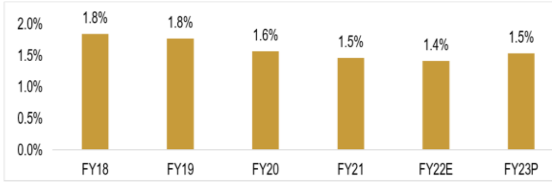
In Fiscal 2023, CRISIL Research expects a gradual recovery across sectors with the waning impact of pandemic and improving collection efficiency aiding it. While borrowing costs are expected to spiral upwards, the overall profitability of NBFCs is still expected to be sustained in Fiscal 2023, primarily on account of lower credit costs due to contingency provisioning buffers created over the course of the previous two Fiscals.

Credit costs for NBFCs to decline in Fiscal 2023



Note: E: Estimated; P: Projected
Source: CRISIL Research

Decline in credit costs to cushion the impact of lower spreads on profitability (RoA)



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

Asset quality is expected to improve on account of efficiency in collection process and improvement in economic activity

Asset quality for NBFCs is influenced by various factors such as economic cycle, target customer segment, geographical exposure, and local events. Within the NBFC universe itself, it is observed that various asset classes tend to exhibit heterogeneous behaviour. For example, the asset quality in small business loans and personal loans tends to be highly correlated with the macroeconomic environment. On the other hand, microfinance loans have shown lower historic correlation with macroeconomic cycles. This is because asset quality is more influenced by local factors, events that have wide ranging repercussions such as demonetisation and COVID-19 and relative leverage levels amongst borrowers.

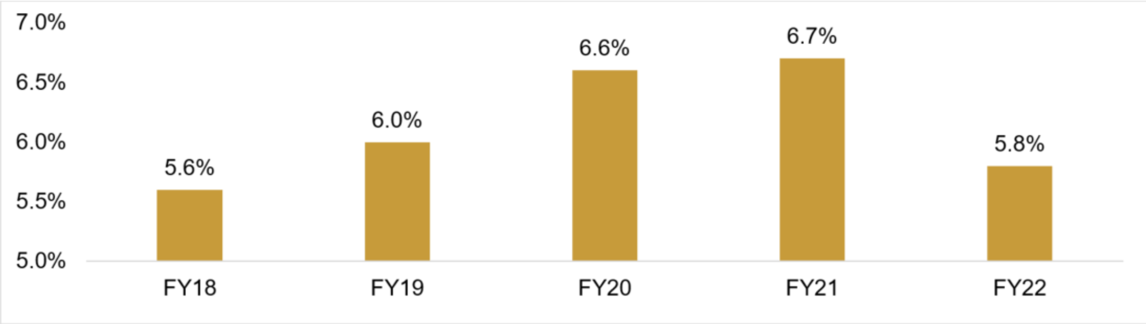
Prior to Fiscal 2018, smaller NBFCs were aggressively expanding in terms of both market penetration and lending across asset classes, which led to rising asset quality concerns. The proportion of standard assets declined, as slippages to sub-standard category increased. After the NBFC crisis in Fiscal 2019, smaller NBFCs slowed down their lending activity and focused on improving their asset quality and shifting to retail segments that are less risky. In Fiscal 2020, doubtful assets for NBFCs registered a marginal uptick due to funding challenges and slower credit growth. However, efforts were made by NBFCs to clean up their balance sheets, as reflected in their write off and recovery ratios, which caused the NNPA to remain stable, and the PCR to improve.

In Fiscal 2021, proportion of doubtful and loss assets increased, largely driven by infrastructure and wholesale finance. In addition to funding challenges faced by the sector along-with slower credit growth, COVID-19 escalated asset quality deterioration further owing to restricted movement, which affected collections. Moratorium and restructuring schemes announced by the Government came as an interim relief for the sector and delayed the asset quality concerns for some time. However, with the NPA standstill provision lifted in August 2020, gross NPAs (“**GNPAs**”) in segments such as auto, microfinance and MSME spiked as of March 2021.

Further, the second wave of COVID-19 adversely affected the fragile recovery witnessed in the fourth quarter of Fiscal 2021 and affected collection efficiencies across asset classes in the first quarter of Fiscal 2022. However, the impact was not as severe as in the first wave, and players across segments reported improvement in GNPAs from the second quarter.

In November 2021, the RBI gave a clarification to the ‘Prudential norms on Income Recognition, Asset classification and Provisioning pertaining to Advances’, which requires the NBFCs to recognise non-performing assets (“**NPA**”) on a daily due basis as part of their day-end process which is expected to lead to higher GNPA. Typically, the NBFCs ramp up their collection activity between due-date and month-end, leading to lower dues by end of month. This flexibility will no longer be available to the NBFCs which could cause some proportion of loans in the 60–90-day period category to slip into >90 days period category. In addition to the end of the day recognition, the RBI has also clarified that upgradation of an account from NPA to standard category can only be done after all overdues are cleared (principal along with interest), resulting in a borrower slipping into the NPA category to remain in the same category for longer time compared to the past. Hence, NBFC GNPAs increased in third quarter of Fiscal 2022 due to adherence to the said RBI clarifications. But with NBFCs bolstering their collection efforts and processes, and improvement in economic activity, CRISIL estimates GNPAs for NBFCs to have reduced significantly at the end of Fiscal 2022.

NBFCs' GNPA ratio witnessed significant decline at the end of Fiscal 2022



Source: RBI, CRISIL Research

Going forward, asset quality metrics are expected to improve in Fiscal 2023 for two reasons. First is the RBI's follow-up circular dated February 15, 2022, deferring the implementation of the NPA upgradation norm till September 30, 2022. This provides a reasonable transition time for NBFCs to recalibrate processes, revamp their collection infrastructure and teams, and persuade borrowers to align with the new dispensation. Second is the expected improvement in macro-economic activity, which will act as a tailwind. The behaviour of loans restructured post-COVID 19 will, however, need to be closely watched, in light of cost push being felt by industries across the board.

Co-lending to result in more opportunities for NBFCs

The Reserve Bank of India (RBI), in November 2020, issued co-lending norms that enable banks and NBFCs to collaborate with each other for priority sector lending ("**PSL**"). All scheduled commercial banks (excluding Regional Rural Banks and Small Finance Banks) are allowed to co-lend with all registered NBFCs (including Housing Finance Companies) for the creation of priority sector assets under CLM based on a prior agreement between both the parties. Earlier, in September 2018, RBI had allowed all SCBs to co-originate loans with only non-deposit taking systemically important NBFCs (NBFC-ND-SI) for fulfilling their mandatory PSL requirements. As per the RBI notification, the guidelines are aimed at providing greater operational flexibility to lending institutions and improving the credit flow to unserved and underserved sector of the economy and make funds available at affordable cost, considering lower cost of funds from banks and greater reach of NBFCs.

Some of the key highlights of co-lending norms are –

- The co-lending banks will take their share of the individual loans on a back-to-back basis in their books. However, NBFCs shall be required to retain a minimum of 20% share of the individual loans on their books;

- The banks and NBFCs shall formulate Board approved policies for entering into CLM and place the approved policies on their websites;

- The Master Agreement may provide for the banks to either mandatorily take their share of the individual loans originated by the NBFCs in their books as per the terms of the agreement, or to retain the discretion to reject certain loans after their due diligence prior to taking in their books; and

- The CLM shall not be applicable to foreign banks with less than 20 branches.

While co-lending arrangements have been in place amongst various lenders for the last few years now, this is the first time RBI has put in place a framework for the same, clearly outlining the responsibilities and requirements from both the partners. The emphasis on the CLM by RBI indicates that the regulator is looking at leveraging the reach and capability that NBFCs have in servicing underserved segments.

While the RBI introduced the co-origination or co-lending system in response to the liquidity crisis faced by NBFCs in order to enhance the credit flow to unserved and underserved segments. Banks have already had various models available with them in order to meet their PSL targets like -

- ***Purchase of PSLCs:*** Priority sector lending certificates ("**PSLC**s") are issued by banks that have surpassed their PSL targets. As per RBI guidelines, banks can issue four types of PSLCs – agriculture, small and marginal farmer, micro enterprise and general.

- ***Investing in securitised pools:*** Securitisation involves investing in instruments that provide access to cash flows against a pool of assets such as mortgage or vehicle loans.

- ***Leveraging BCs:*** Business correspondents (BCs) are agents engaged by banks for providing banking services on their behalf. BCs offer a variety of services such as sourcing, distribution, collection and recovery.

Various models available with banks to engage with NBFCs to meet the Priority sector lending (PSL) targets

PSLCs	Securitisation	BCs
No operational and underwriting risks are involved, as the underlying asset, along with the risks and rewards, is held by the issuer	It requires an understanding of the market and the instrument, as there is a transfer of underlying receivables, including risks and rewards	It enables banks to take exposure across multiple regions and explore newer geographies
No MTM (mark-to-market) and capital requirement	MTM and capital requirement	No MTM, but requires capital
No impact on the banks' book sizes	Helps banks increase their book sizes	Helps banks increase their book sizes
Has a life cycle only for a particular financial year	It involves large ticket size and have a longer life cycle of around 3-4 years	Involves tie ups with BCs like NBFCs to manage business for longer run
Involves no credit risk	Credit enhancement is available in case of Pass-through certificates (PTCs)	Involves a hurdle rate or initial loss-sharing
Yields are not relevant	Yields are relatively lower, as originators bargain with various banks for better pricing	Yields are comparatively higher
A clear classification of assets for buyers	Risk of RBI questioning the classification of assets	Risk of RBI questioning the classification of assets
Availability of certificates can be an issue	Application of GST (18%) could be a dampener, as it increases the cost, thus impacting volume	Difficult for both parties to exit, as it can impact the overall portfolio

Source: CRISIL Research

Future co-lending market opportunity

Currently, the co-origination model is largely being used for small ticket size products like MSME loans, consumer finance, gold loans and vehicle loans in the industry. However, with the RBI putting in place a framework for co-lending and several NBFCs facing challenges in accessing capital, players are now also focusing on longer tenure and relatively higher ticket size loans like housing finance and loan against property.

There are plethora of new-age fintech companies who are using innovative algo-based originations and aggressively using the internet for originations. These fintechs either build books on their own balance sheet or pass a substantial part of their book with their partner banks or NBFCs. Strong demand and rapid innovations in technology and business integration has enabled fintechs and smaller NBFCs to partner with credible partners and engage with them in co-lending model. Some of the key growth drivers for co-lending market are –

Operational leverage - Co-lending model is operationally convenient for both partners as it enables partners to offer multiple products to customers which are not otherwise present in their current portfolio, thus providing diversification to the portfolio without actually having a separate operational setup for each product. Co-lending thus enhances operating leverage for financiers as it enables them to increase lending with existing infrastructure and resources.

Capital optimisation – Entering into co-lending model allows smaller NBFCs to cater to a larger customer base with lesser capital by leveraging the larger balance sheet of their partners. Such NBFCs can leverage their origination skills and expertise in assessing specific customer segments while at the same time conserving their capital.

Risk sharing and risk adjusted returns – Co-lending partnership enables banks and NBFCs/ HFCs to enter into an arrangement where the risks and rewards are shared by all parties throughout the lifecycle of the loan, as per a pre-decided ratio. The NBFCs use various innovative mechanisms for credit risk assessment like usage of non-traditional sources of data, understanding individual's motive to avail finance and evaluating cash flow patterns of borrowers. These strengths can be leveraged by their partners to optimise capital usage and improve their risk adjusted returns.

MSME lending in India

Brief overview of MSMEs in India

The National Sample Survey in its 73rd 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

Rs 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 Fiscal 2021, CRISIL Research

Snapshot of MSMEs in India

*Note: *Data as of Fiscal 2019, ** Data as of Fiscal 2022, ^The numbers are estimated*
Source: MSME Ministry Annual report for Fiscal 2021, 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

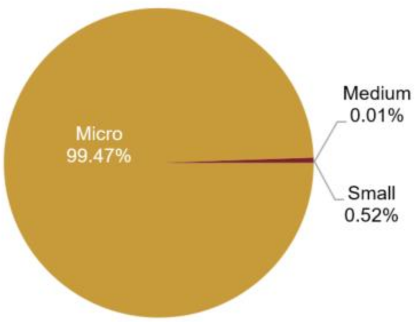
Old MSME classification			
Criteria: Investment in plant and machinery or equipment			
Classification	**Micro**	**Small**	**Medium**
Manufacturing enterprises	Investment < Rs. 2.5 million	Investment < Rs. 50 million	Investment < Rs. 100 million
Services enterprises	Investment < Rs. 1 million	Investment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

Source: MSME Ministry, CRISIL Research

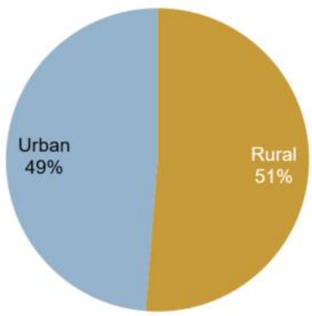
Financial institutions also use internal business classifications to define MSMEs, based on their turnover. Most banks and non-banks follow this practice. According to the National Sample Survey's 73rd round dated June 2016, micro segment accounted for as much as approximately 99.47% of total estimated 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 approximately 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



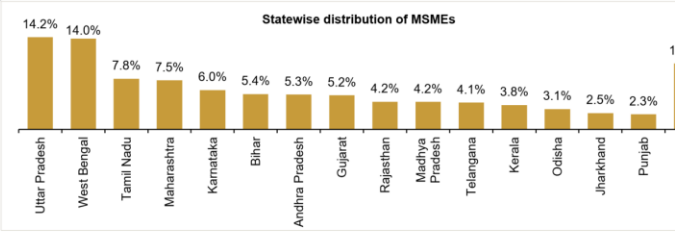
Source: National Sample Survey (NSS) 73rd round dated June 2016, CRISIL Research

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%

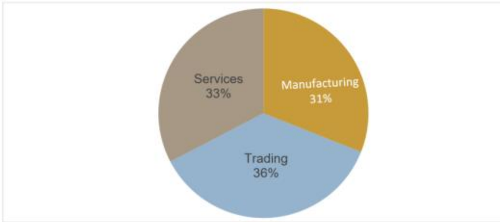
Source: IFC, CRISIL Research

Top 5 states together form approximately 50% of total MSME units



Source: National Sample Survey (NSS) 73rd round dated June 2016, CRISIL Research

Trading sector accounts for higher share in number of MSMEs



Source: MSME Ministry, CRISIL Research

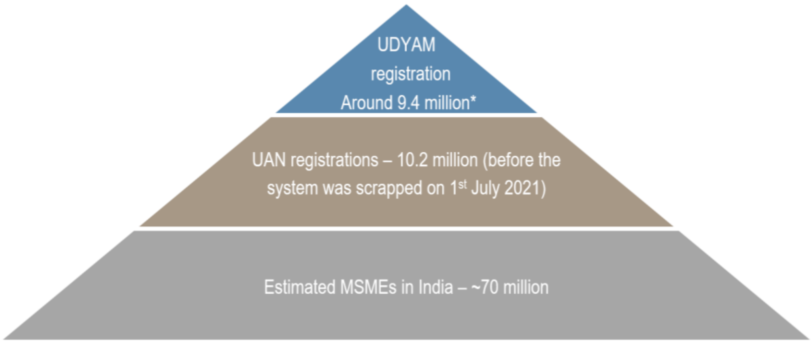
Small fraction of MSMEs in India registered under UDYAM system

After the government revised the definition of MSMEs (in June 2020), MSMEs that had an 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 are not 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.



*Note: *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 ₹ 4 million 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 ECLGS launched by the Government post-COVID.

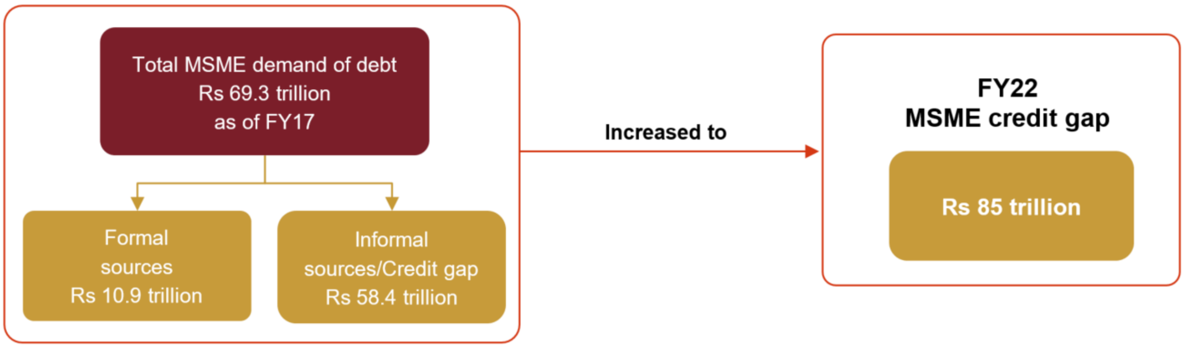
MSME Credit gap estimated at ₹ 85 trillion; COVID-19 has further widened the credit gap

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 ₹ 69.3 trillion in Fiscal 2017, of which only approximately 16% of demand was met through formal financing 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 ₹ 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.

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 ₹ 106 trillion, of which 20% of demand met through formal financing. Assuming an increase of around 9% annually in the demand for credit and the availability of credit from formal sources, CRISIL Research estimates the credit gap to have increased to ₹ 85 trillion as of Fiscal 2022.

MSME credit demand largely met by informal sources



Source: IFC report on Financing India's MSMEs dated November 2018, CRISIL Research

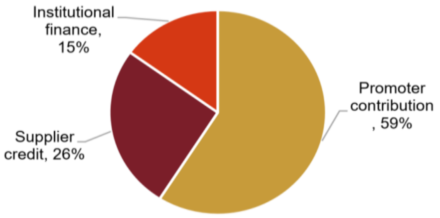
Even while the credit gap has increased, new MSME units continue to be set up across India. Between Fiscals 2016 and Fiscal 2022, 18.3 million units were set up, according to the Indian government registration data of MSMEs. Thus, though a myriad of small businesses is set up every day in the country, 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 Udhyam 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

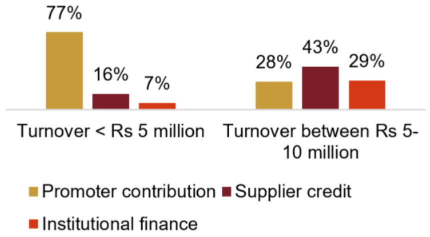
While the overall MSME credit gap is estimated at ₹ 85 trillion, analysis of both SME gradings assigned by CRISIL between January 2010 to September 2015 and the Fourth Census of the MSME sector (2009) suggests that smaller enterprises are much more starved of institutional credit, and therefore, they 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

Sources of finance for SMEs with credit requirements of ₹ 0.1 million to ₹ 2.5 million

Source	Proportion of finance
Finance from institutional sources	5.2%
Finance from non-institutional sources	2.0%
No access to credit or self-financing	92.8%

Source: Fourth Census of the MSME sector (September 2009)

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**	**25,62,258**	**40,31,643**	**61,07,641**	**182,59,780**

*Note: * Based on UAN and UDYAM registrations, ^Based on UDYAM registrations, Source: Development Commissioner Ministry of Micro, Small & Medium Enterprises (DCMSME), CRISIL Research*

State-wise category-wise registration of MSMEs

State	Cumulative MSME Registration	Share in overall MSME Registration	Growth in MSME Registrations (FY21-FY22)
Maharashtra	1,629,260.00	20%	50%
Tamil Nadu	855,740.00	11%	112%
Gujarat	648,231.00	8%	61%
Uttar Pradesh	632,258.00	8%	81%
Rajasthan	630,331.00	8%	112%
Karnataka	467,959.00	6%	106%
Madhya Pradesh	358,589.00	4%	120%
Bihar	311,631.00	4%	145%
Punjab	283,058.00	4%	112%
Haryana	282,866.00	4%	74%

Note: Based on UDYAM registrations, MSME Registration for Fiscal 2021 is between the period July 2020 to March 2021, 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 76th 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 76th round (July 2018-December 2018)

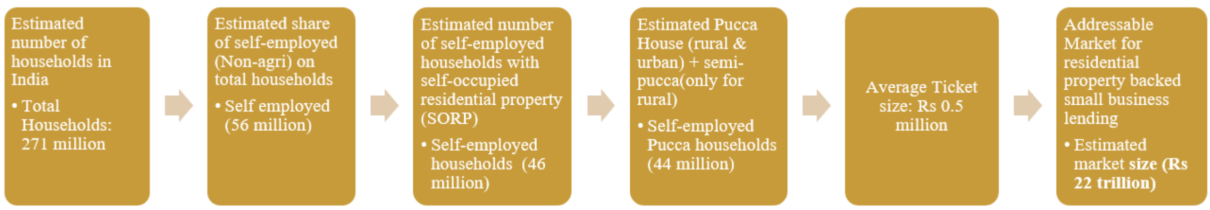
Based on our analysis and assumptions detailed in the chart below, small ticket size secured (SORP – Self occupied residential property) MSME lending market potential is estimated at ₹ 22 trillion. Players such as SBFC Finance, Five Star Business Finance, Vistaar Finance, Veritas Finance and AU SFB currently 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 (Fiscal 2021)



Source: National Sample Survey (NSS) 73rd round (July 2015 – June 2016) and NSS 76th round (July 2018 – December 2018), CRISIL Research

State wise split of addressable market (Fiscal 2022)

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 (Rs billion)	Secured MSME Portfolio Outstanding Rs.5-30 lakhs (Rs. Billion)
Uttar Pradesh	38,224	7,776	7,023	6,674	3,337	123
West Bengal	23,781	5,923	5,143	4,849	2,424	43
Bihar	19,960	4,498	4,270	3,953	1,976	18
Maharashtra	24,120	4,353	3,316	3,270	1,635	299
Rajasthan	13,384	3,075	2,743	2,685	1,342	148
Tamil Nadu	20,200	3,715	2,584	2,523	1,262	248
Gujarat	13,064	3,188	2,471	2,428	1,214	202
Madhya Pradesh	15,251	2,360	1,988	1,922	961	82
Andhra Pradesh	14,279	2,677	1,956	1,895	947	113
Kerala	8,577	1,988	1,795	1,789	895	108
Karnataka	14,928	2,740	1,822	1,786	893	182
Assam	6,740	1,965	1,702	1,660	830	10
Odisha	10,401	1,909	1,647	1,415	707	17
Punjab	5,922	1,636	1,415	1,409	705	77
Telangana	9,793	1,788	1,205	1,188	594	132
Others	32,483	6,585	5,317	5,180	2,590	198
All India	**2,71,105**	**56,115**	**46,397**	**44,624**	**22,312**	**2,000**

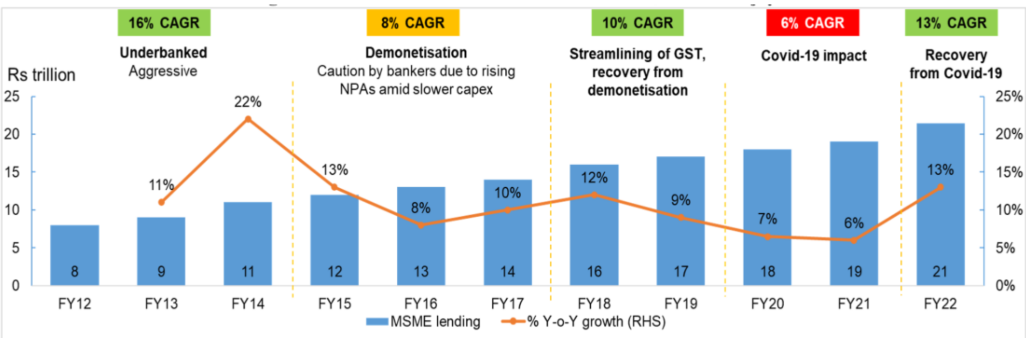
Note: States are arranged in order of Addressable market size, Source: National Sample Survey (NSS) 73rd round (July 2015 – June 2016) and NSS 76th round (July 2018 – December 2018), Periodic Labour Force Survey (PLFS) dated July 2019-June 2020, CRISIL Research

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% year-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 approximately 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. This scheme provided much-needed liquidity to MSMEs that are known to have faced severe working capital crunch during downturns.

ECLGS 1.0 — **May 2020 to Aug 2020**

- ECLGS was introduced by providing the MSMEs additional funding of up to Rs. 3 trillion in the form of a fully guaranteed emergency credit line.
- **Eligible entities**: All MSME borrower accounts with outstanding credit of up to Rs. 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 Rs. 1 billion
- In August 2020, the upper ceiling of outstanding credit was revised to Rs 0.5 billion and annual turnover to Rs 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 Rs. 0.5 billion and not exceeding Rs. 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 Rs. 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 Rs. 3 trillion are issued.

ECLGS 4.0 — **May 2021**

- ECLGS scope expanded to cover loans up to Rs 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 Rs 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 Rs 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

ECLGS 5.0 — **June 2021**

- Additional allocation of Rs 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 Rs 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 Rs 7,500 Crore for loans extended by SCBs to MFIs for on lending up to Rs 1.25 lakh to ~25 lakh customers; guarantee cover provided till March 31, 2022, or till guarantees for an amount of Rs 7,500 crore are issued, whichever is earlier

In September 2021, with a view to support various businesses impacted by the second wave of COVID-19 pandemic, the timeline for **ECLGS has been extended till March 2022** or till guarantees for an amount of ₹ 4.5 trillion are issued under the scheme, whichever is earlier. Further, in March 2022, the scheme was extended till March 2023 as was announced in 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 approximately 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 to MSMEs 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.

Secured MSME loan market consists of various players; asset quality relatively better in ₹ 0.5 million to ₹ 3.0 million segment

In absolute terms, the aggregate size of extending secured MSME loans is estimated to be around ₹ 7 trillion as of March 2022. With growth in number of MSMEs and increasing requirement of credit for scaling their businesses, CRISIL Research believes that secured MSME lending would provide a huge opportunity for lenders to grow their loan book. There are various kind of players serving this segment including Banks, NBFCs and Small Finance Banks that offer loans to MSMEs, self-employed individuals and businesses. Compared to public sector banks which operate at a slightly higher average ticket size compared to NBFCs, the latter have a GNPA ratio of 6.2% in secured MSME loans, which is lower compared with Public Sector Banks at 9.5% in Fiscal 2022. Further, it is observed that asset quality in the ₹ 0.5 million to ₹ 3.0 million ticket size bucket has a GNPA of 5.2% which is better as compared to the overall secured MSME portfolio's GNPA at 6.0%.

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	Rs 1.2 million to Rs 2.5 million	Rs 0.3 million to Rs 1 million	Rs 2 million to Rs 3.7 million	Rs 0.5 million to Rs 1 million
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%	6.3%	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: Company Reports, CRISIL Research

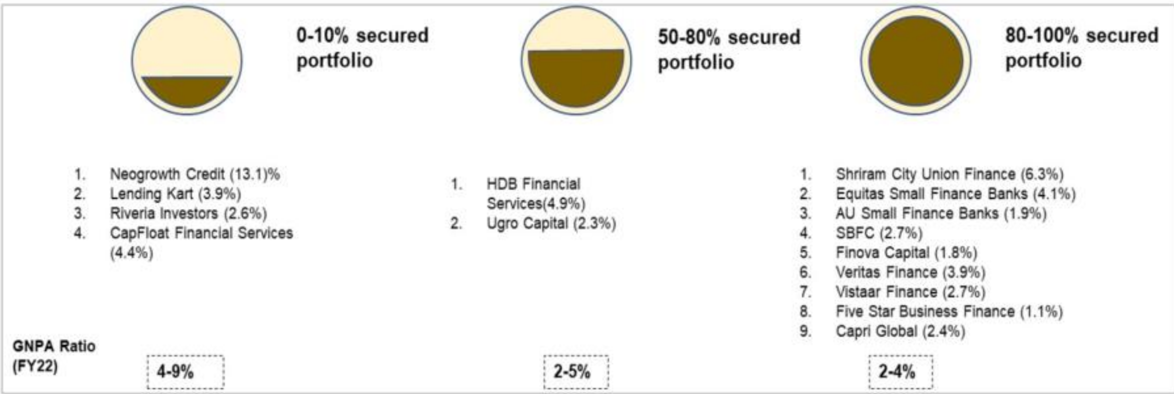
Within NBFCs, there are players that operate at relatively higher ticket sizes and offer both secured and unsecured business loans. These NBFCs offer loans at the most competitive rates among other NBFCs, target customers that are relatively better in terms of credit profile and have lower cost of borrowings compared to other NBFCs. Compared to these, NBFCs that have singular focus on business loans or have significant proportion of business loans in their unsecured portfolio and operating at ticket sizes of less than ₹ 3.0 million offer loans at a higher rate due to much riskier customer profile. Fintech firms with NBFC license and SFBs are other players that operate in the MSME loans landscape.

Comparison of various NBFCs/SFBs based on yield on advances and average ticket size (Fiscal 2022)

	Yield less than 16%	Yield between 16% and 22%	Yield more than 22%
Average ticket size more than or equal to Rs 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 Rs 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

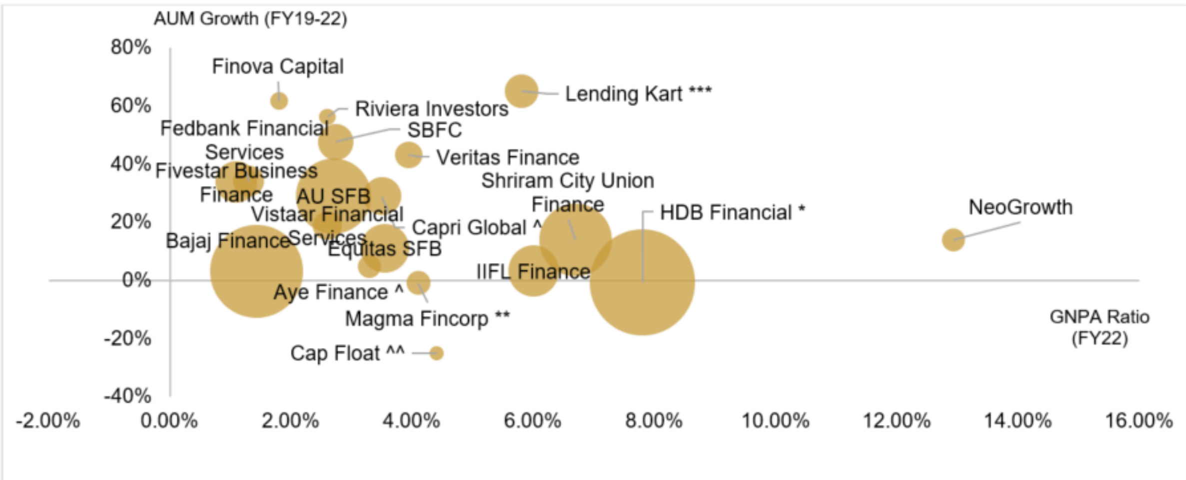
Note: ^Based on Fiscal 2021 data, Source: Company Reports, CRISIL Research

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 (Fiscal 2019- Fiscal 2022) and GNPA ratio (Fiscal 2022)



*Note: Size of the bubble denotes relative size of the MSME loan portfolio as of March 2022, ^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,* ***,*** *CAGR growth from Fiscal 2018-2022, Source: Company Reports, CRISIL Research*

Moreover, compared to different loan products like affordable housing loans, microfinance loans, auto loans and personal loans, small to medium ticket size MSME loans is one of the most attractive asset classes offering competitive yields over a medium tenure with good collateral quality, lower default risk as the loans are secured predominantly with SORP (Self Occupied Residential Property) and high collateral enforceability due to SARFAESI.

	Market Size – Portfolio outstanding March 2022 (Rs trillion)	Ticket size	Yields	Typical tenure	Collateral Quality	Tendency to default	Collateral enforceability
Secured property-backed micro-mortgage Loans (< Rs 15 lakhs)	1.36	Small	High	Medium	Good	Medium	Low
Secured Property-backed small - business loans (Rs 15 lakhs to Rs 50 lakhs)	1.7	Small to Medium	Medium	Medium	Good	Low	High
Secured non-LAP loans	13.6	Small to Medium	High	Low	Good	Low	Low
Microfinance loans	3.9	Small	Medium	Low	No collateral	Relatively High	NA
Housing loan	25.4	Large	Medium	High	Very good	Low	High
Auto Loans	10.1	Small to Medium	Low to Medium	Low to medium	Moderate	Medium	Low
Personal Loans	1.3	Small	High	Low	No collateral	Medium to High	NA

Source: CRISIL Research

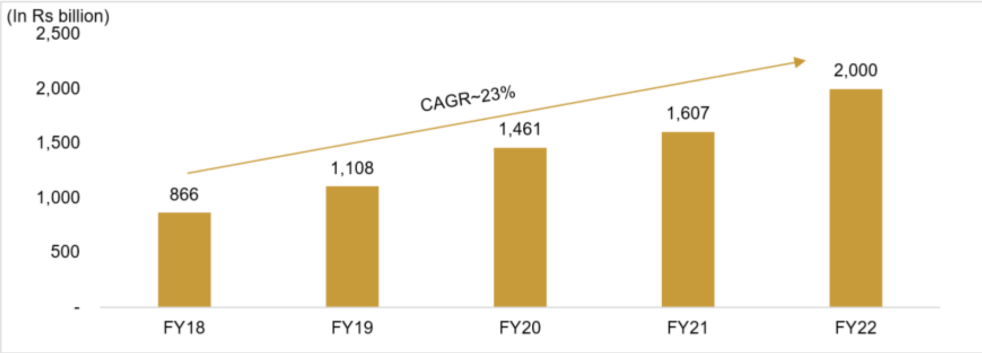
Secured MSME loans with ticket wise between ₹ 0.5 million and ₹ 3.0 million has witnessed high growth within the overall secured MSME portfolio

In this section, CRISIL Research has considered secured MSME loans with ticket size between ₹ 0.5 million and ₹ 3.0 million extended to MSMEs, and individuals as reported in consumer bureau. CRISIL Research estimates such outstanding secured MSME loans given out by banks and NBFCs to be around ₹ 2.0 trillion, representing 29% of overall secured business loans outstanding, as of March 2022.

Secured MSME loans in the ₹ 0.5 million to ₹ 3.0 million ticket size band grew at a strong pace with portfolio registering a CAGR of 23% over Fiscal 2018 and Fiscal 2022. Over the last few years, expansion in branch network, more data availability and government initiatives like GST, UDYAM, and increasing formalisation of the MSME segment has led to increasing focus of lenders, especially the NBFCs, on this space. NBFCs cumulatively enjoyed a market share of 52% as of March 2022 in loans outstanding in the aforesaid ticket size band.

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. Although the demand for MSME loans to meet liquidity and cash requirements existed in months of COVID-19 pandemic, lenders have been watchful and have been going slow on disbursements since the onset of the pandemic. As a result, portfolio outstanding of banks and NBFCs for such loans grew at a slower pace of 10% in Fiscal 2021 compared to the past. Since then, the portfolio of ticket size ₹ 0.5 million - ₹ 3.0 million has grown at 24% year-on-year in Fiscal 2022.

Portfolio outstanding for secured MSME (₹ 0.5 million - ₹ 3.0 million) grew at 23% CAGR between Fiscal 2018 and Fiscal 2022

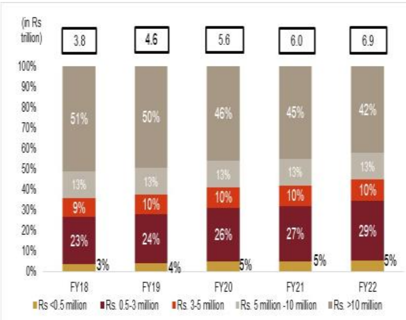


Note: Data includes secured MSME loans of ticket size (₹ 0.5 million -₹ 3.0 million) as reported in consumer bureau
Source: CRIF Highmark, CRISIL Research

Lower ticket size secured MSME loans gained market share over the years

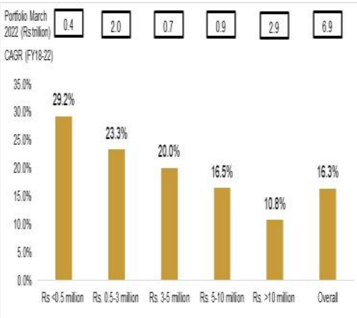
With increase in data availability and enhanced use of technology and experience gained across several cycles while lending to the same customer segment, lenders have increased focus on the underserved MSME segment. This has led to a continued increase in share of relatively smaller ticket size secured MSME loans in the overall lending pie. As a result, loans outstanding for such loans (₹ 0.5 million - ₹ 3.0 million) have also grown at with relatively higher pace compared to larger ticket size loans between Fiscal 2018 and Fiscal 2022.

Share of secured MSME loans with ticket size ₹ 0.5 million - ₹ 3.0 million have been increasing in overall portfolio over the past four years



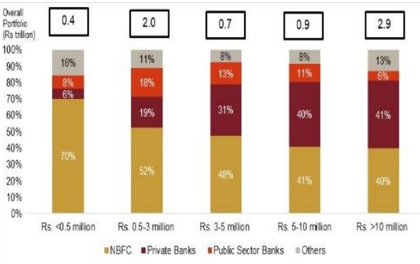
Note: Includes secured MSME loans as reported in consumer bureau, Source: CRIF Highmark, CRISIL Research

Secured MSME loans with ticket size between ₹ 0.5 million - ₹ 3.0 million witnessed higher growth than overall portfolio



Note: Data includes secured MSME loans as reported in consumer bureau, Source: CRIF Highmark, CRISIL Research

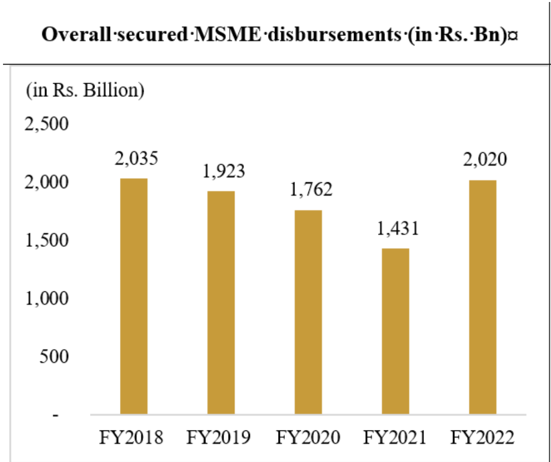
NBFCs have more than 50% market share for ticket sizes less than ₹ 3.0 million (Fiscal 2022)

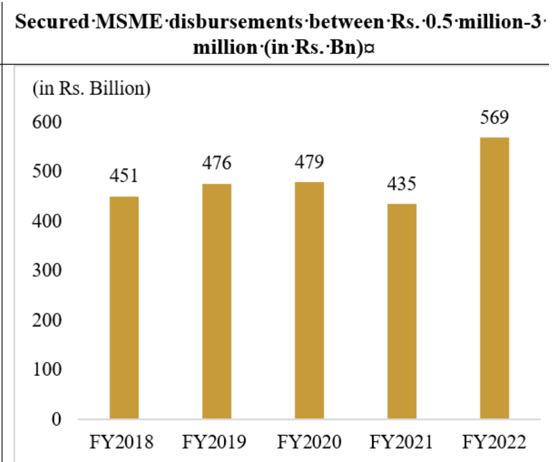


Note: (1) Includes secured MSME loans as reported in consumer bureau, (2) Others include players like foreign banks, small finance banks, co-operative banks and regional rural banks
Source: CRIF Highmark, CRISIL Research

Secured MSME (₹ 0.5 million - ₹ 3.0 million) witnessed steady disbursement growth over Fiscal 2018 - Fiscal 2022

Between Fiscal 2018 and Fiscal 2021, overall secured MSME disbursements witnessed a decline from ₹ 2,035 billion to ₹ 1,431 billion, after bouncing back in Fiscal 2022. During the same period, secured MSME loan within the ticket size of ₹ 0.5 million - ₹ 3.0 million have witnessed a steady growth to reach ₹ 569 billion from ₹ 451 billion in Fiscal 2018.



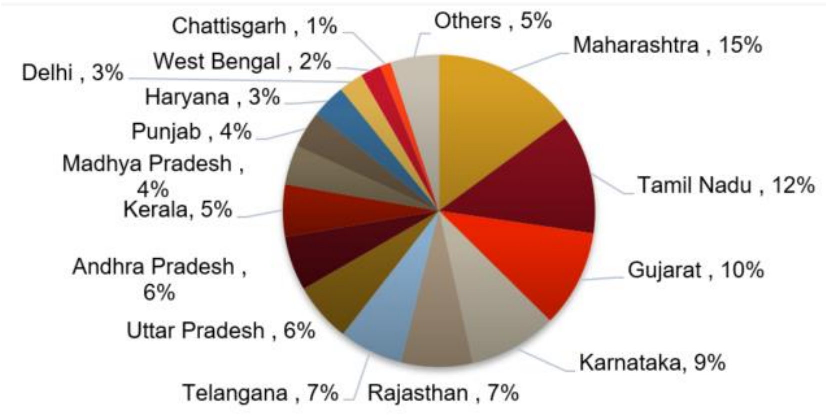


Source: CRIF Highmark, CRISIL Research

State-wise analysis of loans in ₹ 0.5 million to ₹ 3.0 million ticket size

The secured MSME loans portfolio has been growing strongly with a four-year CAGR of 16% between Fiscal 2018 and Fiscal 2022. Based on the value of MSME loans with ticket size between ₹ 0.5 million and ₹ 3.0 million outstanding, the top 15 states accounted for 95% of the market size in this segment as of March 2022. Maharashtra tops the list with the highest share of 15%, followed by Tamil Nadu (12%), Gujarat (10%), Karnataka (9%) and Rajasthan (7%).

Top 15 states account for 95% of overall secured MSME portfolio between ₹ 0.5 million - ₹ 3.0 million (March 2022)



Note: Includes secured MSME loans of ticket size (₹ 0.5 million - ₹ 3.0 million) as reported in consumer bureau, Source: CRIF Highmark, CRISIL Research

The top 12 states in India in terms of GDP have a higher share of NBFCs/HFCs in overall secured MSME loan outstanding as compared to other states. For instance, Madhya Pradesh has the highest share of NBFCs in overall secured MSME lending at 58% followed by Tamil Nadu (56%) and Telangana (52%).

Distribution of overall secured MSME portfolio across various states

State	GDP FY 22 (Rs billion)	Overall MSME Portfolio O/S (Rs. Billion)	Growth (FY18-22)	Portfolio O/S < Rs. 0.5 million	Portfolio O/S Rs. 0.5-3 million	Portfolio O/S >Rs. 3 million	Share of Banks	Share of HFCs/ NBFCs	Share of other lenders
Maharashtra*	18,893	1,329	14%	4%	22%	73%	38%	45%	17%
Tamil Nadu	13,984	763	14%	7%	33%	60%	37%	56%	7%
Karnataka	12,522	723	19%	6%	25%k	69%	37%	43%	19%
Gujarat*	12,443	643	16%	5%	31%	64%	48%	42%	10%
Uttar Pradesh	11,687	337	17%	4%	36%	59%	47%	47%	5%
West Bengal*	7,927	190	18%	4%	22%	73%	50%	42%	8%
Andhra Pradesh	7,469	268	25%	12%	42%	46%	39%	49%	12%
Rajasthan	7,330	385	18%	8%	39%	54%	44%	50%	6%
Telangana	6,856	408	29%	4%	32%	64%	43%	52%	5%
Madhya Pradesh	6,217	217	19%	8%	38%	54%	36%	58%	5%
Haryana	5,888	261	12%	3%	27%	71%	50%	42%	8%
Delhi*	5,647	505	7%	1%	10%	89%	40%	46%	14%
Kerala	5,509	271	20%	10%	40%	50%	39%	39%	22%
Odisha	4,276	50	27%	5%	35%	60%	64%	34%	2%
Bihar*	4,199	45	30%	3%	39%	57%	72%	24%	3%
Punjab	4,162	208	15%	4%	37%	59%	57%	38%	4%
Assam	2,738	29	25%	3%	36%	61%	65%	33%	2%
Chhattisgarh*	2,455	79	13%	5%	28%	67%	48%	48%	4%
Jharkhand*	2,271	23	34%	5%	34%	61%	70%	27%	3%
Uttarakhand*	1,759	60	22%	6%	35%	59%	48%	44%	8%
Himachal Pradesh	1,244	15	30%	7%	41%	52%	62%	20%	18%
Jammu & Kashmir	1,239	8	21%	3%	36%	61%	83%	14%	3%
Goa	565	16	13%	4%	26%	69%	60%	25%	15%
Tripura	469	3	67%	3%	41%	56%	79%	11%	10%
Chandigarh*	290	29	8%	1%	15%	84%	58%	34%	8%
Puducherry	267	12	13%	5%	37%	58%	44%	52%	4%
Meghalaya	254	2	61%	2%	25%	73%	58%	12%	30%
Sikkim	221	2	29%	1%	14%	86%	73%	27%	0%
Manipur*	208	1	44%	3%	51%	47%	94%	5%	0%
Mizoram*	204	2	122%	3%	39%	58%	27%	0%	73%
Arunachal Pradesh*	182	1	40%	1%	19%	80%	94%	6%	0%
Nagaland*	178	1	24%	3%	19%	78%	86%	2%	12%

*Note: GDP taken as GSDP at constant prices, Base Year: 2011-12., * GDSP taken for Fiscal 2021, Includes secured MSME loans as reported in consumer bureau, Others include players like foreign banks, small finance banks, co-operative banks and regional rural banks, States are arranged in order of decreasing GDP Fiscal 2022*
Source: RBI, MOSPI, CRIF Highmark, CRISIL Research Estimates

The top states in India in terms of Portfolio Outstanding (₹ 0.5 million - ₹ 3.0 million) have a higher share of HFCs/NBFCs. For instance, Tamil Nadu has the highest share of HFCs/NBFCs in secured MSME portfolio (₹ 0.5 million- ₹ 3.0 million) lending at 66% followed by Telangana (64%) and Delhi (64%).

Distribution of secured MSME portfolio (₹ 0.5 million - ₹ 3.0 million) across various states

States	Number of districts	Average Ticket Size - LAP (in Rs thousands)	Portfolio Outstanding (Rs 0.5-3 million) in Rs million	CAGR (FY18-22)	Share of HFCs/NBFCs	Share of Others
Maharashtra	35	1,367	298,599	22%	51%	49%
Tamil Nadu	32	1,271	247,823	19%	66%	34%
Gujarat	33	1,348	201,819	20%	49%	51%
Karnataka	30	1,343	182,412	24%	45%	55%
Rajasthan	33	1,255	148,437	27%	56%	44%
Telangana	10	1,364	131,762	31%	64%	36%
Uttar Pradesh	75	1,331	122,856	25%	51%	49%
Andhra Pradesh	13	1,166	113,278	29%	52%	48%
Kerala	14	1,285	107,917	26%	38%	62%
Madhya Pradesh	51	1,242	82,121	27%	62%	38%
Punjab	22	1,371	77,497	21%	44%	56%
Haryana	21	1,409	69,755	20%	51%	49%
Delhi	9	1,566	50,707	17%	64%	36%
West Bengal	19	1,267	42,778	28%	49%	51%
Chattisgarh	27	1,348	21,681	23%	43%	57%
Uttarakhand	13	1,311	20,853	29%	50%	50%
Bihar	38	1,394	17,822	22%	30%	70%
Odisha	30	1,303	17,284	28%	32%	68%
Assam	27	1,400	10,263	21%	38%	62%
Jharkhand	24	1,339	8,005	25%	39%	61%
Himachal Pradesh	12	1,408	6,110	47%	14%	86%
Pondicherry	4	1,314	4,417	17%	60%	40%
Chandigarh	1	1,560	4,159	19%	44%	56%
Goa	2	1,462	4,105	14%	21%	79%
Jammu & Kashmir	21	1,439	3,035	24%	12%	88%
Tripura	4	1,318	1,186	59%	12%	88%
Mizoram	8	1,513	819	126%	1%	99%
Manipur	9	1,396	727	38%	7%	93%
Dadra & Nagar Haveli	1	1,143	605	24%	48%	52%
Meghalaya	8	1,532	396	55%	14%	86%
Sikkim	4	1,588	337	21%	12%	88%
Daman & Diu	2	1,186	239	12%	48%	52%
Nagaland	9	1,150	229	22%	5%	95%
Andaman and Nicobar	3	1,497	187	25%	21%	79%
Arunachal Pradesh	16	1,671	144	19%	17%	83%
Lakshadweep	1	1,381	9	12%	26%	74%

Note: Number of districts as reported in CRIF Highmark, Others include public sector banks, private banks, small finance banks, regional banks, foreign banks and cooperative banks, States are arranged in order of decreasing Portfolio Outstanding, Average Ticket size is calculated by disbursed loans divided by number of loans for the specific ticket size, Above data includes secured LAP loans given to MSMEs from ₹ 0.5 million – ₹ 3.0 million ticket size and reported in consumer bureau
Source: CRIF Highmark, CRISIL Research

Credit variation exists across districts within states

Among the top 15 states based on GDP, in Telangana, the top five districts (based on portfolio outstanding of ticket size ₹ 0.5 million - ₹ 3.0 million) within the states have more than 91% concentration of credit outstanding and in Maharashtra, Karnataka, Delhi, West Bengal and Chhattisgarh, this concentration in the top five districts is more than 80%. In contrast, the dispersion in loans across districts is far higher in Tamil Nadu and Uttar Pradesh, with the top 5 districts accounting for 60% and 45% of outstanding loan (ticket size ₹0.5 million - ₹ 3.0 million), respectively, as of March 2022. This indicates wide variations in credit availability across districts in the same state as well.

State wise analysis of secured MSME portfolio (Ticket size ₹ 0.5 million – ₹ 3.0 million)

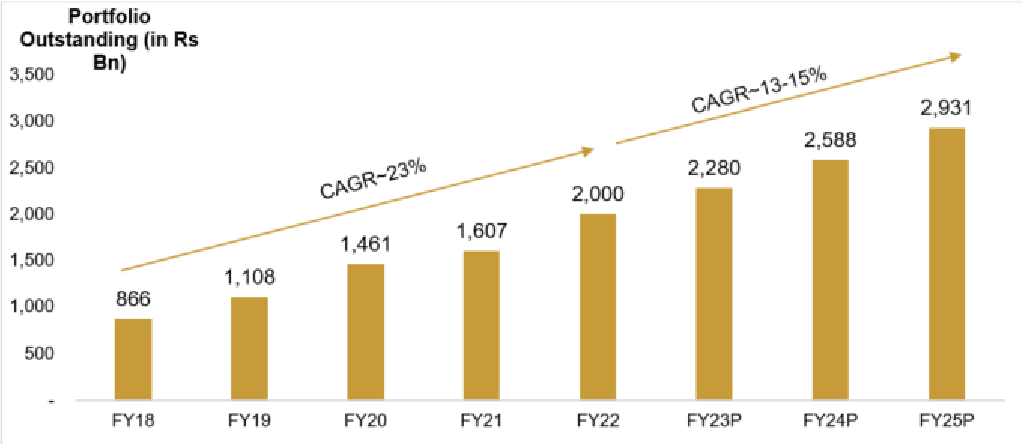
State	Number of districts	Portfolio Outstanding (In Rs million)	Growth in portfolio (FY18-FY22)	Top 5 districts in terms of portfolio outstanding	Share of top 5 districts in total Portfolio
Maharashtra	35	298,599	22%	Pune, Mumbai, Mumbai Suburban, Thane, Nagpur	81%
Tamil Nadu	32	247,823	19%	Chennai, Kancheepuram, Coimbatore, Thiruvallur, Tiruppur	60%
Gujarat	33	201,819	20%	Ahmadabad, Surat, Rajkot, Vadodara, Gandhinagar	78%
Karnataka	30	182,412	24%	Bangalore, Mysore, Bangalore Rural, Dakshina Kannada, Belgaum	83%
Rajasthan	33	148,437	27%	Jaipur, Jodhpur, Udaipur, Ajmer, Kota	65%
Telangana	10	131,762	31%	Hyderabad, Rangareddy, Warangal, Medak, Karimnagar	91%
Uttar Pradesh	75	122,856	25%	Ghazibad, Gautam Buddha Nagar, Agra, Kanpur Nagar, Bareilly	45%
Andhra Pradesh	13	113,278	29%	Krishna, Visakhapatnam, Guntur, East Godavri, Chittoor	69%
Kerala	14	107,917	26%	Ernakulum, Thrissur, Thiruvanathapuram, Malappuram, Kozhikode	65%
Madhya Pradesh	51	82,121	27%	Indore, Bhopal, Jabalpur, Gwalior, Ratlam	67%
Punjab	22	77,497	21%	Ludhiana, Sahibzada Ajit Singh Nagar, Jalandhar, Amritsar, Patiala	78%
Haryana	21	69,755	20%	Gurgaon, Faridabad, Panipat, Panchkula, Karnal	67%
Delhi	9	50,707	17%	Northwest Delhi, South Delhi, West Delhi, East Delhi, Southwest Delhi	88%
West Bengal	19	42,778	28%	Kolkata, North Twenty-Four Paraganas, Haora, Barddhaman, South Twenty-Four Paraganas	80%
Chhattisgarh	27	21,681	23%	Raipur, Durg, Bilaspur, Janjgir-Champa, Rajnandgaon	85%
Uttarakhand	13	20,853	29%	Dehradun, Haridwar, Udham Singh Nagar, Nainital, Almora	95%
Bihar	38	17,822	22%	Patna, Muzaffarpur, Gaya, Bhagalpur, Purnia	58%
Odisha	30	17,284	28%	Khordha, Cuttack, Ganjam, Sundargarh, Jajapur	68%
Assam	27	10,263	21%	Kamrup Metropolitan, Kamrup, Sonitpur, Nalbari, Dibrugarh	69%
Jharkhand	24	8,005	25%	Ranchi, Purbi Singhbhum, Dhanbad, Hazaribagh, Bokaro	78%
Himachal Pradesh	12	6,110	47%	Solan, Shimla, Kangra, Sirmaur, Una	82%
Pondicherry	4	4,417	17%	Karaikal, Mahe, Puducherry, Yanam	100%
Chandigarh	1	4,159	19%	Chandigarh	100%
Goa	2	4,105	14%	North Goa, South Goa	100%
Jammu & Kashmir	21	3,035	24%	Jammu, Srinagar, Reasi, Leh, Badgam	84%
Tripura	4	1,186	59%	West Tripura, North Tripura, South Tripura, Dhalai	100%
Mizoram	8	819	126%	Aizawal, Champhai, Lunglei, Kolasib, Serchhip	94%
Manipur	9	727	38%	Imphal West, Imphal East, Senapati, Thoubal, Tamenglong	96%
Dadra & Nagar Haveli	1	605	24%	Dadra and Nagar Haveli	100%
Meghalaya	8	396	55%	East Khasi Hills, West Jaintia Hills, Ribhoi, West Khasi Hills, East Jaintia Hills	98%
Sikkim	4	337	21%	East District, South District, West District, North District	100%
Daman & Diu	2	239	12%	Daman, Diu	100%
Nagaland	9	229	22%	Dimapur, Kiphire, Kohima, Mokokchung, Wokha	98%
Andaman and Nicobar	3	187	25%	North and Middle Andaman, South Andaman	100%
Arunachal Pradesh	16	144	19%	Kurung Kumey, Lower Subansiri, Papum Pare, Upper Siang, West Kameng	88%
Lakshadweep	1	9	12%	Lakshadweep	100%

Note: Number of districts as reported in CRIF Highmark, Above data includes secured LAP loans given to MSMEs from ₹ 0.5 million – ₹ 3.0 million ticket size and reported in consumer bureaus
Source: CRIF Highmark, CRISIL Research

Secured MSME loans (₹ 0.5 million - ₹ 3.0 million) will continue to grow at a strong pace

There is a huge demand supply gap in the secured MSME loan segment, especially in lower ticket size segments. With increasing presence of MSME lenders in smaller cities and rising focus of lenders on underserved target customer segment, loan portfolio is expected to see a strong growth in future. Going forward, CRISIL Research expects the portfolio of secured MSME loans with ticket size in between ₹ 0.5 million and ₹ 3.0 million to grow at 13% -15% CAGR over Fiscal 2023 and Fiscal 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.

Secured MSME Loans with ticket size between ₹ 0.5 million -₹ 3.0 million to grow at 13-15% CAGR over Fiscals 2022-25



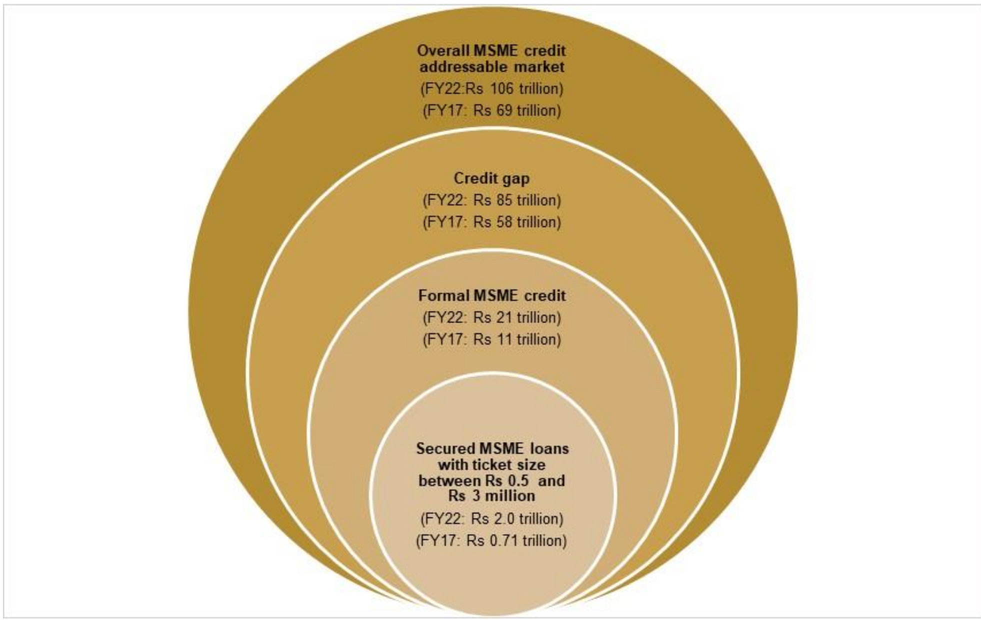
Note: Includes secured MSME loans of ticket size (₹ 0.5 million - ₹ 3.0 million) as reported in consumer bureau, P – Projected,
Source: CRIF Highmark, CRISIL Research

Growth drivers

High credit gap in the MSME 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.

Secured MSME loans with ticket size between ₹ 0.5 million and ₹ 3.0 million account for only 10% of formal MSME credit indicating huge opportunity

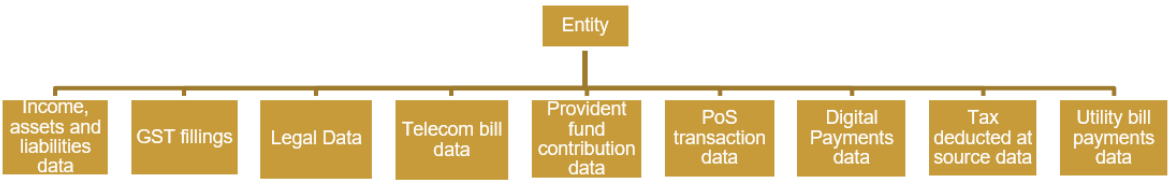


Note: Overall formal MSME credit given above includes all kinds of secured and unsecured loans given to MSMEs across ticket sizes by organised lenders.
Source: MSME Ministry Annual report for Fiscal 2021, IFC report on Financing India's MSMEs dated November 2018, CRIF Highmark, CRISIL Research

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. UPI has increased banking transactions materially, impacting significant increase in tax compliance. 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. Demonetisation and GST have further accelerated formalization of the Indian economy.

Multiple data points can be used for credit assessment



Source: CRISIL Research

Growth in branch network of players in MSME segment

Over past few years, players offering MSME loans have expanded their branch network with the intent to serve a larger customer base. In the future also, CRISIL Research expects 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, share of MSME loans is also expected to increase.

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 ₹ 5 million to ₹ 2 million for NBFCs

In the Union Budget 2021-22, presented by the Finance Minister, for NBFCs with a minimum asset size of ₹1 billion, 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 ₹ 5 million to ₹ 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 ₹ 2 million - ₹ 5 million.

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. In January 2017, the scheme was extended to cover systemically important NBFCs as well. Key eligibility criteria for this scheme are:

1) NBFCs should be registered with RBI and meet specified prudential norms.

2) the NBFC should have made a profit for the three preceding Fiscals at the time of enrolment.

3) the NBFC should be lending to micro and small enterprises with minimum 5 years of lending experience, minimum ₹ 1 billion of MSE loan portfolio, NPA level below 5% for MSE portfolio and average recovery ratio of 90% for preceding three Fiscals at the time of enrolment and

4) it should have long-term credit rating of at least BBB. The overall limit under the scheme has also been enhanced to ₹ 20 million.

Guarantees approved under CGTMSE

Year	Number of guarantees approved	Amount of guarantees approved (Rs billion)
FY19	435,520	302
FY20	846,650	459
FY21	835592	369
FY22	717020	561

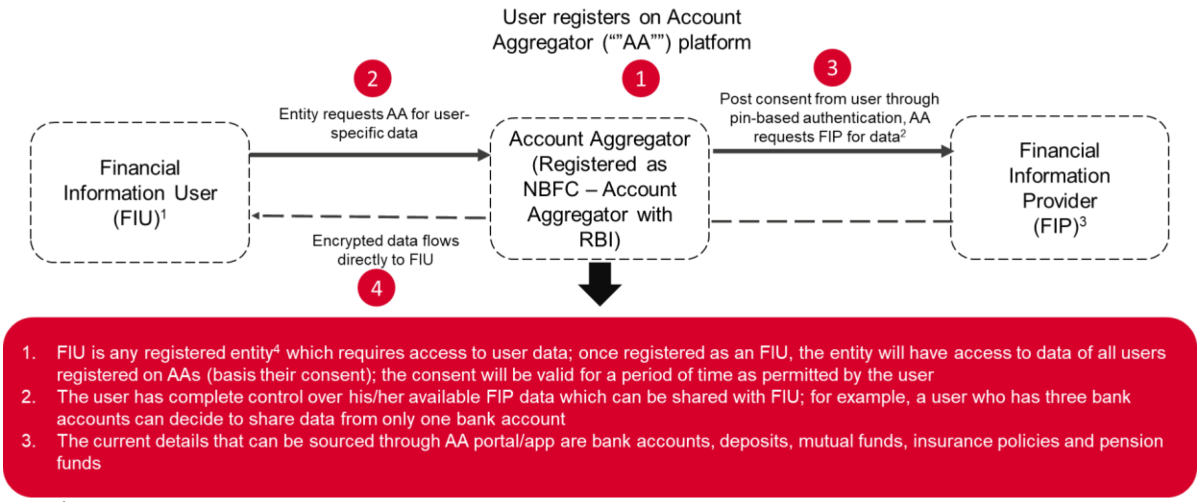
Source: CGTMSE, CRISIL Research

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 licenses to account aggregators, the Pradhan Mantri Mudra Yojana (PMMY), unveiling Trades Receivables Discounting System ("**TReDS**") platforms and the implementation of GST.

Licensing account aggregators

The RBI launched the account aggregator system on September 2, 2021, which has the potential to transform the MSME finance space once there is widespread adoption amongst the lending community. Four account aggregators also announced the launch of their apps on the same day which include OneMoney, FinVu, CAMSFinServ and NADL (NESL Asset Data Limited). Account aggregators are essentially non-banking financial companies, licensed by RBI, that act as an intermediary to collect and consolidate data from all Financial Information Providers (FIP) that hold users' personal financial data like banks and share that with Financial Information Users (FIU) like lending agencies or wealth management companies that provide financial services.These account aggregators would provide granular insights to lenders into customers' financial assets and their borrowing history centrally, based on customer consent. Inclusion of additional data such as electricity bill payments and mobile recharges/bill payment data under the purview of account aggregators would further enhance its utility.



Note: [4] Registered with any one of the regulators – SEBI, RBI, IRDAI, PFRDA
Source: CRISIL Research

Some of the other government and regulatory initiatives are detailed below:

- UDYAM registration: Paperless and online registration process for MSMEs with an aim to promote ease of doing business.

- Stand-up India: It facilitates bank loans between ₹ 1 million and ₹ 10 million to at least one scheduled caste or scheduled tribe borrower and at least one-woman borrower per bank branch for setting up a greenfield enterprise.

- Make in India: Launched with an intention to make India a global manufacturing hub, which in turn will provide employment to numerous youths in the country

- Mudra loans: To fulfil funding requirement of MSMEs who were earlier left out by financial institutions; credit guarantee support also offered to financiers.

- 59-minute loan: Online marketplace that provides in-principle approval to MSME loans up to ₹ 10 million in 59 minutes.

- Unified Payments Interface 2.0 (UPI 2.0): Real-time system for seamless money transfer from account

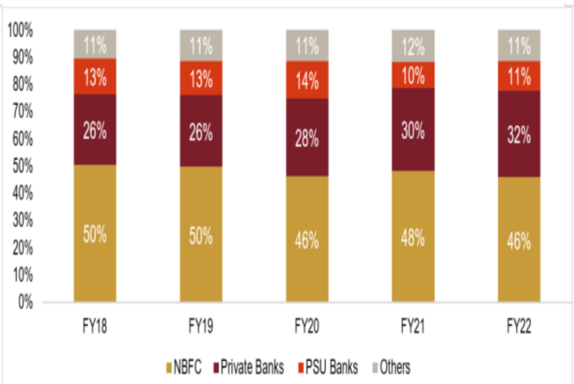
- Trade Receivables Discounting System (TReDS): Institutional mechanism to facilitate financing of trade receivables of MSMEs from corporates and other buyers through multiple financiers.

- Factoring to support more participation from NBFCs: In an amendment to Factoring Regulation Act, 2011, the Lok Sabha passed the Factoring Regulation (Amendment) Bill in July 2021.

NBFCs increasing their presence in the secured MSME loans segment

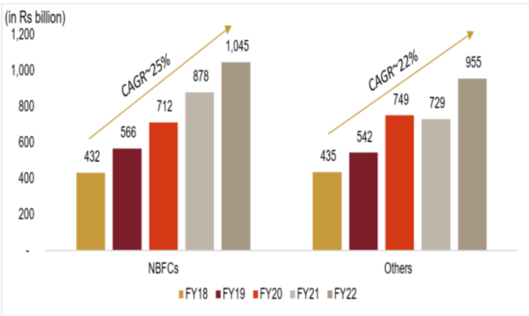
NBFCs have managed to carve out a strong presence in MSME loans segment due to their focus on serving the needs of the customer segment, faster turnaround time, customer service provided and expansion in geographic reach. As of Fiscal 2022, the cumulative market share of NBFCs in secured MSME loans outstanding is estimated to be around 46%. The market share of NBFCs remained stable between Fiscal 2018 and Fiscal 2019 despite demonetisation and the NBFC liquidity crisis. Going forward, CRISIL Research expects the market share of NBFCs in this segment to continue to remain in the same range.

NBFCs continue to capture largest market share in secured MSME portfolio



Note: (1) Includes secured MSME loans as reported in consumer bureau, (2) Others include foreign banks, small finance banks, co-operative banks and regional rural banks
Source: CRIF Highmark, CRISIL Research

NBFCs have grown faster than other players in secured MSME loans from ₹ 0.5 million - ₹ 3.0 million ticket size



Note: (1) Above data includes secured MSME loans given to MSMEs ₹ 0.5 million - ₹ 3.0 million ticket size and reported in consumer bureaus of CRIF Highmark, (2) Others includes player groups like Public Sector Banks, Private Banks, Small Finance Banks, Foreign Banks, Regional Rural Banks
Source: CRIF Highmark, CRISIL Research

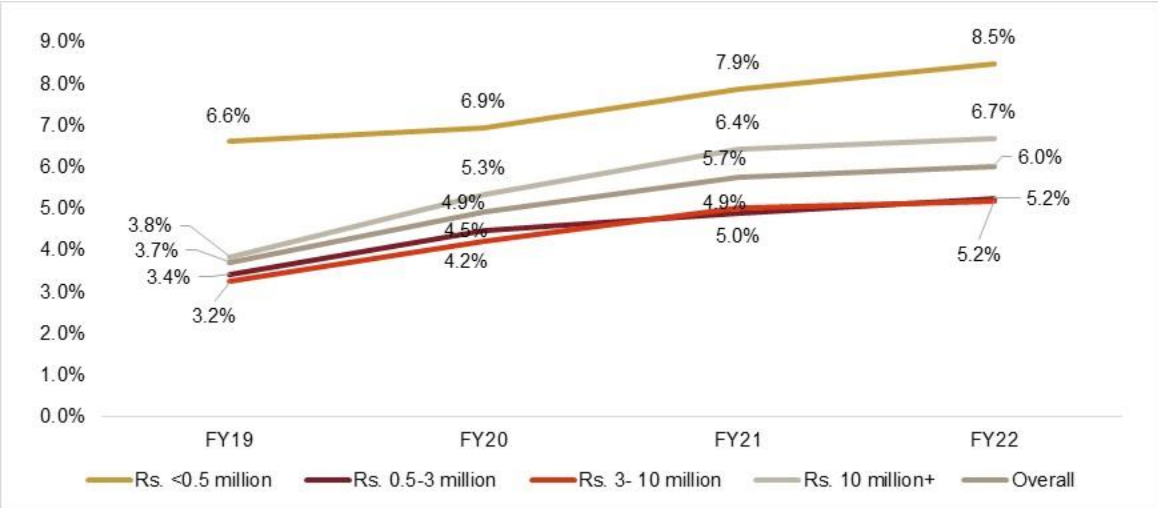
NBFC profitability in MSME to improve going forward

NBFCs in MSME segment operate with yield in the range of 15-16%, on an average. With cost of funds being in the range of 10-11%, net interest margins (NIMs) for this segment are in the range of 6-7%. CRISIL Research estimates the profitability in this segment to have improved from approximately 1.2% in Fiscal 2021 to approximately 1.6% marginally in Fiscal 2022 owing to marginally lower credit costs and operational expenses. 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 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.

Asset quality for secured MSME loans with ticket size between ₹ 0.5 million and ₹ 3.0 million better than overall secured MSME loans portfolio

Over the past few years, asset quality for MSME loans has been deteriorating across the broad, and secured MSME loans with ticket size between ₹ 0.5 million and ₹ 3.0 million are no exception. Moreover, due to COVID-19, income of the borrowers was impacted severely in Fiscal 2021, which led to rise in GNPA numbers whose effect can be witnessed in Fiscal 2022. However, the systemic GNPA ratio for portfolio in the ₹ 0.5 million to ₹ 3.0 million band is lower at 5.2% as compared to other smaller ticket size and larger ticket size loans. Overall, secured loans portfolio had a GNPA of 6.0% as of March 2022.

Asset quality across various ticket sizes



Note: Data Includes secured MSME loans as reported in consumer bureau
Source: CRIF Highmark, CRISIL Research

Amongst different states, credit quality varies between different lender types with private banks having better asset quality than other lender types.

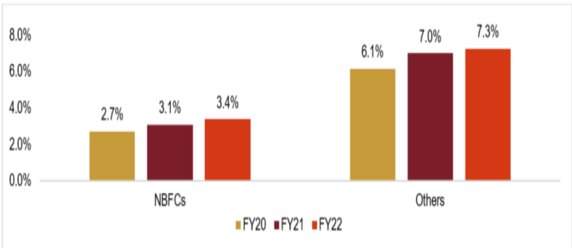
Asset quality for loans with ticket size between ₹ 0.5 million - ₹ 3.0 million across various states

States	Portfolio Outstanding (0.5-3 million) In Rs million	Number of districts	GNPA for HFCs/NBFCs	GNPA for Others
Maharashtra	298,599	35	4%	8%
Tamil Nadu	247,823	32	3%	7%
Gujarat	201,819	33	4%	3%
Karnataka	182,412	30	3%	12%
Rajasthan	148,437	33	4%	3%
Telangana	131,762	10	1%	2%
Uttar Pradesh	122,856	75	3%	8%
Andhra Pradesh	113,278	13	2%	5%
Kerala	107,917	14	5%	19%
Madhya Pradesh	82,121	51	3%	6%
Punjab	77,497	22	4%	6%
Haryana	69,755	21	4%	5%
Delhi	50,707	9	4%	5%
West Bengal	42,778	19	8%	9%
Chattisgarh	21,681	27	3%	5%
Uttarakhand	20,853	13	2%	7%
Bihar	17,822	38	4%	6%
Odisha	17,284	30	4%	5%
Assam	10,263	27	3%	7%
Jharkhand	8,005	24	5%	7%
Himachal Pradesh	6,110	12	2%	15%
Pondicherry	4,417	4	4%	5%
Chandigarh	4,159	1	2%	6%
Goa	4,105	2	4%	5%
Jammu & Kashmir	3,035	21	11%	6%
Tripura	1,186	4	1%	3%
Mizoram	819	8	0%	5%
Manipur	727	9	23%	12%
Dadra & Nagar Haveli	605	1	3%	3%
Meghalaya	396	8	0%	3%
Sikkim	337	4	2%	6%
Daman & Diu	239	2	1%	4%
Nagaland	229	9	0%	5%
Andaman and Nicobar	187	3	6%	2%
Arunachal Pradesh	144	16	4%	13%
Lakshadweep	9	1	0%	0%

Note: Number of districts as reported in CRIF Highmark, Others include player groups like public sector banks, private banks, small finance banks, foreign banks, regional banks, Cooperative banks
Source: CRIF Highmark, CRISIL Research

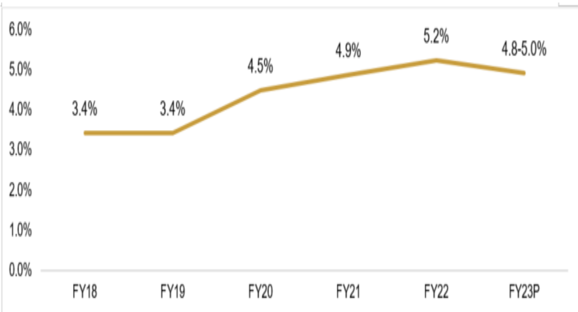
Among various player groups, the GNPA in secured MSME loans for ticket size ₹ 0.5 million - ₹ 3.0 million is best for NBFCs which is 3.4% as of Fiscal 2022 as compared to others at 7.3%.

Asset quality for loans with ticket size between ₹ 0. 5 - ₹ 3.0 million across various player groups



Note: (1) Data includes secured MSME loans for ticket size (₹ 0.5 million - ₹ 3.0 million) as reported in consumer bureau, (2) Others include public sector banks, private sector banks, small finance banks, foreign banks, co-operative banks and regional rural banks.
Source: CRIF Highmark, CRISIL Research

GNPA levels in secured MSME lending (ticket size ₹ 0.5 million - ₹ 3.0 million) to moderate to 4.8-5.0% in Fiscal 2023



Note: (1) Data includes secured MSME loans for ticket size (₹0. 5 million - ₹ 3.0 million) as reported in consumer bureau
Source: CRIF Highmark, CRISIL Research

Going forward, while the impact of COVID-19 is expected to fade away and incomes of borrowers will improve, cost pressures are likely to constrain the profitability of MSMEs. Nevertheless, given expected income, cash flow growth and increased recoveries, GNPA levels are projected to moderate slightly. Thus, CRISIL Research expects GNPA for secured MSME lending in the ticket size ₹ 0.5 million - ₹ 3.0 million to moderate to 4.8-5.0% by March 2023.

Key success factors for NBFCs offering MSME Loans

- **Strong branch network and deep understanding of the target customer segment and markets**: Players need to have a clear and deeper understanding of their target customer segment, the markets they operate in and develop a strong local network. The deeper understanding and presence of inhouse sales team for direct sourcing within the segment also leads to lower customer churn.

- **Strong underwriting capabilities**: MSMEs tend to generally be more impacted by vagaries of the business cycle given their limited financial wherewithal and/or reliance on larger buyers

- **On-the-ground presence to manage collections and maintain portfolio quality**: Additionally, given that players in the segment also cater to a relatively riskier profile, a strong focus on collections and monitoring risk of default at customer level is vital to manage asset quality. Direct Sourcing allows control over the quality of customers and processes involved for disbursement, which can lead to better asset quality, as compared to other methods of customer acquisition.

- **Collateral risk management**: Properties that are used as collateral for MSME loans sometimes lack proper property titles, especially in the outskirts of large cities, semi-urban and rural areas.

Gold loans

Overview of gold loan market in India

Gold loans are typically small ticket, short duration, convenient and instant credit. While the industry has been around for several decades with local financiers and moneylenders extending finance against gold, especially in semi-urban and rural areas, the industry has witnessed a spurt in organized financiers offering gold loans since 2008 with the specialized gold loan NBFCs expanding their branch network and making available loans in a very easy and consumer friendly manner by putting in place strong systems and processes. Though moneylenders and pawn brokers understand the psyche of local borrowers and offer immediate liquidity without any documentation formalities, customers are left vulnerable to exploitation, due to the absence of regulatory oversight. Such players also give lower loan-to-value ratio compared with organized ones while charging exorbitant interest.

As banks and NBFCs aggressively moved in to seize this vast untapped market, they cornered a significant market share from unorganized lenders, growing at a CAGR of 76% between Fiscal 2009 and Fiscal 2012. Sustained increase in gold price till 2012 also supported the gold loan business boom in India. In such a scenario, customers would be offered higher and higher loan amounts on their gold, while lenders would benefit by price increases acting as a natural hedge, in the event of default.

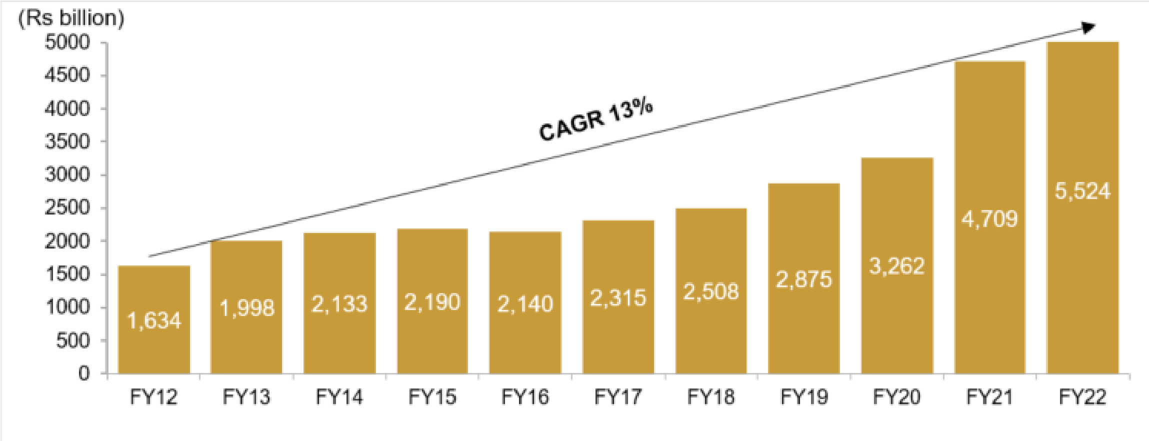
The high growth in the NBFCs' gold loan offtake because of high LTVs, the speed at which the NBFCs opened branches, the decline in the capital adequacy ratios of NBFCs offering gold loans and increase in gold prices alarmed the Reserve Bank of India (RBI), leading to a slew of regulatory steps being taken. The measures initiated included capping the loam-to-value of gold loans at 60% (which was subsequently increased to 75% in January 2014), prohibiting grant of loans against bullion and gold coins, standardization of the value of gold while calculating the loan to value ratio and streamlining the process for auctioning gold. Furthermore, NBFCs were directed to disburse gold loans of greater than ₹ 1,00,000 ticket size through cheques only. The RBI also directed that if the loans extended by a NBFC comprise 50% or more of its financial assets, it shall maintain a minimum Tier-l capital of 12% by April 01, 2014. These measures derailed the growth of NBFCs gold loan offtake for a brief period of time and they lost considerable ground to banks.

The industry has however bounced back subsequently. With regulations in respect of key aspects such as loan to value for NBFCs now being on par with banks, players compete on parameters such as interest rates, customer service, turnaround time, convenience, and trust developed.

Gold loans market has witnessed consistent growth over the last decade

As can be witnessed from the chart below, the industry has witnessed consistent growth over the last decade, even as gold prices have seen periodic fluctuations. As of March 2022, CRISIL Research estimates the outstanding value of loans given out by organised financiers' – banks and NBFCs – to be ₹ 5.5 trillion, with NBFCs accounting for one-quarter of the market.

Gold loans have grown at a CAGR of 13% over the last decade



Note: Includes agriculture lending by banks with gold as collateral
Source: CRISIL Research

Gold loans AUM is expected to grow at 11% CAGR between Fiscal 2022 and Fiscal 2025

In Fiscal 2020, gold loan industry (including Banks and NBFCs) AUM grew approximately 13% YoY to reach ₹ 3.2 trillion on account of increased focus of players on diversifying their regional presence, strong growth in non-southern regions and rise in gold prices by approximately 19% in Fiscal 2020.

In Fiscal 2021, the demand for gold loan finance witnessed a massive surge with AUM shooting up from ₹ 3.2 trillion to ₹ 4.7 trillion, as India's economy coped with the devastating effect of the global pandemic and consumers availed of gold loans to meet their consumption and emergency funding needs. Many consumers, who had gold stock and ornaments lying with them, considered gold loans as an option to meet their credit requirements during this period. The demand for gold loans was also supported by a consistent surge in gold price, liquidity crunch in the immediate aftermath of the pandemic and lenders' hesitancy to give unsecured loans due to risk aversion. The RBI also revisited its guidelines for banks' lending gold loans by increasing the maximum LTV allowed to 90% from existing 75% for non-agricultural gold loans extended during August 2020 to March 2021 to help stressed borrowers to unlock more value. The growth was also supported by players continued focus to wean away consumers from the unorganised gold loan market by means of awareness and diversifying their regional presence with the help of branch as well as digital channels.

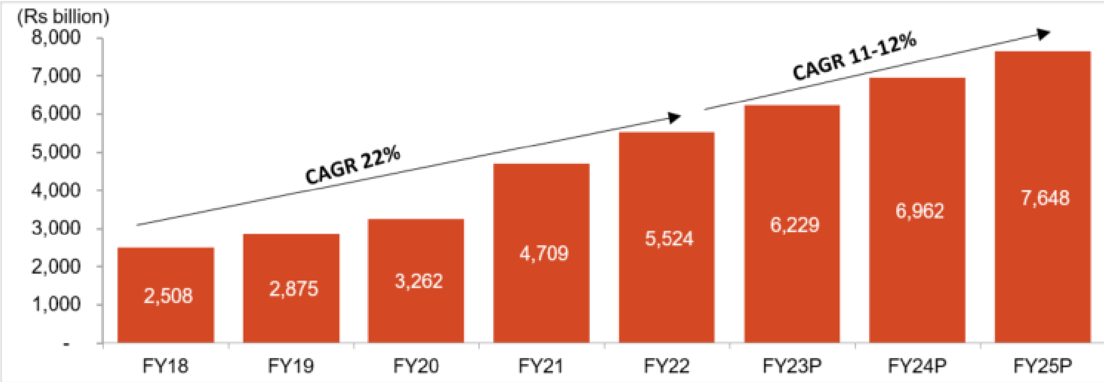
In Fiscal 2022 as well, the gold loan market continued to witness strong growth, with industry AUM increasing by 17% year-on-year to touch ₹ 5.5 trillion as of March 2022. Increase in AUM can be attributed to factors such as high gold prices, strong demand and increased promotion by financiers to acquire unorganised gold loan market by means of awareness and diversifying their regional presence with the help of branch as well as digital channels. During Fiscals 2020-21, when growth for diversified NBFCs witnessed sharp decline, gold loan NBFCs witnessed 11% year-on-year growth. Financiers also were very aggressive in tapping new customers during the year with some of them running campaigns offering gold loans at a lower interest rate for short tenures. For instance, Manappuram Finance introduced low interest rate, for retail customers with a tenure of 3 months.

Online gold loans and doorstep schemes to aid in market expansion

The industry, which has traditionally grown through expansion of branch network across the nook and corner of the country, has witnessed the emergence of branchless fintechs and doorstep gold loans over the last three to four years. These players offer doorstep pickup and disbursement of gold loans directly to the account of the customer. Under this model, when a user requests for a loan, the loan agent visits the customer with a gold appraisal kit and necessary tools to measure the purity of the gold. After proper due diligence and a credit check, the loan is processed digitally, and the amount is transferred instantly to the customer. After the amount is transferred, the gold is packed in a tamper proof packet and transported to the nearest branch in a GPS enabled secured box, which is tracked on a real time basis until the collateral is deposited in the lender's vault. This new doorstep gold financing has addressed some of the key inhibitors in wider acceptance of gold loans such as risk involved in carrying gold to the branch, the social stigma attached to mortgaging gold for availing loans and increasing branch catchment area.

Going forward, CRISIL Research believes that the scope to capture share from unorganised gold loan financiers', initiatives to increase awareness and increasing comfort of customers with gold loans due to the convenience are expected to help the industry grow moderately along with geographic diversification to markets beyond the southern part of India. Demand for gold loans from micro enterprises and individuals to fund working capital and personal requirements is expected to increase owing to pickup in economic activity. In addition, with demand reviving and market expansion through doorstep gold loans model, CRISIL Research expects AUM to touch close to ₹ 7,648 billion by March 2025, translating into a 11%-12% CAGR between Fiscal 2022 and Fiscal 2025.

Growth in gold loan AUMs of organized lenders

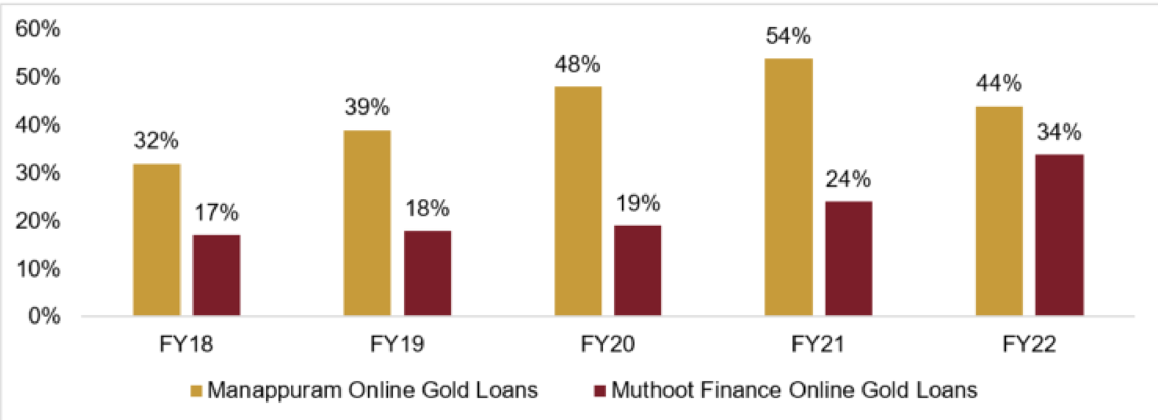


Note: P: Projected, includes agriculture lending by banks with gold as collateral; Source: CRISIL Research

Online gold loans and doorstep disbursement schemes to help the gold loan market

Digital gold loans products offer the feature of loan sanction within few hours through the online process. These loans can be accessed through mobile applications, online platform, prepaid card etc. KYC, registration and disbursements are all possible through online platform. For example, entities such as IIFL Finance, Manappuram Finance and Muthoot Finance are constantly making investments in digital and technological capabilities to adapt to constantly changing world. For example, IIFL Finance launched digital gold loans for top up and online renewal of gold loans. Further, gold at home disbursements for IIFL Finance increased from ₹ 0.18 billion in the fourth quarter of Fiscal 2021 to ₹ 2.08 billion in the fourth quarter of Fiscal 2022. Similar shift towards digital modes is witnessed for Muthoot Finance, which saw its share of online gold loans increase from 24% in Fiscal 2021 to 34% in Fiscal 2022.

Share of online gold loans continue to see traction in Fiscal 2022



Source: Company Reports, CRISIL Research

New age FinTech players such as Rupeek along with players like Fedbank Financial Services, SBFC Finance, Muthoot Finance, IIFL and Manappuram Finance also offer gold loans at customer's doorstep wherein the customer can get a gold loan sitting at home. The complete loan underwriting-to-disbursal process takes place within 30 minutes, just as it happens in case of a loan availed through a NBFC branch. In case of doorstep offering, verification of the gold ornaments as well as gold collection is done at the customer's residence. These are managed through a central application that is simultaneously accessed by all branches for each and every transaction. Due to these advantages as well as increasing focus by players in both doorstep delivery and online gold loans, the addressable market for gold loans is expected to expand over the next few years.

Doorstep gold loans operating model

	Traditional Models	Door step model
Loan Application	Branch walk in	Phone call, Mobile or app based request
Gold Valuation	Valuation by employee/loan officer at branch	Doorstep valuation by loan officer
Loan Processing	Manual entry of customer data and Paper based KYC	TAB based data entry and KYC
Gold Storage	Vaults in Branch	Vaults in branch, Barcodes and RFID for tracking and retrieval
Loan Disbursement	Disbursal in 10-20 mins	Disbursal in 10-20 mins after completion of entire process at doorstep
Collection	Cash or Cheque at branch, ECS (Electronic Clearing System) / NACH (National Automatic Clearing House), Direct transfer from customer account	Cash collection at doorstep, ECS/NACH, Direct Transfer

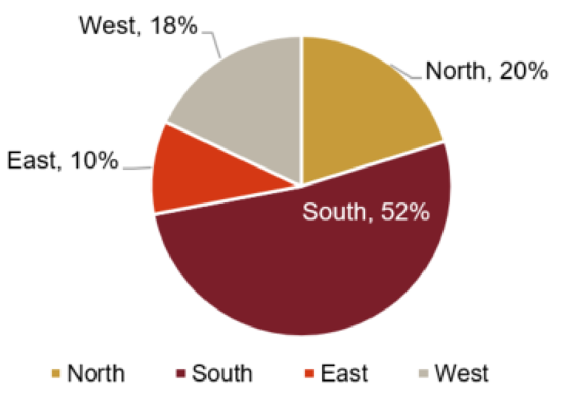
Source: CRISIL Research

Geographic diversification and improvement in operational efficiency of business to drive growth in the coming years

In India, the southern zone commands major share of demand of gold loans at 52% as of Fiscal 2022. This can be explained by the culture found in South India compared to the rest of the country. It is followed by the North region at 20%. The western zone and the eastern zone lag behind in gold loan demand with their share standing at 18% and 10% respectively. People in South India have lower taboo associated with borrowing against gold and are more ready to pledge gold. In addition, majority of the NBFCs and banks (that have strong presence in gold loans) have deep rooted distribution network in the south.

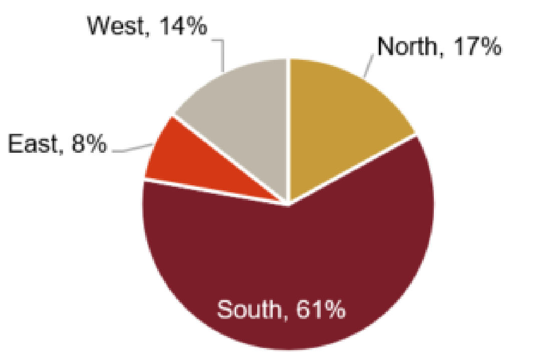
In Fiscal 2017, Southern India accounted for 61% of the total NBFC gold loans portfolio in the country. However, changing consumer perceptions about gold loans, driven by increasing awareness, as well as rising funding requirements and increase in penetration of gold loans in the non-southern regions has led to a change in the regional mix of the portfolio. Going forward, incremental additions of branches by gold loan NBFCs in north and east region where the existing number of branches are relatively lower, presents a good geographical expansion opportunity in these regions. Hence, CRISIL Research expects other regions to witness stronger growth momentum in gold loans as compared to the Southern region.

Southern India accounts for major share of gold loans NBFCs (Fiscal 2022)



Note: Aggregate includes region-wise AUM split of Muthoot Finance, Manappuram Finance & IIFL Finance which constitute approximately 75% of the overall NBFC Gold Loan market; Source: CRISIL Research

Branch distribution of gold loans NBFCs (Fiscal 2022)



Note: Aggregate includes region-wise AUM split of Muthoot Finance and Manappuram Finance which constitute 64% of overall NBFC gold loans market; Source: CRISIL Research

Since there is major demand from Southern region, South India has a higher share in branches in the country. In spite of introducing online gold loans these branches serve as an important touchpoint for the customers of these NBFCs.

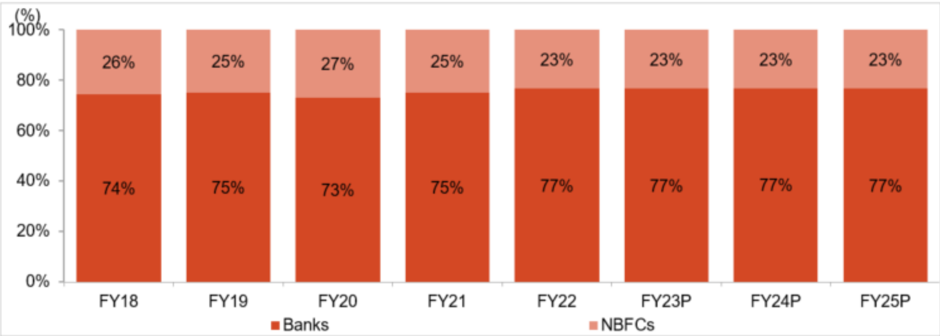
Gold has been known to act as a hedge against inflation and is also attractive for financiers

Over the years, gold prices have shown a consistent increase, and have, in most part, increased at a pace higher than the annual rate of inflation. For instance, during Fiscal 2011 to Fiscal 2016, gold prices increased at a CAGR of approximately 7%, as against an approximately 8% inflation observed in this period. During the subsequent six-year period between Fiscal 2016 and Fiscal 2022, the gold price and inflation increased at a CAGR of approximately 12% and 5%, respectively. The hedge against inflation provided by gold has attracted consumers to gold over the years. From a financier perspective, the yield on gold loans and minimal risk of credit losses due to security provided in the form of the gold being pledged and the additional cushion due to the loan-to-value (average of 65% for NBFCs) makes gold loans a profitable product.

Competitive landscape

In Fiscal 2021, banks have witnessed a faster growth in gold loans as compared to NBFCs on account of increasing LTV offered by banks (till March 2021), rising gold prices, demand from small businesses for cash and increasing focus of banks towards this asset class. A similar trend was evident in Fiscal 2022 as well. Banks' gold Loan AUM increased by around 20% and NBFCs AUM increased by 11% in Fiscal 2022. For instance, State Bank of India's (SBI) personal gold loan book jumped by 465% on year from ₹ 37 billion in Fiscal 2020 to reach ₹ 210 billion at end of Fiscal 2021. It further increased by 9.9% in Fiscal 2022 to reach ₹ 230 billion. The overall gold loan portfolio of CSB Bank also increased by a 2-year CAGR of 31% from ₹ 38 billion in Fiscal 2020 to reach ₹ 65 billion at end of Fiscal 2022, leading to an increase in banks share in overall gold loans industry. However, it must be noted that banks' mix of gold loans is higher owing to agriculture gold loans, where gold loans are granted to farmers for purpose of crop production.

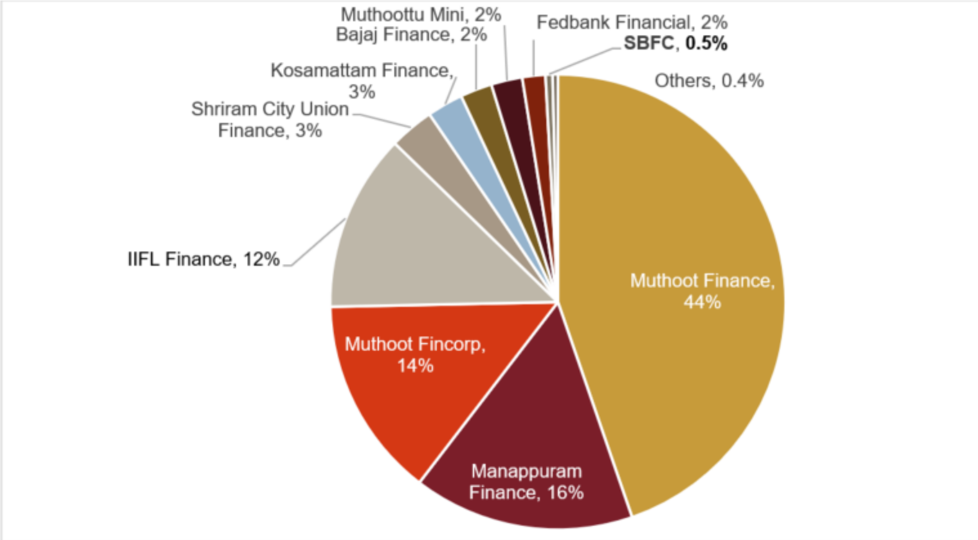
Share of NBFCs to remain stable after an increase in banks share in Fiscal 2022



Note: E: Estimated, P: Projected, includes agriculture lending by banks with gold as collateral
Source: CRISIL Research

Within NBFCs, Muthoot Finance, Manappuram Finance and Muthoot Fincorp are the largest players, who together account for 60% of the gold loan portfolio of NBFCs. Other players in top 10 includes key players such as IIFL Finance, Shriram City Union Finance, Kosamattam Finance, Bajaj Finance, Muthoottu Mini, Fedbank Financial Services, HDB Financial Services and SBFC Finance.

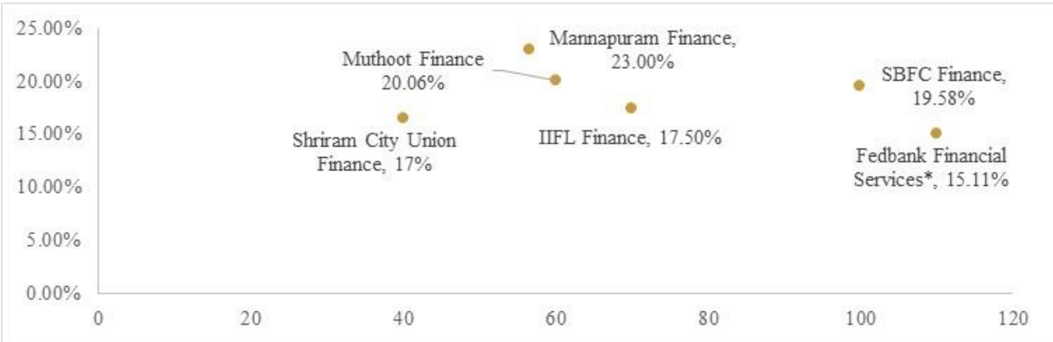
Top three gold financing NBFC account for 80% share in overall NBFC gold loans book in Fiscal 2022



Source: Company Reports, CRISIL Research

The average ticket size for NBFCs in the gold loans business stands at ₹ 55,000-₹ 60,000 as of Fiscal 2022. There is considerable variation in the competitive positioning and target segment of various players, as reflected in the average ticket size of loans and yields offered. Among the gold loan NBFCs, players like Muthoot Finance and Manappuram Finance targets customer at the lower end of the economic strata with an average ticket size of in the range of ₹ 56,600- ₹ 60,000 and yield in the range of 20-23%. IIFL Finance lends at an average ticket size of ₹ 70,000 with an average yield of close to 18%.

Comparison of various players based on yield on advances on gold loans and average ticket size (Fiscal 2022)



*Note: *: Average ticket size, Yield on advances as of September 2021*
Source: Company Reports, CRISIL Research

NBFCs compete on the basis of operating efficiency, turnaround time, local connect while managing risks

Despite banks having a competitive advantage of offering gold loans at lower cost, gold loan NBFCs have been trying to compete with banks through aggressive expansion of branch and increased focus on customer experience. NBFCs focus more single-mindedly on the gold loans business and have, accordingly, built their service offerings by investing significantly in manpower, systems, and processes as per the needs of the customer, some of which are listed below:

1. **Lower turnaround time and lesser documentation**: The gold loan borrower generally wants to procure the loan as quickly as possible and availability of well-trained and experienced employees in assessment and valuing gold helps NBFCs to disburse loans faster as compared to a bank.

2. **Wider reach and better local connect**: NBFCs have a geographically wider and deeper reach, especially in rural and semi-urban regions, where demand for gold loans is higher

3. **Risk management process**: Most NBFCs have put in place a comprehensive and robust risk management process taking into account their experiences over the years and the key risks in the process including steps taken to prevent fraud, store the gold safely, and recoup losses in case of a loan turning non-performing.

Comparison of Gold loan institutions on select business parameters

	Banks	**Gold loan NBFCs**	**Unorganised moneylenders**
Interest rate	7-15%	18-24%	25-45%
LTV	Up to 75% (Up to 90% in Fiscal 2021)	Up to 75%	More than 75%
Processing fee	Higher than NBFCs	No/minimal processing fees	None
Regulator	RBI	RBI	None
Documentation required	KYC Compliance	Minimal	Minimal
Product focus and customer service	Non-core product	Gold loan is core focus, excellent customer service	Gold loan is core focus
Mode of disbursements	Mainly cheque and direct transfer to account	Cash/ cheque and direct transfer to account	Mostly cash
Average turnaround time	30 min - 2 hours	10 - 20 mins	10 - 20 mins
Opening hours	Banking hours	Beyond banking hours	More flexible than banks in terms of working hours

Source: CRISIL Research

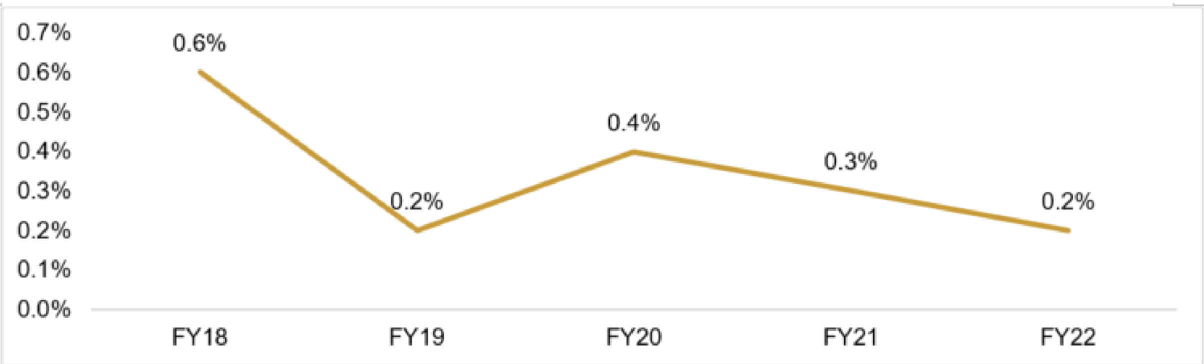
Asset Quality

Credit costs of gold loans low across market cycles; Gold Loan NBFCs NPA to remain restricted

Gold loans are a highly secured and liquid asset class that tends to generate superior returns with minimal credit losses over market cycles. NBFCs offering gold loans are better placed, on a relative basis compared to other retail asset classes, to withstand any asset quality pressures spawned by economic slowdowns or events such as the COVID-19 pandemic.

In addition, shorter tenure of loans shields the companies from any sharp volatility in gold prices. Loss given default for a gold finance company is also generally miniscule, as the loan is fully secured, and the collateral is highly liquid. In case of default, the gold gets auctioned, and the lender recovers its dues and returns the balance amount to the borrower. Maintaining LTV at reasonable levels provides a further cushion to financiers.

Credit cost for gold loan NBFCs



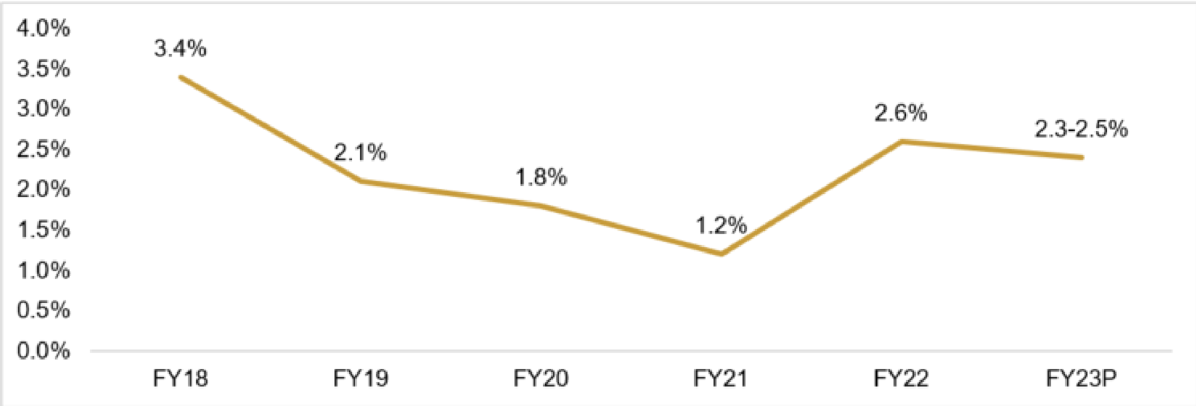
Source: CRISIL Research Estimates

In Fiscal 2018, gross NPA for gold financiers stood at 3.4% after RBI changed the NPA recognition norms for NBFCs. Since then, players have been continuously focusing on de-risking their business models from volatility in gold prices, by tightening their interest collections (regular interest collections versus bullet system in the past) leading to improvement in their asset quality in Fiscal 2019 and Fiscal 2020.

Gross non-performing assets witnessed a decline in Fiscal 2021 due to improved collections. However higher disbursements in second half of the Fiscal led by second and third waves of the pandemic resulted into higher GNPAs in Fiscal 2022. The asset quality for Manappuram Finance rose to 3.0% as of March 2022 from 1.9% as of March 2021. During the same period, GNPA for Muthoot Finance rose from 0.9% to 3.0%.

As overall economy recovers in Fiscal 2023, with improved collection efficiencies and cautious lending approach of the lenders, NPA for gold loan financers is expected to soften. With gold loan, the bank or an NBFC can auction the gold as it is highly liquid and recover losses. Gold loan portfolio does not carry any moratorium risk and gold auctioning has resumed at pre-pandemic levels. Considering these factors, GNPAs are expected to stabilize by end of Fiscal 2023 and come down in the range of 2.3-2.5%.

Asset quality for gold loan financiers to improve in Fiscal 2023



Note: P: Projected, Aggregate includes data for Muthoot Finance, Manappuram Finance and IIFL which constitute approximately 73% of the overall NBFC Gold Loan market in Fiscal 2022, Source: Company Reports, CRISIL Research

Peer Benchmarking

In this section, CRISIL Research has compared the financial and operating performance of NBFCs operating in segments such as gold loans, secured MSME loans and housing loans in India based on the latest available data for Fiscal 2022 and the first quarter of Fiscal 2023.

For analysis, we have classified these peers into segments with Aavas Financiers, Home First Finance Company, Aptus Value Housing and Vastu Housing Finance as Housing Finance Companies, HDB Financial Services, IIFL Finance, Shriram City Union Finance, Fedbank Financial Services, Five Star Business Finance, Vistaar Finance and Veritas Finance as NBFC financing companies, AU Small Finance Bank as Small Finance Bank, Manappuram Finance and Muthoot Finance as Gold Loan NBFCs.

The below table shows the trend in Assets under management for all the players in the peer set:

Asset under management for players (Fiscal 2022)

Player	AUM (Rs. Billion)	FY18	FY19	FY20	FY21	FY22	Q1 FY23	CAGR (FY19-22)
Housing Finance Companies	Aavas Financiers	41	59	78	95	114	119	24%
	Home First Finance Company	14	24	36	41	54	58	30%
	Aptus Value Housing Finance	14	22	32	41	52	55	32%
	Vastu Housing Finance	7	13	18	24	34	36	36%
MSME focused NBFCs	HDB Financial Services	445	554	588	616	614	NA	3%
	IIFL Finance	312	349	380	447	512	528	14%
	Shriram City Union Finance	275	296	291	296	332	346	4%
	Fedbank Financial Services	14	20	38	46	52*	NA	38%
	Five-Star Business Finance	10	21	39	44	51	NA	34%
	SBFC Finance^	8	12	16	22	32	36	40%
	Vistaar Finance	13	14	19	21	24	NA	19%
	Veritas Finance	3	7	13	16	22	NA	43%
SFB	AU Small Finance Bank	162	242	309	377	478	502	25%
Gold NBFCs	Muthoot Finance	291	342	416	526	580	567	19%
	Manappuram Finance	158	194	252	272	303	308	16%

*Note: NA = Not available; *: As of September 2021, ^: Loan Book AUM excluding PTC investments*
Source: Company Reports, CRISIL Research

The below table shows the trend in disbursements for all the players in the peer set**:**

Disbursement for players (Fiscal 2022)

Players	Disbursements (Rs billion)	FY18	FY19	FY20	FY21	FY22	CAGR (FY19-22)
Housing Finance Companies	Aavas Financiers	21	27	29	27	36	10%
	Home First Finance Company	7	16	16	11	20	9%
	Aptus Value Housing Finance	8	11	13	13	16	14%
	Vastu Housing Finance	6	8	7	10	15	27%
MSME focused NBFCs	HDB Financial Services	253	317	299	250	290	-3%
	IIFL Finance	NA	NA	240	275	383	17%^
	Shriram City Union Finance	249	241	227	172	261	3%
	Fedbank Financial Services	16	20	44	59	30**	14%
	Five-Star Business Finance	7	15	24	12	18	6%
	SBFC Finance	3	10	13	15	26	39%
	Vistaar Finance	7	8	9	6	NA	-5%*
	Veritas Finance	3	6	8	6	12	29%
SFB	AU Small Finance Bank	108	161	186	186	254	16%
Gold NBFCs	Muthoot Finance	660	732	966	1,239	1,059	13%
	Manappuram Finance	NA	NA	NA	NA	NA	NA

*Note: NA = Not available, ^CAGR is calculated from Fiscal 2020- Fiscal 2022, *: CAGR Calculated from Fiscal 2018-Fiscal 2021, **: As of September 2021*
Source: Company Reports, CRISIL Research

The below table shows the trend in number of branches for all the players in the peer set during Fiscal 2018 to Fiscal 2022:

Trend in number of branches for players

	Players	Branches					
		FY18	FY19	FY20	FY21	FY22	CAGR (FY19-22)
Housing Finance Companies	Aavas Financiers	165	210	250	280	314	14%
	Home First Finance Company	44	60	68	72	80	10%
	Aptus Value Housing Finance	115	142	175	190	208	13%
	Vastu Housing Finance	37	44	63	75	100	31%
MSME focused NBFCs	HDB Financial Services	1,165	1,350	1,468	1,319	1,374	1%
	IIFL Finance	1,378	1,947	2,377	2,563	3,294	19%
	Shriram City Union Finance	969	969	947	926	986	1%
	Fedbank Financial Services	123	152	300	360	464*	45%
	Five-Star Business Finance	130	173	252	262	300	20%
	SBFC Finance	65	91	96	124	135	14%
	Vistaar Finance	225	220	216	191	192	-4%
	Veritas Finance	72	147	202	204	229	16%
SFB	AU Small Finance Bank^^	500	572	647	744	919	17%
Gold NBFCs	Muthoot Finance	4,325	4,480	4,567	4,632	4,617	1%
	Manappuram Finance	4,197	4,351	4,622	4,637	5,057	5%

*Note: *: As of September 2021; ^^: Touchpoints NA: Not Available*
Source: Company Reports, CRISIL Research

The below table shows the trend in number of employees for all the players in the peer set during Fiscal 2018 to Fiscal 2022

Trend in number of employees for players

	Players	Employees					
		FY18	FY19	FY20	FY21	FY22	CAGR (FY19-22)
Housing Finance Companies	Aavas Financiers	1,862	3,190	4,581	5,679	5,222	18%
	Home First Finance Company	382	675	696	687	851	8%
	Aptus Value Housing Finance	1,000	1,325	1,702	1,913	2,271	20%
	Vastu Housing Finance	461	528	858	932	1,447	40%
MSME focused NBFCs	HDB Financial Services	74,049	93,373	109,167	104,960	121,595	9%
	IIFL Finance	15,000	16,799	18,569	19,825	28,369	19%
	Shriram City Union Finance	28,665	27,267	28,699	24,963	27,997	1%
	Fedbank Financial Services	590	964	1,890	2,130	2,658*	40%
	Five-Star Business Finance	1,290	1,971	3,734	3,938	5,675	42%
	SBFC Finance	585	802	1,153	1,471	2,048	37%
	Vistaar Finance	2,107	2,188	1,847	1,660	2,100	-1%
	Veritas Finance	719	1,422	1,850	2,333	2,727	24%
SFB	AU Small Finance Bank	11,151	12,623	17,112	22,484	27,817	30%
Gold NBFCs	Muthoot Finance	23,455	24,224	25,554	25,911	26,716	3%
	Manappuram Finance	24,866	25,610	27,726	30,522	26,970	2%

Note: (*) As of September 2021; NA: Not Available
Source: Company Reports, CRISIL Research

The below table depicts the branch productivity for all the players in the peer set

Branch productivity of players (Fiscal 2022)

	Players	AUM per branch (Rs. million)	CAGR	Disbursement per branch (Rs. million)	CAGR
		FY22	(FY19-22)	FY22	(FY19-22)
Housing Finance Companies	Aavas Financiers	361	9%	115	-3%
	Home First Finance Company	673	18%	254	-1%
	Aptus Value Housing Finance	249	17%	79	1%
	Vastu Housing Finance	337	4%	155	-4%
MSME focused NBFCs	HDB Financial Services	447	3%	211	-3%
	IIFL Finance	155	-5%	116	NA
	Shriram City Union Finance	337	3%	265	2%
	Fedbank Financial Services^	113	-5%	66	-21%
	Five-Star Business Finance	169	11%	59	-12%
	SBFC Finance	236^^	23%	190	22%
	Vistaar Finance	126	24%	NA	1%*
	Veritas Finance	96	24%	52	11%
SFB	AU Small Finance Bank	520	7%	276	-1%
Gold NBFCs	Muthoot Finance	126	18%	229	12%
	Manappuram Finance	60	10%	NA	NA

*Note: NA: Not available; *: Calculated as 3-year CAGR from Fiscal 2018-21; ^Data as of September 2021; ^^ Loan book AUM excluding PTC investments*
Source: Company Reports, CRISIL Research

The below table shows the Operational performance for all the players in the peer set

Operational performance of players (Fiscal 2022)

Players		Cost to Income Ratio				Opex %			
		FY20	FY21	FY22	Avg. (FY20 -22)	FY20	FY21	FY22	Avg. (FY20 -22)
Housing Finance Companies	Aavas Financiers	42%	40%	31%	38%	3%	3%	3%	3%
	Home First Finance Company	45%	39%	34%	39%	3%	3%	3%	3%
	Aptus Value Housing Finance	26%	22%	19%	22%	2%	2%	2%	2%
	Vastu Housing Finance	32%	36%	32%	33%	3%	3%	3%	3%
MSME focused NBFCs	HDB Financial Services	56%	49%	52%	53%	6%	6%	7%	6%
	IIFL Finance	64%	39%	41%	48%	5%	4%	4%	4%
	Shriram City Union Finance	40%	38%	41%	40%	5%	4%	4%	5%
	Fedbank Financial Services	71%	61%	58%	63%	6%	5%	5%	5%
	Five-Star Business Finance	30%	30%	32%	31%	5%	4%	5%	5%
	SBFC Finance	55%	46%	57%	53%	4%	3%	4%	4%
	Vistaar Finance	53%	44%	51%	49%	7%	5%	6%	6%
	Veritas Finance	65%	49%	49%	54%	8%	6%	6%	7%
SFB	AU Small Finance Bank	54%	44%	57%	52%	4%	4%	4%	4%
Gold NBFCs	Muthoot Finance	30%	26%	25%	27%	4%	3%	3%	3%
	Manappuram Finance	40%	30%	42%	37%	6%	4%	5%	5%
Total	Average of all above peers	47%	40%	41%	43%	5%	4%	4%	4%

Note: Opex (%) is calculated as operating expenditures for the Fiscal year divided by average of this Fiscal and previous Fiscal's total assets
Cost to Income is calculated as operating expenses divided by addition of net interest income and other income
Source: Company Reports, CRISIL Research.

The below table shows the operational efficiency (Operating expenses to AUM and Operating expenses to Disbursement ratio) for all the players in the peer set

Operational efficiency of players (Fiscal 2022)

Players		Opex to AUM Ratio				Opex to Disbursement Ratio			
		FY20	FY21	FY22	Avg. (FY20-22)	FY20	FY21	FY22	Avg. (FY20-22)
Housing Finance Companies	Aavas Financiers	2.9%	2.7%	2.3%	2.6%	7.8%	9.7%	7.1%	8.2%
	Home First Finance Company	2.8%	2.5%	2.4%	2.6%	6.3%	9.6%	6.3%	7.4%
	Aptus Value Housing Finance	2.8%	2.5%	2.3%	2.5%	6.9%	7.8%	7.1%	7.3%
	Vastu Housing Finance	3.3%	3.4%	3.4%	3.3%	7.9%	8.5%	7.3%	7.9%
MSME focused NBFCs	HDB Financial Services	6.4%	5.7%	6.8%	6.3%	12.6%	14.0%	14.4%	13.7%
	IIFL Finance	2.4%	1.7%	2.0%	2.0%	3.8%	2.7%	2.6%	3.0%
	Shriram City Union Finance	5.2%	4.6%	5.0%	4.9%	6.6%	8.0%	6.3%	7.0%
	Fedbank Financial Services	4.9%	4.8%	6.0%^	5.2%	4.3%	4.0%	10.3%^	6.2%
	Five-Star Business Finance	4.4%	4.8%	6.0%	5.1%	7.1%	17.2%	17.4%	13.9%
	SBFC Finance^^	6.7%	5.6%	5.5%	5.9%	8.7%	8.3%	6.9%	8.0%
	Vistaar Finance	7.0%	5.4%	5.8%	6.1%	14.6%	19.4%	NA	17.0%*
	Veritas Finance	8.5%	7.5%	7.0%	7.7%	13.2%	19.1%	13.0%	15.1%
SFB	AU Small Finance Bank	4.6%	4.4%	5.0%	4.7%	7.6%	8.9%	9.5%	8.7%
Gold NBFCs	Muthoot Finance	4.3%	3.4%	3.1%	3.6%	1.8%	1.4%	1.7%	1.6%
	Manappuram Finance	4.6%	3.9%	4.4%	4.3%	NA	NA	NA	NA

*Note: NA = Not available, * Average is calculated from Fiscal 2020 to Fiscal 2021, Opex to AUM ratio is calculated as operating expenses for the Fiscal year divided by AUM as of end of Fiscal year, Opex to Disbursement ratio is calculated as*

operating expenses for the Fiscal year divided by disbursements for the Fiscal year, ^: AUM and Disbursement as of September 2021; ^^Loan Book AUM excluding PTC investments
Source: Company Reports, CRISIL Research.

The below table highlights the average ticket size and LTV for all the players in the peer set

Average ticket size of players

		Average Ticket Size (Rs. Million)	LTV
Housing Finance Companies	Aavas Financiers	0.86	54%
	Home First Finance Company	1.05	57%
	Aptus Value Housing Finance	0.62^	35%
	Vastu Housing Finance	1.10	40%
MSME focused NBFCs	HDB Financial Services	NA	NA
	IIFL Finance	1.03	70%
	Shriram City Union Finance	1.25	NA
	Fedbank Financial Services	1.55#	75%#**
	Five-Star Business Finance	0.23	45%
	SBFC Finance	0.98**	43%**
	Vistaar Finance	0.35#	50%
	Veritas Finance	0.35	45%
SFB	AU Small Finance Bank	0.84**	NA
Gold NBFCs	Muthoot Finance	0.06	NA
	Manappuram Finance	0.05	62%
Total	Average of all above peers	**0.73**	-

Note: NA = Not available; (**) For Secured MSME loans, (#) Data For 2021, (^) For Business Loan
Source: Company Reports, CRISIL Research,

The below table depicts the number of states in which the players in the set have its presence.

State-wise presence of players (Fiscal 2022)

		Presence in states	Share of Top State	Name of top states
Housing Finance Companies	Aavas Financiers	13	39%	Rajasthan (39%)
	Home First Finance Company	13	36%	Gujarat (36%), Maharashtra (16%), Tamil Nadu (12%), Karnataka (9%)
	Aptus Value Housing Finance	5	48%	Tamil Nadu (48%), Andhra Pradesh (31%), Karnataka (9%) and Telangana (12%)
	Vastu Housing Finance	13	16%	Rajasthan (16%), Karnataka (15%), Madhya Pradesh (14%), Maharashtra (10%), Telangana (10%)
MSME focused NBFCs	HDB Financial Services	NA	NA	NA
	IIFL Finance	22	NA	NA
	Shriram City Union Finance	24	NA	NA
	Fedbank Financial Services#	15	25%	Karnataka (25%), Tamil Nadu (19%), Maharashtra (17%), Gujarat (13%), Telangana (9%)
	Five-Star Business Finance	8	38%	Tamil Nadu (38%), Andhra Pradesh (29%), Telangana (19%), Karnataka (7%) and Others (6%)
	SBFC Finance	18*	17%	Karnataka (17%), Uttar Pradesh (15%), Maharashtra (11%), Telangana (11%), Madhya Pradesh (8%)
	Vistaar Finance	12	37%	Tamil Nadu (37%), Karnataka (23%), Andhra Pradesh (11%), Maharashtra (7%)
	Veritas Finance	9	39%	Tamil Nadu (39%)
SFB	AU Small Finance Bank	20	30%	Rajasthan (30%), Maharashtra (22%), Delhi NCR (12%), Punjab (9%) and Haryana (7%)
Gold NBFCs	Muthoot Finance	29	NA	NA
	Manappuram Finance	28	NA	NA

*Note: NA = Not available; # September 2021, * Presence includes 16 states and two union territories*
Source: Company Reports, CRISIL Research

Financial Performance

The below table shows the Yield on advances and Cost of Borrowings for all players in the peer set

Trend of Yield on advances and Cost of Borrowings of players (Fiscal 2022)

Players		Yield on Advances				Cost of Borrowings			
		FY20	FY21	FY22	Avg. (FY20-22)	FY20	FY21	FY22	Avg. (FY20-22)
Housing Finance Companies	Aavas Financiers	13.5%	13.1%	12.8%	13.2%	7.9%	7.8%	6.7%	7.5%
	Home First Finance Company	13.3%	12.8%	12.5%	12.9%	8.8%	7.8%	6.6%	7.7%
	Aptus Value Housing Finance	17.6%	17.2%	17.2%	17.3%	10.2%	9.1%	8.0%	9.1%
	Vastu Housing Finance	15.1%	15.8%	14.5%	15.1%	9.7%	9.1%	8.8%	9.2%
MSME focused NBFCs	HDB Financial Services	14.8%	14.5%	14.3%	14.5%	8.6%	7.8%	6.7%	7.7%
	IIFL Finance	17.7%	20.0%	23.8%	20.5%	9.1%	10.1%	9.9%	9.7%
	Shriram City Union Finance	20.9%	20.1%	20.5%	20.5%	9.4%	8.8%	9.0%	9.0%
	Fedbank Financial Services	14.9%	15.9%	16.1%*	15.6%	8.3%	8.3%	7.4%	8.0%
	Five-Star Business Finance	24.2%	24.3%	24.7%	24.4%	13.1%	11.2%	10.0%	11.4%
	SBFC Finance	15.9%	15.3%	15.1%	15.5%	12.5%	8.2%	7.7%	9.5%
	Vistaar Finance	20.7%	19.2%	18.6%	19.5%	10.8%	10.2%	9.2%	10.1%
	Veritas Finance	24.9%	23.4%	22.4%	23.6%	13.2%	10.7%	10.5%	11.5%
Small Finance Bank	AU Small Finance Bank	13.7%	12.8%	12.1%	12.9%	7.4%	6.5%	5.3%	6.4%
Gold NBFCs	Muthoot Finance	22.0%	21.2%	19.0%	20.7%	8.7%	8.9%	8.0%	8.5%
	Manappuram Finance	24.8%	25.1%	20.6%	23.5%	9.2%	9.7%	7.8%	8.9%
Total	Average of all above peers	18.3%	18.1%	17.6%	18.0%	9.8%	8.9%	8.1%	8.9%

*Note: NA: Not Available; *: Yield on advances calculated on total interest income*
Yield on advances is calculated as interest earned on loans and advances divided by average of total advances on book
Cost of Borrowings is calculated as interest paid divided by average of deposits and borrowings
Source: Company Reports, CRISIL Research

The below table shows the Debt to Equity and Net Interest Margin for all players in the set

Trend of Debt to Equity and net interest margin (Fiscal 2022)

		Debt to Equity				Net Interest Margin			
		FY20	FY21	FY22	Avg. (FY20-22)	FY20	FY21	FY22	Avg. (FY20-22)
Housing Finance Companies	Aavas Financiers	2.6	2.6	2.8	2.7	6.5%	6.2%	6.5%	6.4%
	Home First Finance Company	2.7	2.2	2.2	2.4	5.4%	5.3%	6.2%	5.6%
	Aptus Value Housing Finance	1.2	1.3	0.9	1.1	7.3%	10.2%	11.4%	9.6%
	Vastu Housing Finance	1.5	1.5	0.6	1.2	5.7%	7.0%	7.8%	6.8%
MSME focused NBFCs	HDB Financial Services	6.2	6.0	5.1	5.8	7.1%	7.5%	8.1%	7.6%
	IIFL Finance	4.0	4.3	3.7	4.0	6.8%	7.3%	8.6%	7.6%
	Shriram City Union Finance	2.7	2.5	2.7	2.6	11.8%	10.5%	9.9%	10.7%
	Fedbank Financial Services	4.7	5.2	4.4	4.7	7.2%	7.2%	7.9%	7.4%
	Five-Star Business Finance	1.2	1.5	0.7	1.1	15.8%	13.6%	14.9%	14.8%
	SBFC Finance	3.0	2.3	2.3	2.5	5.5%	5.3%	5.8%	5.5%
	Vistaar Finance	2.0	2.1	2.4	2.2	12.2%	10.0%	9.5%	10.6%
	Veritas Finance	1.2	1.4	0.8	1.2	10.5%	11.3%	12.3%	11.4%
Small Finance Bank	AU Small Finance Bank	2.4	1.1	0.8	1.4	5.1%	5.0%	5.4%	5.2%
Gold NBFCs	Muthoot Finance	3.2	3.0	2.7	3.0	13.0%	11.6%	10.6%	11.8%
	Manappuram Finance	3.3	2.6	2.3	2.7	14.0%	13.8%	12.0%	13.3%
Total	Average of above all peers	2.8	2.6	2.3	2.6	9.1%	8.8%	9.1%	9.0%

Note: Net Interest Margins are calculated as Interest income minus interest paid divided by average of total assets on book
Debt to Equity is calculated as total borrowings divided by total shareholder equity of the same fiscal
Source: Company Reports, CRISIL Research

Ratings of players (Fiscal 2022)

	Players	Short Term Rating	Long Term Rating
Housing Finance Companies	Aavas Financiers	CARE A1+, ICRA A1+	CARE AA-, ICRA AA-
	Home First Finance Company	ICRA A1+, IND A1+	IND AA-, ICRA A+, CARE A+
	Aptus Value Housing Finance	NA	CARE A1+, ICRA AA-
	Vastu Housing Finance	ICRA A1+	BWR A+, ICRA A+, CRISIL A+, CARE A+
MSME focused NBFCs	HDB Financial Services	CRISIL A1+, CARE A1+	CRISIL AAA/CRISIL PPMLD AAA r, CARE AAA
	IIFL Finance	ICRA A1+, CRISIL A1+	ICRA AA, CARE AA, BWR AA+, CRISIL AA/
	Shriram City Union Finance	CRISIL A1+, IND A1+, ICRA A1+, CARE A1+	CRISIL AA/CRISIL PPMLD AA r, IND AA, ICRA AA, CARE AA
	Fedbank Financial Services	CRISIL A1+, ICRA A1+	CARE AA-, IND AA-,
	Five-Star Business Finance	NA	ICRA A+
	SBFC Finance	NA	ICRA A, IND A+
	Vistaar Finance	IND A1, ICRA A1	IND A-, ICRA A
	Veritas Finance	NA	CARE A
Small Finance Bank	AU Small Finance Bank	IND A1+, CRISIL A1+, CARE A1+	IND AA-, CRISIL AA- /CRISIL AA+, CARE AA
Gold NBFCs	Muthoot Finance	CRISIL A1+, ICRA A1+	CRISIL PPMLD AA+, /CRISIL AA+/Withdrawn, ICRA AA+
	Manappuram Finance	CRISIL A1+, CARE A1+	BWR AA+, CRISIL AA, CARE AA

Note: NA = Not Available, Source: CRISIL Research

The below table shows the profitability analysis for all the players in the peer set

Profitability analysis of companies (Fiscal 2022)

Players		RoA				RoE			
		FY20	FY21	FY22	Avg. (FY20-22)	FY20	FY21	FY22	Avg. (FY20-22)
Housing Finance Companies	Aavas Financiers	3.8%	3.5%	3.6%	3.6%	12.7%	12.9%	13.7%	13.1%
	Home First Finance Company	2.7%	2.5%	3.9%	3.0%	10.9%	8.6%	12.6%	10.7%
	Aptus Value Housing Finance	7.0%	6.5%	7.3%	6.3%	17.5%	14.5%	15.1%	15.7%
	Vastu Housing Finance	4.5%	4.0%	5.4%	4.6%	11.2%	10.7%	11.4%	11.1%
MSME focused NBFCs	HDB Financial Services	1.7%	0.6%	1.6%	1.3%	13.2%	4.8%	11.2%	9.7%
	IIFL Finance	0.8%	1.6%	3.3%	1.9%	4.2%	9.2%	18.1%	10.5%
	Shriram City Union Finance	3.3%	3.1%	2.9%	3.1%	14.7%	13.2%	12.7%	13.5%
	Fedbank Financial Services	1.3%	1.3%	1.7%	1.4%	6.8%	8.1%	10.4%	8.4%
	Five-Star Business Finance	7.8%	7.1%	7.5%	7.5%	15.8%	16.8%	15.0%	15.9%
	SBFC Finance	1.2%	2.0%	1.5%	1.6%	3.8%	7.7%	5.2%	5.5%
	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%
Small Finance Bank	AU Small Finance Bank	1.8%	2.5%	1.9%	2.1%	17.9%	22.0%	16.4%	18.8%
Gold NBFCs	Muthoot Finance	6.8%	6.5%	5.9%	6.4%	28.3%	27.8%	23.5%	26.5%
	Manappuram Finance	5.9%	6.9%	6.7%	6.5%	25.2%	27.7%	23.6%	25.5%
Total	Average of all peers	3.6%	3.6%	3.9%	3.7%	13.0%	13.4%	13.7%	13.4%

Note: RoA is calculated as Profit after tax divided by average of total assets on book, RoE is calculated as Profit after tax divided by average net worth
Source: Company Reports, CRISIL Research

The below table shows the GNPA and NNPA ratios for all players in the peer set

GNPA and NNPA for players (Fiscal 2022)

Players		GNPA				NNPA			
		FY20	FY21	FY22	Avg. (FY20 -22)	FY20	FY21	FY22	Avg. (FY20-22)
Housing Finance Companies	Aavas Financiers	0.5%	1.0%	1.0%	0.8%	0.3%	0.7%	0.8%	0.6%
	Home First Finance Company	1.0%	1.8%	2.3%	1.7%	0.8%	1.2%	1.8%	1.3%
	Aptus Value Housing Finance	0.7%	0.7%	1.2%	0.9%	0.6%	0.5%	0.9%	0.6%
	Vastu Housing Finance	0.3%	0.5%	1.1%	0.7%	0.3%	0.5%	0.9%	0.5%
MSME focused NBFCs	HDB Financial Services	3.9%	4.5%	5.0%	4.5%	3.2%	3.2%	2.5%	3.0%
	IIFL Finance	2.0%	2.0%	3.2%	2.4%	0.8%	0.9%	1.8%	1.2%
	Shriram City Union Finance	7.9%	6.4%	6.3%	6.9%	4.2%	3.1%	3.3%	3.5%
	Fedbank Financial Services	1.5%	1.0%	2.2%	1.6%	1.1%	0.7%	1.8%	1.2%
	Five-Star Business Finance	1.4%	1.0%	1.1%	1.1%	1.1%	0.8%	0.7%	0.9%
	SBFC Finance	2.3%	3.2%	2.7%	2.7%	1.6%	2.0%	1.6%	1.7%
	Vistaar Finance	3.7%	3.3%	2.7%	3.2%	2.5%	2.2%	1.9%	2.2%
	Veritas Finance	1.9%	2.7%	3.9%	2.8%	1.3%	1.4%	2.3%	1.7%
Small Finance Bank	AU Small Finance Bank	1.7%	4.3%	2.0%	2.7%	0.8%	2.2%	0.5%	1.2%
Gold NBFCs	Muthoot Finance	2.2%	0.9%	3.0%	2.0%	1.9%	0.8%	2.7%	1.8%
	Manappuram Finance	0.9%	1.9%	3.0%	1.9%	0.5%	1.4%	2.7%	1.6%

Note: NA: Not Available, Source: Company Reports, CRISIL Research

The below table shows the trend of credit cost and provisioning for all players in the peer set.

Trend of credit cost and provisioning for players (Fiscal 2022)

Players		Credit Cost				Stage 1 provisions to stage 1 assets	Stage 2 provisions to stage 2 assets	Stage 3 provisions to stage 3 assets	Provision Coverage Ratio
		FY20	FY21	FY22	Avg. (FY20-22)				
Housing Finance Companies	Aavas Financiers	0.2%	0.4%	0.2%	0.3%	0.2%	8.1%	23.1%	NA
	Home First Finance Company	0.6%	0.8%	0.5%	0.6%	0.3%	13.0%	24.9%	47.1%
	Aptus Value Housing Finance	0.1%	0.1%	0.7%	0.3%	0.3%	2.3%	25.3%	25.0%
	Vastu Housing Finance	0.2%	0.4%	0.6%	0.4%	0.5%	9.6%	27.0%	NA
MSME focused NBFCs	HDB Financial Services	2.5%	5.0%	4.0%	3.8%	3.6%	24.1%	54.1%	NA
	IIFL Finance	1.5%	3.7%	2.2%	2.5%	2.9%	6.7%	49.2%	123.0%
	Shriram City Union Finance	2.9%	2.6%	2.4%	2.6%	3.2%	4.5%	49.3%	NA
	Fedbank Financial Services	0.7%	1.5%	1.4%	1.2%	1.0%*	12.1%*	31.4%*	22.1%
	Five-Star Business Finance	1.5%	0.7%	0.8%	1.0%	0.3%	8.8%	34.9%	NA
	SBFC Finance	1.1%	0.8%	1.1%	1.0%	0.6%	9.2%	40.4%	40.4%
	Vistaar Finance	3.0%	2.4%	1.4%	2.2%	0.5%	10.1%	29.6%	NA
	Veritas Finance	1.0%	2.0%	2.5%	1.8%	0.4%	9.9%	41.5%	NA
Small Finance Bank	AU Small Finance Bank	0.8%	1.5%	0.6%	1.0%	NA	NA	NA	75%
Gold NBFCs	Muthoot Finance	0.2%	0.2%	0.2%	0.2%	0.9%	1.0%	10.6%	NA
	Manappuram Finance	0.4%	0.5%	0.3%	0.4%	NA	NA	NA	NA

*Note: NA = Not Available; *Data for Stage 1, Stage 2, Stage 3 and total provisions is for Fiscal 2021, Credit Costs are calculated as Provisions divided by average of total assets on book*
Source: Company Reports, CRISIL Research

The below table shows the Capital Adequacy Ratio for SBFC and the peer set.

Trend in capital adequacy ratio for players (Fiscal 2022)

-	Players	FY20	FY21	FY22	Avg. (FY20-22)
Housing Finance Companies	Aavas Financiers	55.9%	54.4%	51.9%	54.1%
	Home First Finance Company	48.8%	56.2%	58.6%	54.5%
	Aptus Value Housing Finance	82.5%	73.6%	85.6%	80.6%
	Vastu Housing Finance	65.1%	57.1%	99.8%	74.0%
MSME focused NBFCs	HDB Financial Services	19.4%	18.9%	20.2%	19.5%
	IIFL Finance	16.6%	25.4%	23.9%	22.0%
	Shriram City Union Finance	27.7%	28.6%	26.8%	27.7%
	Fedbank Financial Services	17.9%	23.5%	23.0%	21.5%
	Five-Star Business Finance	52.9%	58.9%	75.2%	62.3%
	SBFC Finance	21.9%	26.3%	26.2%	24.8%
	Vistaar Finance	37.6%	36.5%	30.0%	34.7%
	Veritas Finance	59.3%	50.7%	64.4%	58.1%
Small Finance Bank	AU Small Finance Bank	22.0%	23.4%	21.0%	22.1%
Gold NBFCs	Muthoot Finance	25.5%	27.4%	30.0%	27.6%
	Manappuram Finance	21.7%	29.0%	31.3%	27.4%
Total	Average of all peers	38.3%	39.3%	44.5%	40.7%

Source: Company Reports, CRISIL Research

The below table shows the ALM position for players in the peer set

ALM Position of various peers (Fiscal 2022)

	(Rs. Billion)	Assets		Liabilities		Net		Assets to Liability Ratio @	
		Within 12 months	After 12 months	Within 12 months	After 12 months	Within 12 months	After 12 months	Within 12 months	After 12 months
Housing Finance Companies	Aavas Financiers	31.9	78.3	13.6	68.5	18.3	9.8	235%	114%
	Home First Finance Company	14.0	37.2	9.5	25.9	4.5	11.3	147%	143%
	Aptus Value Housing Finance	9.3	47.5	6.3	21.3	3.0	26.1	148%	222%
	Vastu Housing Finance	8.5	29.5	6.4	10.5	2.1	18.9	134%	279%
MSME focused NBFCs	HDB Financial Services	243.6	376.7	204.5	320.3	39.1	56.3	119%	118%
	IIFL Finance	136.7	94.6	58.6	172.8	78.2	-78.2	233%	55%
	Shriram City Union Finance	246.0	154.7	151.1	159.8	94.9	-5.1	163%	97%
	Fedbank Financial Services *	31.1	23.6	17.5	28.8	13.6	-5.3	178%	82%
	Five-Star Business Finance	18.1	45.3	12.6	13.7	5.5	31.6	144%	330%
	SBFC Finance	17.7	27.4	9.9	22.4	7.8	5.0	180%	122%
	Vistaar Finance *	6.0	16.6	5.5	10.6	5.4	6.0	110%	156%
	Veritas Finance	9.0	17.4	6.1	6.2	2.9	11.2	148%	279%
Small Finance Bank	AU Small Finance Bank	NA	NA	NA	NA	NA	NA	NA	NA
Gold NBFCs	Muthoot Finance	673.9	37.2	300.1	222.6	373.8	-185.4	225%	17%
	Manappuram Finance	229.0	40.7	137.2	53.1	91.8	-12.4	167%	77%

*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, Source: Company Reports, CRISIL Research*

OUR BUSINESS

Some of the information in this section, including information with respect to our business plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section entitled "Forward-Looking Statements" on page 17 for a discussion of the risks and uncertainties related to those statements and also the sections entitled "Risk Factors", "Industry Overview", "Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 25, 120, 276 and 373, respectively, as well as financial and other information contained in this Draft Red Herring Prospectus as a whole, for a discussion of certain factors that may affect our business, financial condition or results of operations. Our actual results may differ materially from those expressed in or implied by these forward-looking statements.

Unless otherwise indicated, the financial information included herein is based on our Restated Financial Information included in this Draft Red Herring Prospectus. For further information, see "Restated Financial Information" on page 281. Unless the context otherwise requires, in this section, references to "the Company", "our Company", "we", "us" and "our", are to SBFC Finance Limited.

*Unless otherwise indicated, industry and market data used in this section has been derived from the industry report titled "Analysis of NBFC sector and select asset classes in India" dated November, 2022 (the "**CRISIL Report**") prepared and issued by CRISIL Limited, appointed by us pursuant to letter dated June 23, 2022 and exclusively commissioned and paid for by us in connection with the Offer. Forecasts, estimates, predictions and any other forward- looking statements contained in the CRISIL Report are inherently uncertain because of changes in factors underlying their assumptions, or events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions or such statements. The data included herein includes excerpts from the CRISIL Report and may have been re-ordered by us for the purposes of presentation. There are no parts, data or information (which may be relevant for the proposed Offer), that has been left out or changed in any manner. Unless otherwise indicated, financial, operational, industry and other related information derived from the CRISIL Report and included herein with respect to any particular year refers to such information for the relevant calendar year. A copy of the CRISIL Report is available on the website of our Company at https://www.sbfc.com/for-investors. For more information, see "Risk Factors – Industry information included in this Draft Red Herring Prospectus has been derived from an industry report prepared by CRISIL Limited exclusively commissioned and paid for by us for such purpose." on page 46. Also see, "Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation – Industry and Market Data" on page 15.*

Overview

We are a systematically important, non-deposit taking non-banking finance company ("**NBFC-ND-SI**") offering Secured MSME Loans and Loans against Gold, with a majority of our borrowers being entrepreneurs, small business owners, self-employed individuals, salaried and working class individuals. Among MSME-focused NBFCs in India, we have one of the highest assets under management ("**AUM**") growth, at a CAGR of 40% in the period from Fiscal 2019 to Fiscal 2022. (*Source: CRISIL Report*) We have also witnessed robust disbursement growth, at a CAGR of 39% between Fiscal 2019 and Fiscal 2022. (*Source: CRISIL Report*)

In July 2022, the total number of MSMEs in India was estimated to be 70 million. (*Source: CRISIL Report*) Only 9.4 million MSMEs have registered on UDYAM (*Source: CRISIL Report*), leaving a large number of MSMEs without access to organised finance owing to their unregistered status. As of March 2022, less than 15% of MSMEs have access to credit in any manner and traditional institutions have historically refrained from providing credit to underserved or unserved MSMEs and self-employed individuals, leaving them to resort to credit from informal sources. (*Source: CRISIL Report*) The credit gap was estimated at around ₹ 85 trillion in Fiscal 2022, offering growth potential for financial institutions. (*Source: CRISIL Report*) Further, with increasing presence of MSME lenders in smaller cities and lenders increasingly focusing on underserved customers, the portfolio of secured MSME loans with ticket size between ₹ 0.50 million and ₹ 3.00 million is expected to grow at a CAGR of 13% - 15% between Fiscal 2022 and Fiscal 2025. (*Source: CRISIL Report*) In addition, there has been credit growth in non-metro cities, owing to financial literacy, mobile penetration and government schemes aimed at bringing the unbanked within the formal banking system. (*Source: CRISIL Report*) As a result, the industry has witnessed an increase in access to formal credit to MSMEs, which could be attributed to the increase in the number of MSMEs registered with the Ministry of Micro, Small and Medium Enterprises, to 6.11 million in Fiscal 2022, from 0.50 million in Fiscal 2016. (*Source: CRISIL Report*) Accordingly, we focus on disbursing loans with a ticket size in the range of ₹ 0.50 million to ₹ 3.00 million and as of June 30, 2022, 84.73% of our AUM had a ticket size within this range.

We believe that our products allow many underserved and underbanked customers to thrive. As of June 30, 2022, the average ticket size ("**ATS**") of our Secured MSME Loans, Loans against Gold and other unsecured loans, on the basis of disbursed amounts was ₹ 0.97 million, ₹ 0.10 million and ₹ 0.63 million, respectively. Among NBFCs, the Gross NPA for Secured MSME Loans for ticket sizes between ₹ 0.50 million and ₹ 3.00 million was 3.4% in Fiscal 2022. (*Source: CRISIL Report*) As of June 30, 2022, our Gross NPA to AUM ratio for ticket sizes between ₹ 0.50 million and ₹ 3.00 million was 2.35%. Our total AUM as of March 31, 2020, March 31, 2021, March 31, 2022 and June 30, 2022 was ₹ 16,482.07 million, ₹ 22,213.23 million, ₹ 31,921.81 million and ₹ 36,282.62 million, respectively. As of March 31, 2021, March 31, 2022 and June 30, 2022, we had provided loans to 56,587, 72,816 and 80,073 customers, respectively. We serve customers in tier II and tier III cities, thereby fostering entrepreneurship in these regions, focusing on customers who have a strong credit history but may lack formal proof of income documents.

We have a diversified pan-India presence, with an extensive network in our target customer segment. As of June 30, 2022, we have an expansive footprint in 104 cities, spanning 16 Indian states and two union territories, with 135 branches. Our geographically diverse distribution network, spread across the North, South, East and West zones, allows us to penetrate underbanked populations in tier II and tier III cities in India. Among MSME focussed NBFCs, we had the lowest proportion of AUM emanating from the largest state in our portfolio as of March 31, 2022 (*Source: CRISIL Report*), being 16.76%, demonstrating better diversification. As a result of our active management of state concentration, we have been able to maintain low levels of AUM concentration per state despite our growth over the years. Our AUM is diversified across India, with 31.81% in the North (in the states of Chandigarh, Delhi, Haryana, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand), 37.72% in the South (in the states of Karnataka, Andhra Pradesh, Telangana, Tamil Nadu and Puducherry), and 30.46% in the West and East (in the states of Gujarat, Madhya Pradesh, Maharashtra, West Bengal, Assam and Bihar) collectively, as of June 30, 2022. Our disbursements across zones are also well-distributed, and we have reduced our concentration risk across industries and sectors, as demonstrated by the fact that no single industry contributes more than 10% of our loan portfolio as of June 30, 2022.

Our complete portfolio of loans has in-house origination and benefits from our risk management framework. Leveraging our significant operational experience, we have set up stringent credit quality checks and customised operating procedures that exist at each stage for comprehensive risk management. We primarily focus on small enterprise borrowers, whose monthly income is up to ₹ 0.15 million, with a demonstrable track record of servicing loans such as gold loans, loans for two-wheeler vehicles and have a CIBIL score above 700 at the time of origination. We source customers directly through our sales team of 1,594 employees as of June 30, 2022, and have adopted a direct sourcing model through branch-led local marketing efforts, repeat customers or through walk-ins, which has helped us maintain contact with our customers and establish strong relationships with them, high levels of customer satisfaction and increased loyalty. We believe that our risk management and underwriting processes, including our extensive customer assessment methods and monitoring systems, have resulted in healthy portfolio quality indicators such as low rates of Gross NPAs and Net NPAs. As of March 31, 2020, March 31, 2021, March 31, 2022 and as of June 30, 2022, our Gross NPA ratio was 2.28%, 3.16%, 2.74% and 2.68%, respectively, and our Net NPA ratio was 1.58%, 1.95%, 1.63% and 1.57%, respectively.

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. Our collections process is also technology-driven. As of June 30, 2022, approximately 87.78% of our Secured MSME Loan collections and 90.29% of our unsecured loan collections were non-cash based EMI collections, thus reducing our cash management risk, and enabling customers to receive real-time payment receipts through SMS.

Technology is at the core of our operations and we have adopted a well-defined IT strategy since our inception. In terms of distribution, our centralized real-time lending system, is a multi-product digital platform supporting mobile customer onboarding, paperless login and loan processing, which leads to quicker turn-around time. Our mobile application also enables customers to manage existing loans, in addition to servicing loans online. We have introduced 'Leviosa', a loan origination platform capable of on-boarding and disbursing loans. Further, we have also pioneered the use of our platform containing data of multiple portfolios in a single system, which allows for data migration from external to internal loan management systems, and enables other lenders to be on-boarded seamlessly. For our Loan against Gold portfolio, we have set up a dedicated 'Gold Genie' sales application, enabling gold loan disbursal at a customer's home. Thereafter, the dedicated customer service team reminds customers about interest payments and collects feedback on any service improvements suggested.

Our business model focuses on collection of cash flows. Our AUM has grown at a CAGR of 39.17% from ₹ 16,482.07 million as of March 31, 2020 to ₹ 31,921.81 million as of March 31, 2022, and was ₹ 36,282.62 million as of June 30, 2022. In terms of business momentum, we witnessed strong three-year disbursement growth, at a

CAGR of 39% between Fiscal 2019 and Fiscal 2022. (*Source: CRISIL Report*) We believe we have witnessed consistent improvement in our balance sheet position in the last three Fiscals, and our net worth as of March 31, 2020, March 31, 2021 and March 31, 2022 was ₹ 10,124.77 million, ₹ 12,051.08 million and ₹ 12,871.67 million, respectively. Our Tangible Net Worth as of March 31, 2020, March 31, 2021, March 31, 2022 and as of June 30, 2022 was ₹ 7,520.85 million, ₹ 9,447.16 million, ₹ 10,267.75 million and ₹ 13,114.84 million, respectively. In a limited period, we have demonstrated a history of robust financial performance. In Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2022, our revenue from operations were ₹ 4,446.70 million, ₹ 5,070.99 million, ₹ 5,290.52 million and ₹ 1,599.67 million, respectively. Further, we believe we have the ability to access borrowings at a competitive cost due to our stable credit history, credit ratings, conservative risk management policies and strong brand equity. As a result, we have one of the lowest cost of borrowings among our NBFC peer set in India in Fiscal 2022. (*Source: CRISIL Report*) Our average cost of borrowing was 12.39%, 8.11%, 7.65% and 2.06% for Fiscal 2020, 2021 and 2022, and for the three months ended June 30, 2022, respectively.

We have an experienced and dedicated management team with significant industry experience and who have demonstrated their ability to deliver growth and profitability, across business cycles. We believe the significant business expertise of our management team positions us well to capitalize on future growth opportunities. Each of them have extensive experience in the banking or related industry such as finance, commercial operations, strategy, audit, business development, human resources, compliance and public relations. We are backed by marquee institutional investors such as the Clermont Group, Arpwood Group and Malabar Group, who provide their expertise to our operations, including through their representatives on our Board. In addition to providing us with capital, our institutional shareholders have assisted us in our growth through strategic guidance based on their previous experience and insight into the financial services sector in India.

The following table sets out key financial and operational parameters in the relevant periods:

Particulars	**As of / For the Year ended March 31,**			**As of / For the three months ended June 30, 2022**
	2020	**2021**	**2022**	
Customers [(1)]	40,432	56,587	72,816	80,073
AUM (₹ million)[(2)]	16,482.07	22,213.23	31,921.81	36,282.62
Net Worth (₹ million) [(3)]	10,124.77	12,051.08	12,871.67	15,718.76
Tangible Net Worth (₹ million) [(4)]	7,520.85	9,447.16	10,267.75	13,114.84
Leverage (AUM/ Net worth)	1.63	1.84	2.48	2.31
AUM/ Tangible Net Worth	2.19	2.35	3.11	2.77
Restated Profit After Tax for the Year / Period (₹ million)	354.95	850.10	645.21	320.66
RoA (%)[(5)]	1.18%	2.01%	1.48%	0.70%
ROE (%)[(6)]	3.75%	7.67%	5.18%	2.24%
Return on Tangible Equity[(7)]	5.17%	10.02%	6.55%	2.74%
Branches[(8)]	96	124	135	135
Employees[(9)]	1,153	1,471	2,048	2,377
AUM per branch (₹ million)[(10)]	171.69	179.14	236.46	268.76
AUM per employee (₹ million)[(11)]	14.29	15.10	15.59	15.26
Disbursement per branch per month (₹ million)[(12)]	3.87	4.00	8.23	12.24
Disbursement per employee per month (₹ million)[(13)]	0.59	0.66	0.89	1.07
Gross NPA ratio (%)[(14)]	2.28%	3.16%	2.74%	2.68%
Net NPA ratio (%)[(15)]	1.58%	1.95%	1.63%	1.57%
Operating Expenses to Average AUM (%)[(16)]	7.99%	6.59%	6.59%	1.51%
Average cost of borrowing (%)[(17)]	12.39%	8.11%	7.65%	2.06%
Cost to income ratio (%)[(18)]	55.25%	46.34%	57.19%	51.00%
Provision Coverage Ratio (%)[(19)]	30.80%	38.25%	40.44%	41.54%
Average yield on Gross Loan Book (%)[(20)]	15.78%	15.09%	14.89%	15.49%
Net Interest Margin (%)[(21)]	11.69%	11.73%	9.39%	9.40%

Note:

(1) Number of customers represents aggregate number of customers of our Company as of the last day of relevant period including securitized accounts.

(2) AUM represents aggregate of Gross Loan Book and share of a partner bank for loan under co-origination as of the last day of the relevant period.

(3) Net worth represents the sum of equity share capital and other equity as of the last day of the relevant period.

(4) Tangible Net worth represents the sum of equity share capital and other equity and reduced by goodwill as of the last day of the relevant period.
(5) ROA represents profit after tax, divided by average of total assets on book. Total assets represents total assets as of the last day of the relevant period.
(6) ROE is calculated as restated profit after tax for the year/ period divided by total equity.
(7) Return on Tangible Equity is calculated as the Profit After Tax for the relevant period as a percentage of Average Tangible Net Worth in such period.
(8) Number of branches represents aggregate number of branches of our Company as of the last day of relevant period.
(9) Number of employees represents aggregate number of employees of our Company as of the last day of relevant period. Employees exclude trainees under National Apprentice Promotion Scheme.
(10) AUM per branch represents AUM as of last day of the relevant period divided by number of branches.
(11) AUM per employee represents AUM as of the last day of the relevant period divided by number of employees.
(12) Disbursement per branch per month represents disbursements in the relevant period divided by number of branches and number of months.
(13) Disbursement per employee per month represents disbursements in the relevant period divided by number of employees and number of months.
(14) Gross NPA ratio (%) represents the Gross NPA to the Gross Loan Book as of the last day of the relevant period.
(15) Net NPA ratio (%) represents the Net NPA to the Gross Loan Book as of the last day of the relevant period.
(16) Operating Expenses to Average AUM represents our operating expenses for a period to the Average AUM for the period.
(17) Average cost of borrowings represents finance cost as a percentage of average outstanding borrowing for the relevant year/ period.
(18) Cost to income ratio represents operating expenses (which comprises the aggregate of employee benefits expense, depreciation and amortisation and other expenses) as a percentage of total revenue less adjusted finance costs for the relevant year/ period.
(19) Provision Coverage Ratio represents total provisions held on Gross NPA as of the last day of the period, as a percentage of total Gross NPAs as of the last day of the period.
(20) Average yield on Gross Loan Book represents the ratio of interest income on loan assets for a period to the average Gross Loan Book for the period.
(21) Net Interest Margin represents our net interest income on the loans for a period to the average AUM for the period, represented as a percentage.

The following table sets out key financial and operational parameters pertaining to our Secured MSME Loan portfolio as of/ for the relevant periods:

Particulars	**As of / For the Year ended March 31,**			**As of / For the three months ended June 30, 2022**
	2020	**2021**	**2022**	
Live MSME loan accounts	7,793	12,250	23,018	27,123
MSME borrowers	6,167	9,665	19,004	22,605
MSME disbursements (₹ million)	4,455.01	5,955.21	13,328.28	4,955.64
AUM from MSMEs (₹ million)	10,792.30	14,422.75	23,262.70	26,950.50

Competitive Strengths

Diversified pan-India presence with an extensive network to cater to our target customer segment

We have strategically focused our expansion within our target customer segment which offers significant growth opportunities. We are a lender that provides loans to borrowers being entrepreneurs, small business owners, self-employed individuals, salaried and working class individuals. Most small businesses in India do not maintain documents such as income proof, business registration, GST registration, income tax filings, and bank statements (*Source: CRISIL Report*), which makes access to credit challenging. We believe that our understanding of local characteristics of these markets and customers has allowed us to address the needs of low and middle income customers and assisted us to penetrate deeper into such markets. As of June 30, 2022, we have an expansive footprint in 104 cities, spanning 16 Indian states and two union territories, with 135 branches. The extent of our network allows us to service our existing customers and attract new customers as a result of personal relationships cultivated through proximity and frequent interaction by our employees. We believe this allows us to expand our presence across the country more seamlessly than regional players.

We have lowered our geographic concentration risk and our extensive, geographically diverse distribution network allows us to penetrate underbanked populations in tier II and tier III cities in India. As of March 2022, less than 15% of the approximate 70 million MSMEs in India have access to formal credit in any form. (*Source: CRISIL Report*) This lack of access is augmented by the fact that tier II and tier III cities have lower credit penetration, and access to lending channels for entrepreneurs and small business owners in these regions is consequently limited, or restricted to informal lending channels.

As a result of our active management of state concentration, we have been able to maintain low levels of AUM concentration per state despite our growth over the years. Set forth is our AUM distribution across regions, including as a percentage of our total AUM, for each of the period indicated:

Region	As of March 31						As of June 30, 2022	
	2020		2021		2022			
	AUM (₹ million)	Percentage of total AUM (%)	AUM (₹ million)	Percentage of total AUM (%)	AUM (₹ million)	Percentage of total AUM (%)	AUM (₹ million)	Percentage of total AUM (%)
South India	6,575.69	39.89%	8,632.54	38.86%	11,994.16	37.57%	13,684.55	37.72%
North India	4,607.68	27.96%	6,486.00	29.20%	10,303.28	32.28%	11,544.12	31.81%
West India	4,559.67	27.66%	5,743.41	25.85%	7,410.05	23.21%	8,271.60	22.80%
East India	727.93	4.42%	1,347.79	6.07%	2,212.04	6.93%	2,780.04	7.66%
Total*	**16,482.07**	**100.00%**	**22,213.23**	**100.00%**	**31,921.81**	**100.00%**	**36,282.62**	**100.00%**

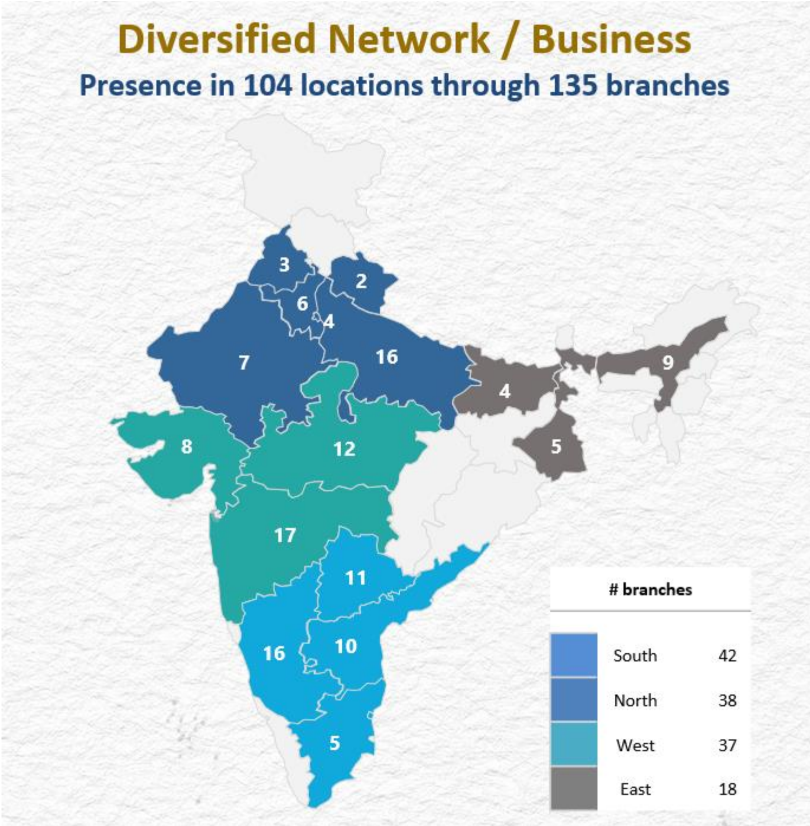
Note: North India comprises our presence in the states of Chandigarh, Delhi, Haryana, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand, South India comprises our presence in the states of Karnataka, Andhra Pradesh, Telangana, Tamil Nadu and Puducherry, West India comprises our presence in the states of Gujarat, Madhya Pradesh and Maharashtra and East India comprises our presence in the states of West Bengal, Assam and Bihar.
** Includes discontinued business AUM of ₹ 11.10 million, ₹ 3.49 million, ₹ 2.28 million and ₹ 2.31 million, comprising 0.07%, 0.02%, 0.01% and 0.01% of total AUM as of March 31, 2020, March 31, 2021, March 31, 2022 and June 30, 2022, respectively.*

While MSME focused NBFCs have a significant portion of their portfolio (between 25% to 39%) emanating from the largest state in their respective portfolio, we had the lowest proportion of AUM, being 17% in Fiscal 2022, emanating from the largest state in our portfolio (*Source: CRISIL Report*), demonstrating better diversification and a granular, even spread.

		Presence in states	Share of Top State	Name of top states
Housing Finance Companies	**Aavas Financiers**	13	39%	Rajasthan (39%)
	Home First Finance Company	13	36%	Gujarat (36%), Maharashtra (16%), Tamil Nadu (12%), Karnataka (9%)
	Aptus Value Housing Finance	5	48%	Tamil Nadu (48%), Andhra Pradesh (31%), Karnataka (9%) and Telangana (12%)
	Vastu Housing Finance	13	16%	Rajasthan (16%), Karnataka (15%), Madhya Pradesh (14%), Maharashtra (10%), Telangana (10%)
MSME focused NBFCs	**HDB Financial Services**	NA	NA	NA
	IIFL Finance	22	NA	NA
	Shriram City Union Finance	24	NA	NA
	Fedbank Financial Services#	15	25%	Karnataka (25%), Tamil Nadu (19%), Maharashtra (17%), Gujarat (13%), Telangana (9%)
	Five-Star Business Finance	8	38%	Tamil Nadu (38%), Andhra Pradesh (29%), Telangana (19%), Karnataka (7%) and Others (6%)
	SBFC Finance	18*	17%	Karnataka (17%), Uttar Pradesh (15%), Maharashtra (11%), Telangana (11%), Madhya Pradesh (8%)
	Vistaar Finance	12	37%	Tamil Nadu (37%), Karnataka (23%), Andhra Pradesh (11%), Maharashtra (7%)
	Veritas Finance	9	39%	Tamil Nadu (39%)
SFB	**AU Small Finance Bank**	20	30%	Rajasthan (30%), Maharashtra (22%), Delhi NCR (12%), Punjab (9%) and Haryana (7%)
Gold NBFCs	**Muthoot Finance**	29	NA	NA
	Manappuram Finance	28	NA	NA

*Note: NA = Not available; # September 2021, * Presence includes 16 states and two union territories.*
(Source: CRISIL Report)

Our branches are also spread across India to reduce concentration risk, with 28.15% in the North, 31.11% in the South, and 40.74% in the West and East collectively and through our 135 branches, we strategically focus for untapped customers with potential for superior yield. Our presence in 16 states and two union territories reduces our concentration risk in comparison to peers, while also allowing us to penetrate a larger number of territories without the risk of entry into an unfamiliar market. As of June 30, 2022, we had reached an average district level penetration of 26.46% in the states in which we operate, calculated on the basis of location of our branches, which gives us ability to scale, expand, underwrite prime risk and mitigate concentration risk. Set out below is the regional distribution of our branches:



(Map not to scale)

We adopt a calibrated strategy of utilizing neighbouring branches to evaluate the local credit environment and focus on hiring local staff with an understanding of the catchment area, local personal and professional networks and the market. It also enables us to reduce our exposure to local or regional economic downturns, disruptions from political circumstances and/or natural disasters. In new geographies, 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 and periodically reviews operations to identify any potential for deeper expansion. We have made significant investments in terms of infrastructure and personnel in setting up our branch network in our existing geographies. We have adopted a contiguous strategy wherein we expand across regions in India where we have a presence and expand to adjacent geographies by evaluating areas with established credit culture. We believe we will be able to benefit from our operating leverage in consolidating our position in these geographies, as well as in any future expansion plans in these regions and adjunct areas.

100% in-house sourcing, leading to superior business outcomes

Prohibitive cost of delivering services physically and high risk perception have constrained traditional institutions' ability to provide credit to underserved or unserved MSMEs and self-employed individuals historically. (*Source: CRISIL Report*) We acknowledge the complexities of underwriting such loans, and to ensure positive business outcomes, 100% of our loan portfolio has in-house origination, limiting our reliance on direct selling agents or connectors in order to ensure a more direct, thorough understanding of the customer's profile. We source customers directly through our sales team of 1,594 personnel as of June 30, 2022, and have adopted a direct sourcing model through branch-led local marketing efforts, repeat customers or through walk-ins, which has helped us maintain contact with our customers and establish strong relationships with them, high levels of customer satisfaction and increased loyalty. Our AUM per employee has also increased from ₹ 14.29 million as of March 31, 2020, to ₹ 15.10 million as of March 31, 2021, to ₹ 15.59 million as of March 31, 2022 and was ₹ 15.26 million as of June 30, 2022.

We believe direct sourcing allows for complete control over the quality of customers and processes involved for disbursement, which leads to better asset quality, compared to other methods of customer acquisition. It has helped mitigate underwriting and default risks by enabling us to have a customer base with a better credit profile. Further, it reduces turn-around time, as the borrower's profile is readily available with us, and we are aware of their existing credit history, reducing the time taken for profile verification.

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 believe we are likely to experience a lower churn rate of customers throughout our portfolio. We believe our in-house sourcing model helps us make a better credit evaluation of customers on a wide range of parameters after collating all customer information in our database.

We are aided in our loan origination process by technology. Our centralized real-time lending system, is a multi-product digital platform, which leads to faster product launches and turn-around time. It enables, among other things, real time integration through open API architecture that facilitate seamless customer information validation and cashless collections. We are able to capture significant amounts of data points through credit bureau data, micro-services driven, agile API stack enabling independent validation from source, customer financials, observations from our front end team, and feedback from our credit underwriting and management teams. Our integrated loan management and loan origination systems provide us with a seamless transaction processing capability and standardization of processes across branches which finally flows into a cloud-based central repository, thereby enabling credit assessment, superior portfolio management and customer engagement.

For our Loan against Gold portfolio, through our Gold Genie application, customers can apply for gold loan via social media or our website, receiving an immediate call-back after demonstrating interest. The customer can input all KYC details, reducing turnaround time, check progress of disbursal, and capture images of the jewelry on the application itself, enabling easy customer onboarding directly.

Comprehensive credit assessment, underwriting and risk management framework

We have a credit assessment and risk management framework to identify, monitor and manage risks inherent in our operations. Credit management is crucial to our business since a significant number of our customers are from the underserved financial segment. We have a core focus area of small enterprise borrowers, whose monthly income is up to ₹ 0.15 million, with a demonstrable track record of servicing loans such as gold loans, loans for two-wheeler vehicles, among others. High risk perception and prohibitive cost of delivering services physically have constrained formal lending to MSMEs. (*Source: CRISIL Report*) We focus on customers who have better income profiles, providing us with a stable growth trajectory. Accordingly, as a lender, our lending decisions are contingent on our evaluation of the ability of the individual and the business to service the loan, and the basis for such assessment is a combination of credit history and present cash flows.

Our Company's risk management committee has developed risk management policies, addressing credit risk, market risk, liquidity risks and operational risks. Leveraging our significant operational experience, we have set up stringent credit quality checks and customised operating procedures that exist at each stage for comprehensive risk management. We focus on the profile of the borrower, and as of June 30, 2022, 80.43% of our Secured MSME Loan customers have a CIBIL score above 700 at the time of origination, while 7.59% of our customers are new to the formal secured lending ecosystem. We serve customers in tier II and tier III markets who have a strong credit history but may lack formal proof of income documents. Recognizing that borrowing from us is the transition from the unorganized to the organized lending sector for such customers, we mandate submission of income tax returns for eligibility calculation, even if these are not comprehensive. Further, we focus on collateral-backed lending and as of June 30, 2022, 93.49% of our loan portfolio was secured. Property which is provided as collateral is largely self-occupied residential or commercial property, and as of June 30, 2022, 81.02% of Secured MSME Loans were with self-occupied residential property as collateral and 11.87% were with self-occupied commercial property as collateral. The remaining collateral provided is either rented or mixed use property. As of June 30, 2022, our Secured MSME Loans have an average LTV ratio of 43.21% and Loans against Gold having an average LTV ratio of 69.43%.

We follow individual file-based credit buying but manage risk at a portfolio level. To this end, we have developed our scorecard-based 'customer segmentation' approach for customer selection for ticket sizes up to ₹ 3.00 million, in order to ensure credit performance. This segmentation classifies customers into five categories based on risk behavior, where the top segments identify good credit behavior. The categorization has been done on the basis of filtering more than 200 data points, including key parameters such as LTV, credit bureau score, leverage, property type, among others. Our endeavor is to grow our loan portfolio in the top segments.

Our grade-based classification shows differential credit performance which ranks risks. Our Gross NPA as on June 30, 2022 for Grade 1, Grade 2, Grade 3, Grade 4 and Grade 5 was 0.68%, 1.17%, 1.68%, 2.79% and 4.98%, respectively. Set forth below are details of the customer segmentation in terms of AUM:

Customer segment	As of March 31,						As of June 30, 2022	
	2020		2021		2022			
	AUM (₹ million)	Percentage of total AUM (%)	AUM (₹ million)	Percentage of total AUM (%)	AUM (₹ million)	Percentage of total AUM (%)	AUM (₹ million)	Percentage of total AUM (%)
Grade 1	388.82	5.18%	1,296.82	11.58%	3,667.11	17.96%	4,521.18	18.82%
Grade 2	1,119.55	14.90%	2,280.06	20.36%	5,647.89	27.67%	7,141.44	29.73%
Grade 3	810.45	10.79%	1,284.35	11.47%	2,439.93	11.95%	2,904.53	12.09%
Grade 4	1,934.85	25.75%	2,619.10	23.39%	4,455.41	21.83%	5,150.67	21.44%
Grade 5	1,571.39	20.92%	2,360.15	21.08%	3,010.55	14.75%	3,128.21	13.02%
Not Segmented	1,687.47	22.46%	1,355.61	12.11%	1,192.84	5.84%	1,173.43	4.89%
Sub-total	**7,512.53**	**100.00%**	**11,196.09**	**100.00%**	**20,413.73**	**100.00%**	**24,019.46**	**100.00%**

Set forth below are details of the customer segmentation in terms of disbursal amount:

Customer segment	As of March 31,						As of June 30, 2022	
	2020		2021		2022			
	Disbursement (₹ million)	Percentage of total disbursement (%)	Disbursement (₹ million)	Percentage of total disbursement (%)	Disbursement (₹ million)	Percentage of total disbursement (%)	Disbursement (₹ million)	Percentage of total disbursement (%)
Grade 1	342.55	8.50%	1,094.89	20.43%	2,851.28	22.39%	1,021.27	21.95%
Grade 2	839.27	20.83%	1,458.78	27.22%	4,158.86	32.66%	1,780.63	38.26%
Grade 3	471.72	11.71%	640.35	11.95%	1,515.55	11.90%	576.21	12.38%
Grade 4	1,387.52	34.44%	1,046.68	19.53%	2,635.16	20.69%	930.92	20.00%
Grade 5	987.41	24.51%	915.17	17.08%	1,257.85	9.88%	284.26	6.11%
Not Segmented	-	-	202.83	3.79%	316.34	2.48%	60.24	1.29%
Total	**4,028.47**	**100.00%**	**5,358.698**	**100.00%**	**12,735.04**	**100.00%**	**4,653.54**	**100.00%**

While we measure eligibility based on declared income, we spend a considerable amount of time to understand the formal and informal income sources of customers as well as that of their family members, savings capacity and repayment track record with their formal and informal borrowings. We have a dedicated credit team at our branches, who are deployed with knowledge of local markets. We visit a customer's residence and place of business, gather detailed information about the customer from the neighbourhood, locality and their customers and suppliers and conduct a cash flow assessment of their income to enable us to make informed decisions. In addition, we physically inspect the collateral provided for our loans. Further, we seek to eliminate keyman risks in our loans by insuring our borrowers. In addition, our loan portfolio has a spouse or parent as a co-borrower to ensure that there are joint holders for loans. As of June 30, 2022, 91.53% of our borrowers or co-borrowers were women, which we believe has led to lower defaults and more prompt repayment.

We have introduced 'Leviosa', a loan origination platform capable of on-boarding and disbursing loans. Leviosa can be accessed remotely, and it automates and manages the complete loan processing outflow of all retail asset products. It has a powerful back-end loan engine which helps in instant decision-making, while accommodating any required flexibility in decision-making parameters. These collectively allow Leviosa to automate credit underwriting, focusing on straight-through processing, enabling the credit team to underwrite applications through rule-based outcomes and workflows based on customer profile. For our credit underwriting, all deviations and approvals in the sanctioning and disbursement process are built into the loan management software that we use, to eliminate human margins of error. Our proprietary credit and risk assessment model filters data for more than 22,605 customers as of June 30, 2022 for their credit behaviour across more than 100 variables. This makes the assessment more accurate and helps us reduce our risk.

Loans against Gold are primarily driven by the product programs for gold, duly approved by the Board, and the branch has limited control over the credit/product parameters. We have a dedicated in-house team of 126 chief valuers, who are distributed across branches for valuation of gold, and who are guided by valuation guidelines approved by us. Each Loan against Gold has to be approved by two employees, as maker and author. Strong security policies such as dual control over vault operations for cash and gold movement, CCTV surveillance, among others, have been put in place at our branches, for risk management.

Strong on-ground collections infrastructure leading to maintenance of 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. Our branches are 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.

We also have an in-house collections team, responsible for detecting likely default early, thereby maintaining relatively low Gross NPA ratios. We have a three-tier collections infrastructure, comprising (i) tele-calling, (ii) field collection, and (iii) legal recovery, in order to optimize collections and minimize NPAs. We also track collections in real time through our mobile application. We believe our collection structure is comparable to larger NBFCs and banks, where there is an experienced regional supervisor reporting into an independent collection vertical dedicated to ensuring collection efficiencies. Additionally, we deploy collection agencies to assist our in-house collections team, and as of June 30, 2022, we have engaged nine such agencies which are dedicated to our Secured MSME Loan portfolio.

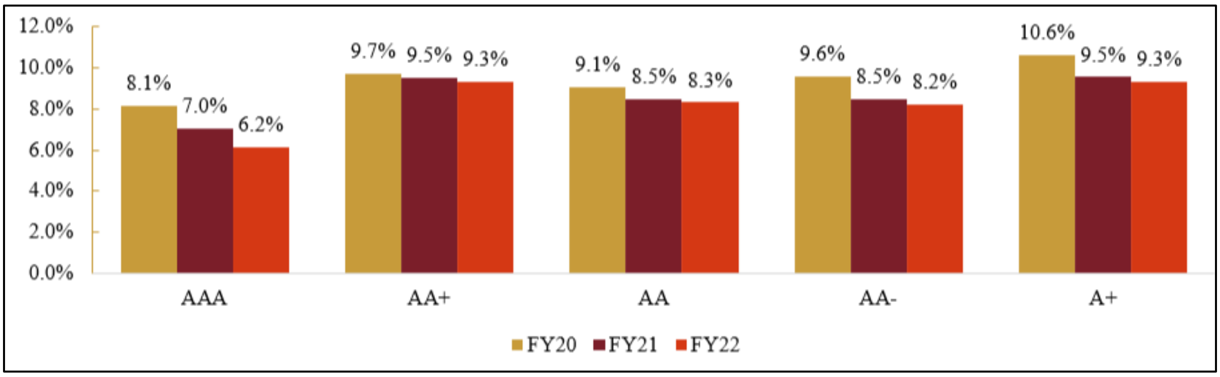
We vary our collections strategy based on the different stages of a loan, and have a strong monitoring mechanism that ensures involvement and intervention from various individuals across our business, all of which also ensures a robust asset quality. Our collections process is also technology-driven. Our collection representatives are able to access customer data on the phone and issue receipts digitally through their mobile application. As of June 30, 2022, approximately 87.78% of our Secured MSME Loan collections and 90.29% of our unsecured loan collections, were non-cash based EMI collections, thus reducing our cash management risk, and enabling customers to receive real-time payment receipts through SMS.

Further, our collection services are aided by a mobile application 'Delta' and a web application 'Omega', which are collections applications providing a priority list of overdue customers to the collection team in real-time. For the initial stages of delinquency, we focus on soft collections and send customers SMS reminders of their upcoming loan repayments and initiate recovery action immediately after a customer fails to make their monthly payment. Additionally, we engage call centres' autodial capacity to ensure better collections. For higher stages of delinquency, our collections efforts include frequent follow up for collections, including reminder messages and calls from the branch. For customers categorised as NPA accounts, if our recovery team is unable to recover payments, we typically initiate legal action, including in respect of dishonoured non-cash instruments. For this purpose, we have an in-house legal team which supports and amplifies collections efforts to ensure that credit costs are minimized. For Fiscal 2020, 2021 and 2022 and the three months ended June 30, 2022, our Gross NPA ratio was 2.28%, 3.16%, 2.74% and 2.68%, respectively, and our Net NPA ratio was 1.58%, 1.95%, 1.63% and 1.57%, respectively.

We leverage our collections infrastructure to assist collections on behalf of third parties. This demonstrates the strength and reliability of our collections infrastructure, while allowing us to gain insights into borrower trends that sharpen our own loan origination.

Strong liability franchise with low cost of funds

Our ability to access diversified sources of funding is a key contributor to our growth. We intend to continue to diversify our funding sources, identify new sources and pools of capital and implement robust ALM policies with the aim of further optimizing our borrowing costs and help expand our net interest margin. We have secured financing from diversified sources of capital, including term loans, proceeds from loans securitized, proceeds from the issuance of NCDs from banks, financial institutions and mutual funds to meet our capital requirements. The following table sets forth the average cost of borrowings trend by ratings category among NBFCs:



Source: CRISIL Report

We believe we have the ability to access borrowings at a competitive cost due to our stable credit history, credit ratings, conservative risk management policies and strong brand equity. Our average cost of borrowing was 12.39%, 8.11%, 7.65% and 2.06% for Fiscal 2020, 2021 and 2022, and for the three months ended June 30, 2022, respectively and our Incremental Cost of Borrowings (which represents weighted average rate of interest on fresh borrowings in the relevant period) was 8.43% for the three months ended June 30, 2022. As a result, we have one of the lowest cost of borrowing among our NBFC peer set in India in Fiscal 2022. (*Source: CRISIL Report*)

As of June 30, 2022, our outstanding borrowings included ₹ 26,475.02 million from public and private sector banks and ₹ 862.51 million from NBFCs and other financial institutions. As of June 30, 2022, our total borrowings aggregated to ₹ 28,232.88 million, comprising primarily of term loans of ₹ 27,337.53 million, non-convertible debentures of ₹ 430.00 million and other collateralized borrowings of ₹ 465.35 million.

We have received a credit rating upgrade of [ICRA] A+ (Stable) in October 2022 from [ICRA] A (Positive) in October 2021. Our ratings indicate resilient liability origination despite challenges faced by the Indian economy for varied factors.

In addition, we have entered into a co-origination agreement with ICICI Bank Limited in 2019, through which the bank co-originates loans against property with our Company at a mutually agreed ratio. This enables us to extend priority sector loans jointly with the leading bank, creating a seamless flow of funds.

Consistent financial performance backed by profitable growth

In a limited period, we have demonstrated a history of robust financial performance. As of June 30, 2022, our average yield on Gross Loan Book was 15.49%, with Secured MSME Loans and Loans against Gold accounting for 15.05% and 16.48%, respectively. We have witnessed rapid growth since the commencement of our operations in 2017. For instance, our Loan against Gold portfolio has grown from 25,862 customers as of March 31, 2020 to 42,931 customers, as of March 31, 2022 at a CAGR of 28.84%. Our AUM has grown from ₹ 16,482.07 million as of March 31, 2020, to ₹ 31,921.81 million as of March 31, 2022 and was ₹ 36,282.62 million as of June 30, 2022, at a CAGR of 39.17% between Fiscal 2020 and Fiscal 2022. We have witnessed consistent improvement in our balance sheet position in the last three Fiscals.

Our Secured MSME Loans have progressively increased from comprising 65.48% of our AUM as of March 31, 2020 to 74.28% as of AUM as of June 30, 2022, reflecting our increased focus on this segment. The table below sets forth the contribution of each of our product categories in terms of AUM and as a percentage of total AUM and yield for each of the corresponding periods:

	As of March 31,						**AUM CAGR (Fiscal 2020 – Fiscal 2022) (%)**	**As of June 30, 2022**	
	2020		**2021**		**2022**				
	AUM (₹ million)	**Percentage of Total AUM (%)**	**AUM (₹ million)**	**Percentage of Total AUM (%)**	**AUM (₹ million)**	**Percentage of Total AUM (%)**		**AUM (₹ million)**	**Percentage of Total AUM (%)**
Secured MSME Loans	10,792.30	65.48%	14,422.75	64.93%	23,262.70	72.87%	46.82%	26,950.50	74.28%
Loans against Gold	3,665.24	22.24%	5,600.50	25.21%	6,395.64	20.04%	32.10%	7,112.18	19.60%
Others *	2,024.53	12.28%	2,189.98	9.86%	2,263.47	7.09%	5,74%	2,219.94	6.12%
Total	**16,482.07**	**100.00%**	**22,213.23**	**100.00%**	**31,921.81**	**100.00%**	**39.17%**	**36,282.62**	**100.00%**

**Others include unsecured loans.*

Our Return on Tangible Equity was 5.17%, 10.02%, 6.55% and 2.74% in Fiscal 2020, 2021, 2022 and in the three months ended June 30, 2022. Further, our Return on Total Tangible Assets was 1.30%, 2.15%, 1.57% and 0.74% in Fiscal 2020, 2021, 2022 and in the three months ended June 30, 2022. For further information, see "*Selected Statistical Information*" on page 259.

We have reduced our concentration risk across industries and sectors, as demonstrated by the fact that no single industry contributes more than 10% of our loan portfolio, as of June 30, 2022. Our secured portfolio has increased from 87.72% of our AUM in Fiscal 2020 to 93.88% as of June 30, 2022. Our quality loan portfolio also enables us to effectively assign or securitize a significant portion of it from time to time, thereby reducing operational risks.

Our Loan against Gold portfolio optimizes overall yield profile and provides additional growth levers. This portfolio also acts as an active hedge against the cyclicality in the Indian retail lending industry that may arise due to economic or other factors. Over the years, gold prices have shown a consistent increase, and have, in most part, increased at a pace higher than the annual rate of inflation. (*Source: CRISIL Report*) Gold loans are typically small ticket, short duration, convenient and instant credit, and gold loans are a highly secured and liquid asset class that tends to generate superior returns with minimal credit losses over market cycles. (*Source: CRISIL Report*) The hedge against inflation provided by gold has attracted consumers to gold over the years and from a financier perspective, the yield on gold loans, minimal risk of credit losses due to security provided in the form of the gold being pledged and the additional cushion due to the loan-to-value (average of 65% for NBFCs) makes gold loans a profitable product. (*Source: CRISIL Report*)

We also provide loan management services to third party financial institutions as a master service provider and act as a backup servicer to a leading global bank, where such institutions benefit from our experienced portfolio management, collection and related services.

Experienced, cycle-tested and professional management team with strong corporate governance backed by marquee investors

We have a strong, experienced and dedicated management team, including KMPs with significant industry experience and who have demonstrated their ability to deliver growth and profitability, across business cycles. Our Key Managerial Personnel includes a combination of management executives and independent members who bring in significant business experience, which positions us well to capitalize on future growth opportunities. Each of them have extensive experience in the banking or related industry such as finance, commercial operations, strategy, audit, business development, human resources, compliance and public relations.

Our CEO, Aseem Dhru, has more than 25 years of experience, and was previously Group Head - Business Banking, Working Capital and Retail Agri business at HDFC Bank. He has also been the Managing Director and CEO of HDFC Securities Limited and was a director on the board of HDB Financial Services Limited. Our Chief Financial Officer, Narayan Barasia, has experience in financial management, accounts, tax, treasury, secretarial and legal matters. He has worked at Godrej Foods Limited, Godrej Sara Lee Limited, and subsequently worked with Olam Agro India Limited. Prior to joining the Company, he was working with Greaves Cotton Limited, where he was the President – Auxiliary Power Business & Industrial Engineering Business. Mahesh Dayani, our Chief Business Officer, has worked at ICICI Bank Limited and HDFC Bank. Prior to joining our Company, he was working with Kotak Mahindra Bank, where he was the Senior Executive Vice President. Pankaj Poddar, our Chief Risk Officer, started his career with Kotak Mahindra Bank, and subsequently worked with Standard Chartered Bank. Prior to joining the Company, he was working with Bajaj Finance Limited, where he was the Chief Risk Officer-SME. Our senior management is committed to implementing high standards of corporate governance with a focus on the investors’ best interests and the maximisation of shareholder value and we have established policies and procedures to support transparency, strong business ethics and a well-established compliance framework.

The industry experience of heads of functional groups, such as operations, risk, finance, audit and collections, enhance the quality of our management. We have zonal heads for business, credit and collections, with regional experience that allows them to grow our operations in their respective areas, and ensure business efficiency. Each of our zonal heads has more than ten years of relevant experience with proven record of scaling businesses.

We are backed by marquee institutional investors such as the Clermont Group, Arpwood Group, and Malabar Group, who provide their expertise to our operations, including through their representatives on our Board. Our investors offer us strategic guidance and have enabled us to develop our multi-state, multi-city operations across India. In addition to providing us with capital, our institutional shareholders have assisted us in our growth through strategic guidance based on their previous experience and insight into the financial services sector in India.

Business Strategies

Leverage our pan-India network to deepen our penetration in our target customer segment

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. Owing to our geographical diversification at present, we intend to undertake geographical expansion by penetrating further in states in which we are already present. We intend to do this by leveraging our brand presence in the areas in which we operate to expand into adjacent districts. 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 witness higher AUM at branches with higher vintage, and intend to set up new branches gradually as the branches we have added in Fiscal

2021 increasingly mature. For further, information, see "*Selected Statistical Information – Productivity Ratios – Secured MSME Loans*" and "*Selected Statistical Information – Productivity Ratios – Loan Against Gold*" on page 266 and 269, respectively.

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 average district level penetration of 26.46% in the states in which we operate, calculated on the basis of location of our branches. 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, through increased penetration at the district level.

Expand our product portfolio through offering affordable housing finance to our target customer segment, utilising our existing network

We intend to commence our housing finance business through the incorporation of a subsidiary, through which we intend to focus on providing financing for affordable housing loans to individual borrowers from the EWS, LIG, and middle income segments, with a focus on tier II and tier III cities and towns, which we believe benefit from higher transparency in the sector, increasing affordability and urbanisation, and government schemes such as Housing for All. The increasing demand for housing is likely to push up the NBFC housing credit market, especially affordable housing finance companies. (*Source: CRISIL Report*)

We believe the provision of housing loans through a registered housing finance entity provides certain competitive advantages, including increased leverage due to lower capital adequacy norms applicable to such entity, and lower risk-weightage applicable to housing finance loans.

Diversify our source of borrowings and improve operating leverage

Our average cost of borrowings was 12.39%, 8.11%, 7.65% and 2.06% in Fiscal 2020, 2021, 2022 and in the three months ended June 30, 2022, respectively. Our low cost of funds is due to several factors, primarily our stable credit history, credit ratings, conservative risk management policies and strong brand equity. A lower average cost of borrowing enables us to competitively price our loan products and helps us grow our business and operations.

We have also diversified our funding sources by using term loans, proceeds from loans securitized, proceeds from the issuance of NCDs from banks, financial institutions and mutual funds 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 strengthen asset liability management policies further, with the aim of further optimizing our borrowing costs. Further, we intend to expand and diversify our lender base. We are focused on 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 over time. We will continue to review and identify means to improve our cost to income ratio and improve our overall net interest margin from current levels, which stands at 9.40% as of June 30, 2022. As a result of these various initiatives we seek to improve our credit ratings for new fund raising, reduce the cost of our borrowing and hence deliver strong return ratios.

Utilize technology to drive operational efficiency

We have made strategic investments in our information technology systems and implemented automated, digitized technology-enabled platforms and tools, to strengthen our offerings and derive greater operational, cost and management efficiencies.

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. We intend to strategically invest our resources for leveraging technology for efficient operations as we scale up to ensure increased effectiveness of our operations. We intend to reduce our operating costs and increase efficiency in our business operations to improve the overall customer experience through increasing use of technology. We intend to continue strengthening and increasing the user-friendliness of our existing technology infrastructure.

BUSINESS OPERATIONS

We are an NBFC-ND-SI, headquartered in Mumbai, India, offering Secured MSME Loans and Loans against Gold, and received our registration from the Reserve Bank of India on September 24, 2008. Our AUM has grown from ₹ 16,482.07 million as of March 31, 2020 to ₹ 31,921.81 million as of March 31, 2022, at a CAGR of 39.17%, and was ₹ 36,282.62 million as of June 30, 2022. Our restated profit after tax for Fiscal 2020, 2021, 2022 and the three months ended June 30, 2022 was ₹ 354.95 million, ₹ 850.10 million, ₹ 645.21 million and ₹ 320.66 million, respectively, and our Tangible Net Worth as of March 31, 2020, March 31, 2021, March 31, 2022 and as of June 30, 2022 was ₹ 7,520.85 million, ₹ 9,447.16 million, ₹ 10,267.75 million and ₹ 13,114.84 million, respectively. We focus on disbursing loans which have an ATS in the range of ₹ 0.50 million to ₹ 3.00 million and as of June 30, 2022, 84.73% of our AUM had an ATS within this range. 4.40% of our AUM comprised loans below ₹ 0.50 million and 10.88% comprised loans above ₹ 3.00 million.

We have a diversified pan-India presence, with an extensive network in our target customer segment. As of June 30, 2022, we have an expansive footprint in 104 cities, spanning 16 Indian states and two union territories, with 135 branches. All of our leads for customers are sourced in-house without any use of direct selling agents to source leads for us. 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.

We have entered into a co-origination agreement with ICICI Bank Limited in 2019, whereby we carry on the loan on-boarding process as per approved procedures under the guidelines for co-origination prescribed by RBI. This includes ensuring loan approval, documentation and verification checks as per agreed product program under the co-origination arrangement. In each loan, while our own sales and credit team is involved, co-origination cases are also filtered and approved through ICICI Bank Limited's expansive database and experienced team. In the three months ended June 30, 2022, our Secured MSME Loan disbursement sourced through this co-origination agreement amounted to 16.58% of our total Secured MSME Loan disbursement. For further information, see "*Selected Statistical Information - Secured MSME Loans – Upto ₹ 3.00 Million*" on page 269. Accordingly, for co-origination loans, both operations team members vet customer files and property papers for accuracy, which enables us to learn from the partners' processes and strengthen our own process controls.

The following chart shows a breakdown of our AUM by states in India, including as a percentage of our total AUM, for each of the corresponding periods:

State	As of March 31, 2020		As of March 31, 2021		As of March 31, 2022		As of June 30, 2022	
	(₹ in millions, except percentages)							
Chandigarh	232.28	1.41%	228.36	1.03%	191.70	0.60%	182.58	0.50%
Delhi	1,398.74	8.49%	1,537.56	6.92%	1,415.22	4.43%	1,352.35	3.73%
Haryana	621.30	3.77%	948.77	4.27%	1,680.58	5.27%	1,988.48	5.48%
Punjab	602.15	3.65%	626.09	2.82%	679.81	2.13%	658.26	1.81%
Rajasthan	409.94	2.49%	579.35	2.61%	877.19	2.75%	969.59	2.67%
Uttar Pradesh	1,114.39	6.76%	2,004.33	9.02%	4,695.13	14.71%	5,598.09	15.43%
Uttarakhand	228.88	1.39%	561.54	2.53%	763.65	2.39%	794.77	2.19%
Andhra Pradesh	1,558.70	9.46%	1,883.56	8.48%	2,069.50	6.48%	2,173.30	5.99%
Karnataka	2,687.15	16.30%	3,659.34	16.47%	5,350.25	16.76%	6,159.71	16.98%
Puducherry	66.55	0.40%	61.06	0.27%	64.89	0.20%	76.62	0.21%
Tamil Nadu	867.74	5.26%	972.11	4.38%	1,090.25	3.42%	1,224.75	3.38%
Telangana	1,395.55	8.47%	2,056.47	9.26%	3,419.27	10.71%	4,050.17	11.16%
Gujarat	1,422.10	8.63%	1,405.26	6.33%	1,379.47	4.32%	1,465.55	4.04%
Madhya Pradesh	992.38	6.02%	1,467.24	6.60%	2,416.23	7.57%	2,731.26	7.53%
Maharashtra	2,145.19	13.01%	2,870.91	12.92%	3,614.35	11.32%	4,074.79	11.23%
Assam	577.83	3.51%	991.94	4.47%	1,452.67	4.55%	1,722.15	4.75%
Bihar	-	0.00%	7.87	0.03%	438.35	1.37%	688.22	1.90%
West Bengal	150.10	0.91%	347.98	1.57%	321.02	1.01%	369.67	1.02%
Total*	**16,482.07**	**100.00%**	**22,213.23**	**100.00%**	**31,921.81**	**100.00%**	**36,282.62**	**100.00%**

** The total AUM includes discontinued business AUM of ₹ 11.10 million, ₹ 3.49 million, ₹ 2.28 million and ₹ 2.31 million, comprising 0.07%, 0.02%, 0.01% and 0.01% of total AUM as of March 31, 2020, March 31, 2021, March 31, 2022 and June 30, 2022, respectively.*

Secured MSME Loans

Under our Secured MSME Loans portfolio, we offer a wide range of financial solutions that help entrepreneurs and MSMEs meet their growing credit needs. The average ticket size of our Secured MSME Loans is ₹ 0.97 million, with average contractual tenure of 11.75 years, as of June 30, 2022. Through our technology stack, we have APIs working in the backend from loan processing till disbursement which includes account verification, domain check, EPFO, IMPS, etc. This improves both cost efficiency and turnaround time for application processing, allowing us to make faster credit decisions for our customers. Collections for our Secured MSME Loans occur on an installment basis. For processing payments, our collection representatives are able to access customer data on the phone and issue receipts digitally real time through their mobile application. As of June 30, 2022, approximately 87.78% of our collections from Secured MSME Loans were non-cash based EMI collections, thus reducing our cash management risk, and enabling customers to receive real-time payment receipts, through SMS. Further, our collection services are aided by a mobile application 'Delta' and a web application 'Omega', which helps in updating the collections on real-time basis.

As of June 30, 2022, we service over 22,605 borrowers in our Secured MSME Loans portfolio. As of March 31, 2020, March 31, 2021, March 31, 2022 and June 30, 2022, our disbursements of Secured MSME Loans were ₹ 4,455.01 million, ₹ 5,955.21 million, ₹ 13,328.28 million and ₹ 4,955.64 million, respectively. For the same periods, our disbursement yield on Secured MSME Loans was 14.50%, 14.61%, 15.59% and 16.04%, respectively. Our Gross NPA ratios for the same periods was 2.93%, 3.41%, 2.86% and 2.71%, respectively.

Loans against Gold

Under our Loan against Gold portfolio, borrowers can capitalise on their gold possessions by pledging these to us in lieu of a loan. Up to 75% of the gold item's value can be sanctioned as a loan. Since our Loans against Gold are all collateralized by gold jewellery, there are minimal documentary and credit assessment requirements, which also shorten our turnaround time and increases the ease with which our customers can do business with us. We have set up a dedicated 'Gold Genie' sales application, enabling gold loan disbursal at a customer's home. We strive to complete our gold loan transactions within a short time frame. We believe that we are able to process Loans against Gold within a short time frame as a result of our efficient technology support, skilled workforce and clear policies on internal processes. Although the duration for disbursement may vary due to the loan size and the number of items pledged, we have the ability to disburse loans within a few minutes from the time gold is tendered to the appraiser. As of June 30, 2022, the average ticket size of our Loans against Gold is ₹ 0.10 million as of June 30, 2022, with tenures of up to six months. Collections for our Loans against Gold occur on a monthly interest payment basis.

We operate our secured Loans against Gold portfolio in 16 states and two union territories across India as of June 30, 2022. We service 46,821 borrowers in our Loans against Gold portfolio as of June 30, 2022. As of March 31, 2020, March 31, 2021, March 31, 2022 and June 30, 2022, our AUM of Loans against Gold were ₹ 3,665.24 million, ₹ 5,600.50 million, ₹ 6,395.64 million and ₹ 7,112.18 million, respectively. Our Gross NPA ratios for Loans against Gold portfolio for the same periods was 1.38%, 1.50%, 1.71% and 1.80%, respectively.

Other loans

Other unsecured loans comprise (i) personal loans, (ii) business and professional loans. The personal loans are provided to salaried individuals intended to support requirements such as financing weddings, dependant's education, home renovation or purchase. The average ticket sizes for our personal loans was ₹ 0.63 million, and with an average contractual tenure of 4.67 years, as of June 30, 2022. Business loans are provided to small business entrepreneurs for working capital and other requirements for running the business. Our professional loans are directed towards eligible professionals such as doctors and chartered accountants who aim to set up or expand offices, and fulfil similar professional requirements. Collections for our other unsecured loans occur on installment basis.

As of March 31, 2020, March 31, 2021, March 31, 2022 and June 30, 2022, our AUM of other loans were ₹ 2,024.53 million, ₹ 2,189.98 million, ₹ 2,263.47 million and ₹ 2,219.94 million, respectively. We have discontinued disbursal of other unsecured loans from September 2022.

Target Customer Segment

We are a lender that provides loans to borrowers being entrepreneurs, small business owners, self-employed individuals, salaried and working class individuals. Most small businesses in India do not maintain documents such as income proof, business registration, GST registration, income tax filings, and bank statements (*Source: CRISIL Report*), which makes access to credit challenging. We primarily serve customers in small towns and cities, thereby fostering entrepreneurship in these regions, focusing on customers who have a strong credit history. We focus on customers who have better income profiles, providing us with a stable growth trajectory. Our pan-India distribution network allows us to identify small businesses with identifiable cash flows. In all of our loans, a spouse or parent acts as a co-borrower to ensure that there are joint holders for loans.

Our customer centric business model 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 capital requirements.

We have focused on this customer segment and believe that such industry experience 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 the COVID-19 pandemic. While the impact of COVID-19 was felt through the industry, we were able to restrict its impact in Fiscal 2021 over the previous Fiscal, post which we have been able to reduce our Gross NPA ratio to 2.68% in the three months ended June 30, 2022.

We have developed our scorecard-based 'customer segmentation' approach for customer selection for ticket sizes up to ₹ 3.00 million, in order to ensure credit performance. This segmentation classifies customers into five categories based on risk behavior, where the top segments identify good credit behavior. Our endeavor is to grow our loan portfolio in the top segments.

Branch Network

We have an extensive network of 135 branches, as of June 30, 2022, spread across 16 states and two union territories, and approximately 122 districts across India, with Karnataka, Uttar Pradesh, Maharashtra and Telangana being our key states.

The following table sets forth certain details of our branch network on a state/territory basis, as of June 30, 2022:

State	Districts	Branches	Percentage of total branches	AUM (₹ million)	Percentage of total AUM
Andhra Pradesh	13	10	7.41%	2173.3	5.99%
Assam	27	9	6.67%	1722.15	4.75%
Bihar	37	4	2.96%	688.22	1.90%
Chandigarh	1	1	0.74%	182.58	0.50%
Delhi	9	4	2.96%	1352.35	3.73%
Gujarat	33	8	5.93%	1465.55	4.04%
Haryana	21	6	4.44%	1988.48	5.48%
Karnataka	29	16	11.85%	6159.71	16.98%
Maharashtra	35	17	12.59%	4074.79	11.23%
Madhya Pradesh	51	12	8.89%	2731.26	7.53%
Punjab	22	2	1.48%	658.26	1.81%
Puducherry	3	1	0.74%	76.62	0.21%
Rajasthan	32	7	5.19%	969.59	2.67%
Tamil Nadu	32	4	2.96%	1224.75	3.38%
Telangana	10	11	8.15%	4050.17	11.16%
Uttarakhand	13	2	1.48%	794.77	2.19%
Uttar Pradesh	74	16	11.85%	5598.09	15.43%
West Bengal	19	5	3.71%	369.67	1.02%
Total*	**461**	**135**	**100.00%**	**36,282.62**	**100.00%**

* *The total AUM includes discontinued business AUM of ₹ 2.31 million and 0.01% of AUM as of June 30, 2022.*

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 neighbouring 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 behaviour, (iv) understanding staff behaviours and culture, among other metrics. 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, 62.22% of our branches have been opened for longer than 36 months, 33.33% of our branches have been opened for between 12 and 36 months and 4.44% our branches have been opened for less than 12 months.

Loan-to-Value (LTV) Ratio, EMI

The NBFC-ND-SI Directions issued by the RBI prescribe the maximum permissible parameters of the loan amount that can be provided to Loan against Gold customers. These are aimed at providing greater operational flexibility to lending institutions and improving the credit flow to unserved and underserved sector of the economy and make funds available at affordable cost, considering lower cost of funds from banks and greater reach of NBFCs. Under applicable regulations, NBFCs are required to maintain LTV ratio not exceeding 75% for loans granted against the collateral of gold jewellery, provided that for the purposes of determining the maximum permissible loan amount, the value of gold jewellery shall be the intrinsic value of the gold content therein with no additional cost elements. Our LTV for each of our gold loans is within the relevant range prescribed by the RBI. Our Loans against Gold have an average LTV ratio of 69.43% as of June 30, 2022. Our secure MSME loans have an average LTV ratio of 43.21% as of June 30, 2022.

While approving a loan application, we review, among others, the customer’s repayment capacity. This is determined by factors such as the customer’s age, educational qualification, family details, the customer’s business and salary profile and the security being provided by the customer. The amount and LTV of the 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 instalments (“**EMIs**”) over an agreed period. The size of the EMI depends on the size of loan, interest rate and tenure of loan.

Interest Rates, Fees and Collateral

A majority of our loan portfolio is at variable rates of interest, linked to the Prime Lending Rate and the pricing of such fixed interest rate loan is generally determined on the basis of market conditions. Of our Secured MSME Loans extended as on June 30, 2022, 96.34% in terms of Gross Loan Book was based on a floating rate of interest and 3.66% in terms of Gross Loan Book was based on a fixed rate of interest. Floating interest rate loans protect us from increase in interest rate by our lenders, since interest rate increases can be passed on to our borrowers. In addition to the normal rate of interest, our Company may also levy certain charges such as processing fees, cheque bouncing charges and pre-payment charges. The details of all charges are mentioned in the loan agreement or other documents executed between us and the customer. These fees are subject to change from time to time based on market conditions and regulatory requirements.

For Secured MSME Loans, we create security through equitable mortgages or registered mortgages in property, based on the customer segment and applicable state laws. For our Loans against Gold, the underlying collateral is gold jewellery and the security is created by way of a pledge. The underlying collateral is physically held at our branches with heightened security features.

Credit Approval and Disbursement

Our Company has clearly defined credit approval authority, which is based on the experience and expertise of individual credit approvers. The credit authority delegation is based on a duly approved, defined framework, based on value of loan and types of deviation. Our Company’s risk management committee has developed risk management policies, addressing credit risk, market risk, liquidity risks and operational risks. Leveraging our significant operational experience, and we have set up stringent credit quality checks and customised operating procedures that exist at each stage for comprehensive risk management. The Risk Management Committee has laid down a credit policy detailing the policy norms, process and procedure to be adopted for credit appraisal and approval, exposure limits for single/ group borrower, sectors, among others, subject to RBI guidelines issued from time to time, under which each new customer is analysed for creditworthiness before the loan is sanctioned.

We have monitoring structures in place, including CIBIL monitoring, which sets off triggers based on CIBIL defaults; business set-up triggers, which identifies triggers for fraudulent activities by businesses; policy triggers, which capture policy deviation; collateral triggers, which identify potential stress based on past valuations and locations, LTV, demographic triggers, based on age, salary and company profile. Other than these, we undertake regular random checks to confirm adherence to policy through the life cycles of our loans.

Secured MSME Loans

Our credit risk assessment framework for Secured MSME Loans, has three prongs:

- Ability to pay

In order to determine eligibility, we mandate submission of income tax returns. We review other financial statements of the potential borrower to identify their sources of income, income history and conduct a thorough income profile assessment. We have a dedicated credit team at our branches, who are deployed with knowledge of local markets. We spend a considerable amount of time to understand the formal and informal income sources of customers as well as that of their family members, and their savings capacity. We visit a customer's residence and place of business, gather detailed information about the customer from the neighbourhood, locality and their customers and suppliers and conduct a cash flow assessment of their income to enable us to make informed decisions.

- Willingness to pay

We analyse the repayment track record of potential borrowers along with their formal and informal borrowings. We focus on the profile of the borrower, and as of June 30, 2022, 80.43% of our Secured MSME Loan customers have a CIBIL score above 700 at the time of origination. We conduct referral checks and review their bank account statement to identify and assess any gaps in their complete income and expenditure, to understand their likely repayment habits.

- Collateral

We conduct legal and title searches on the property being provided as security for our loans, and duly review the title documents provided by borrowers. We also conduct independent valuations on such property, to arrive at the market value, based on which the quantum of the loan is determined. In addition, we physically inspect the collateral provided for our loans.

We are aided in this evaluation process by our technology solutions. Our centralized real-time lending system, Leviosa, is a multi-product digital platform, which leads to faster product launches and turn-around time. It enables, among other things, real time integration through open API architecture that facilitate seamless customer information validation. We are able to capture significant amounts of data points through credit bureau data, API stack enabling independent validation from source, customer financials, observations from our front end team, and feedback from our credit underwriting and management teams. It runs background checks in terms of instant CIBIL, GST and income tax verification, income calculation, identity checks, enabling quick credit approval and immediate disbursement.

Loan against Gold

Loans against Gold are primarily driven by the product programs for gold, duly approved by the Board, and the branch has limited control over the credit/product parameters. We have a dedicated in-house team of 126 chief valuers, who are distributed across branches for valuation of gold, and who are guided by valuation guidelines approved by us. Each Loan against Gold has to be approved by two employees, as maker and author. The amount funded against the gold jewellery is based on a fixed rate per gram for the gold content in the jewellery only, and we do not take into account the gold jewellery's total weight, production cost, style, brand or gemstone value. We value the jewellery's gold content based on appraised karat grading guided by our centralized policies and guidelines. The price per gram of gold is fixed daily based on multiple factors such as the last 30 days average closing gold rates. The actual loan amount varies based on the type of gold jewellery pledged. Thus, we believe our gold loans are well collateralized, given that the actual value of the collateral in all cases will be expected to realize a higher value than our appraised value.

Appraisal of the gold jewellery that serves as collateral is the most critical part of the loan approval process. Our valuers are trained and have experience in appraising the gold karat grading and gold content of the jewellery. The appraisal process begins with weighing the jewellery using calibrated weighing machines, before subjecting it to prescribed valuation tests for the quality and karat grading of gold, including stone tests and acid tests. This is followed by additional tests, if required, such as salt tests, sound tests, weight tests, pointed scratching tests and destructive tests. Once the gold jewellery passes these tests, its relevant details, including its gross weight, net weight, various deductions, karat grading, and its photographs are captured in the loan management system. Based on the information entered, the system displays the eligible loan amount considering the rates per gram of gold for the day. Although disbursement times vary depending on the loan ticket size and the number of jewellery items pledged, the time to sanction is short. For details on the LTV of our collaterals, see "*Selected Statistical Information – Product Wise average LTV on AUM Origination Basis"* on page 274.

At the branch level, we have also digitized the entire process from application to sanction and disbursal, through the *Gold Genie* application. Customers can apply for gold loan via social media or our website, receiving an immediate call-back after demonstrating interest in availing of the loan. The customer can input all KYC details, reducing turnaround time, check progress of disbursal, and capture images of the jewelry on the application itself. The pledge document is sent to the registered mobile number via WhatsApp after disbursal, and the money is credited into the customer's account through IMPS, while the jewelry packet verification takes place either at the customer's residence or at our branch. The Gold Genie application fetches and stores almost 600 data elements/documents/images for a single transaction.

Collections, Asset Quality and Monitoring

Once disbursed, all loans are booked under the Loan Management System ("**LMS**") and loan management and support services post disbursement are done through LMS, which includes statement of account, repayment schedule, among others. LMS has inbuilt checks and security controls which are defined and managed by our in-house technology team.

We have set up a dedicated in-house Business Intelligence ("**BI**") and analytics unit to drive data and information flow in a timely manner at all levels. We have created a repository of data points at each stage of the customer journey before and after onboarding. This information is analyzed on a continuous basis through AI-based statistical models to show behavioral trends and drive future decisions and outcomes. Based on this data analysis, monthly portfolio trends and insights are published for review and further action. This helps in early stress identification based on which relevant portfolio and collection actions are taken.

Based on past data repository and continuous data mining, we have been able to develop our own "customer segment" model to create better credit filters and to acquire quality loan profiles. We also use models to monitor acquisition and portfolio trends in real time, based on predefined triggers. This helps us in taking timely corrective action to drive desired business and credit outcomes.

We have now adopted procedures such as daily DPD stamping and upgradation of loans to 'standard' classification only when the fully overdue amount is received. We also have an in-house collections team, responsible for detecting likely default early, thereby maintaining relatively low Gross NPA ratios. Additionally, we deploy collection agencies to assist our in-house collections team, and as of June 30, 2022, we have engaged nine such agencies which are dedicated to our Secured MSME Loan portfolio. For further information, see "-*Strong on-ground collections infrastructure leading to maintenance of robust asset quality*" on page 200.

We vary our collections strategy based on the different stages of a loan, and 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. Our collections process is also technology-driven. Our collection representatives are able to access customer data on the phone and issue receipts digitally real time through their mobile application. As of June 30, 2022, approximately 87.78% of our Secured MSME Loan collections and 90.29% of our unsecured loan collections were non-cash based EMI collections, thus reducing our cash management risk, and enabling customers to receive real-time payment receipts, through SMS.

Further, our collection services are aided by a mobile application 'Delta' and a web application 'Omega', which are collections applications providing a priority list of overdue customers to the collection team in real-time. For the initial stages of delinquency, we focus on soft collections and send customers SMS reminders of their upcoming loan repayments and initiate recovery process immediately after a customer defaults in their monthly payment. Additionally, we engage call centres' autodial capacity to ensure better collections. For higher stages of delinquency, our collections efforts include frequent follow up for collections, including reminder messages and calls from the branch. For customers categorised as NPA accounts, if our recovery team is unable to recover payments, we typically initiate legal action, including in respect of dishonoured non-cash instruments. For this purpose, we have an in-house legal team which supports and amplifies collections efforts to ensure that credit costs are reigned in.

Among NBFCs, the Gross NPA ratio for Secured MSME Loans for ticket sizes between ₹ 0.50 million and ₹ 3.00 million was 3.4% in Fiscal 2022. (*Source: CRISIL Report*) As of June 30, 2022, our Gross NPA ratio for secured MSME loans for ticket sizes between ₹ 0.50 million and ₹ 3.00 million was 2.35%, and our overall Gross NPA ratio was 2.68%. Owing to our robust asset quality management, we have been able to grow our AUM at a CAGR of 39.17% between Fiscal 2020 and Fiscal 2022.

Internal Audit

We have an internal audit process which conducts (i) verification of loan files for Secured MSME Loans, (ii) branch audit for gold loans verifying all gold packets, (iii) departmental audits for verification and implementation of effective processes and controls, and (iv) conducts offsite analytical monitoring for identifying and addressing risks and ensuring operational and regulatory compliance. The audit process conducts an evaluation of the adequacy and effectiveness of internal systems on an ongoing basis to ensure that business units adhere to our policies, compliance requirements and internal guidelines.

Treasury Operations and Funding

Our treasury operations are mainly focused on raising funds for meeting our funding requirements and managing short term surpluses. We have secured financing from diversified sources of capital, including term loans, proceeds from loans securitized, proceeds from the issuance of NCDs from banks, financial institutions and mutual funds to meet our capital requirements. As of June 30, 2022, our outstanding borrowings included ₹ 26,475.02 million from public and private sector banks, ₹ 862.51 million from NBFCs and other financial institutions. We are continuously seeking to diversify our sources of funding to facilitate flexibility in meeting our funding requirements.

The following table sets out our sources of capital for the periods indicated:

Particulars	Fiscal 2020		Fiscal 2021		Fiscal 2022		Three months ended June 30, 2022	
	(₹ million)	Percentage of total borrowings *(%)*	(₹ million)	Percentage of total borrowings *(%)*	(₹ million)	Percentage of total borrowings *(%)*	(₹ million)	Percentage of total borrowings *(%)*
Term loans – Secured								
Banks	25,748.91	84.25%	25,179.91	90.82%	27,253.65	92.42%	26,475.02	93.77%
NBFCs and financial institutions	-	-	375.00	1.35%	1,293.48	4.39%	862.51	3.06%
Debt securities – Secured								
Non-convertible debentures	3,250.00	10.63%	1,500.00	5.41%	430.00	1.46%	430.00	1.52%
Others – collateralised borrowing	1,564.86	5.12%	670.61	2.42%	511.05	1.73%	465.35	1.65%
Total	**30,563.77**	**100.00%**	**27,725.52**	**100.00%**	**29,488.18**	**100.00%**	**28,232.88**	**100.00%**

For details on the maturity pattern of our Company's liabilities and assets as at June 30, 2022, see "*Selected Statistical Information – ALM*" on page 271.

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.

The following table sets forth certain details of our CRAR and other key metrics as of the dates indicated:

Particulars	As of			
	March 31, 2020	March 31, 2021	March 31, 2022	June 30, 2022
	(₹ in million, except percentages)			
Total assets (₹ in million)	42,079.85	42,311.90	45,150.34	46,630.32
Tier I Capital	7,021.41	9,087.59	9,864.61	12,711.44
Tier II Capital	175.09	221.71	119.27	138.51
Total Capital	7,196.50	9,309.30	9,983.88	12,849.95
Risk Weighted Assets	32,866.62	35,469.74	38,087.02	40,194.33
Capital Adequacy Ratio (%) (CRAR)	21.89%	26.25%	26.21%	31.97%
CRAR - Tier I Capital (%)	21.36%	25.62%	25.90%	31.63%
CRAR - Tier II Capital (%)	0.53%	0.63%	0.31%	0.34%
Total Borrowings(1) to Tangible Equity(2) ratio(3)	4.06	2.93	2.87	2.15

(1) *Total Borrowings represents the aggregate of debt securities, borrowings (other than debt securities) and collateralised borrowing principal outstanding as of the last day of the relevant period.*
(2) *Total Tangible Equity represents the aggregate of Equity share capital and Other equity balance less goodwill as of the last day of the relevant period.*
(3) *Total Borrowings to Equity ratio represents Total Borrowings as of the last day of the relevant period upon total equity as of the last day of the relevant period.*

Credit Ratings

We have received a credit rating of Ind A/ Stable in Fiscal 2018, and have subsequently been upgraded to Ind A+/ Stable in Fiscal 2022 by India Rating. We have received a credit rating upgrade of [ICRA] A+ (Stable) in October 2022 from [ICRA] A (Positive) in October 2021.

Risk Management Framework

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 sales, credit, collections and operations have been segregated at all levels, to ensure that there is no co-mingling of risks. We have recruited state-level senior leadership of these functions to ensure monitoring of these key risks on a continuous basis. In addition to this, our internal audit function uses data analytics and on-ground fact checking to create an extra level of oversight and control to the key risks of our business. Our risk management framework is primarily driven by our 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, liquidity risk, operational risk, IT risk, reputation risk, cash management risk, collateral risk and legal risk. Our Company does not have any instrument denominated or traded in foreign currency. Hence, such risk does not affect our Company.

We have policies in place to address these risks, which are reviewed annually by senior management and approved by the Board of Directors.

Credit Risk

Credit risk is the risk of financial loss to our Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loan receivables from customers. We believe in segregation of functional responsibilities between credit underwriting/ approval, sourcing/ business, operations and debt management (which includes collection and recovery). Accordingly, credit functions are responsible for credit appraisal and approval and do not have business/profit targets. Business functions are responsible for sourcing/sales and revenue. Operations functions are responsible for disbursement after ensuring documentation and compliance/ fulfilment of terms and conditions of sanctions. The Risk Management Committee has laid down a credit policy detailing the policy norms, process and procedures to be adopted for credit appraisal and approval, including exposure limits, subject to RBI guidelines issued from time to time under which each new customer is analysed for creditworthiness before the loan is sanctioned.

In order to avoid excessive concentrations of risk, our Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio across industry segments, geography and loan sizes. Identified concentrations of credit risks are controlled and managed accordingly.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Interest Risk

Our company offers fixed rates only for short tenure products. Longer tenure products are linked to our Company's prime lending rate which is reviewed and revised based on the trend in cost of funds for the Company to ensure that interest rate risk is passed on to the customers.

Liquidity Risk

Liquidity risk is the risk that our Company will encounter difficulty in meeting the obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. Our Company has an asset-liability management approach approved by the Board and has constituted an Asset Liability Committee to oversee the liquidity risk management function of the company. Our 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 our Company's reputation.

Our Company is monitoring its liquidity risk by estimating the future inflows and outflows during the start of the year and planning funding requirements accordingly.

The composition of our Company's liability mix ensures healthy asset-liability maturity pattern and well diversified resource mix.

Operational Risk

Our Company identifies various operational risks inherent to its business model. These cover risks of a loss resulting from inadequate or failed internal process, people and systems, or from external events. We have a dedicated operations function whose constant endeavour is to have robust process guidelines, controlled through system platforms and monitored through dashboards.

In addition, we may face cyber-security risks such as frauds, errors, hacking and system failures, which may expose us to data breaches, among other potential losses. We have an audit department to effectively identify, measure, report, monitor and control such operational risks. As a part of our risk management process, we have segregated functional responsibility, as we believe this is one of the key control process that needs to be adopted in managing the operational risks inherent in our business. Accordingly, gold valuation and branch operations are placed under the operations vertical headed by the Chief Operations Manager reporting to the CEO and the branch / sales managers are placed under the business vertical. Loan against Gold is primarily driven by the product programs duly approved by the Board and the branch has limited control over the credit / product parameters. The delegation of authority for the approval of Loans against Gold vests in business heads such as branch managers, area business managers, divisional heads, product heads and large ticket loans are approved by the Chief Business Officer, Head Credit or CEO depending on the amount, subject to the borrower level ceiling defined in our product program. Further, every item of gold jewellery pledged is appraised again by an independent valuer attached to the internal audit department. Controls like dual control over vault operations for cash and gold movement, CCTV surveillance, among others, have been put in place at branches.

Our Company has laid down policy and processes for monitoring of delinquent accounts and auctioning of gold for persistent defaulters.

Legal Risk

Our Company has created a separate legal team to manage all legal matters relating to our Company. Further, there is a dedicated unit to drive effective legal process for collections, while external counsel is sought for critical agreements, contracts, among others. We also seek to address regulatory risks, which stem from our requirement to comply with evolving laws and other compliance requirements to which we are subject. We monitor compliance with the requirements of regulatory authorities.

Information Technology

Technology is at the core of our operations and we have adopted a well-defined IT strategy since our inception. Our 'phygital' model leverages technology to identify opportunities, and coupled with our personal relationships with our customers, we are able to deliver products and services to our target customers. 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 use IVR based tele-calling as part of customer engagement to provide better and effective customer experience. We will continue to make investments 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.

Technology adoption has positively impacted our business across the various functions of loan origination, underwriting, collections risk and audit. For instance, we:

- Have introduced 'Leviosa', a loan origination platform capable of on-boarding and disbursing loans. Leviosa can be accessed by teams remotely. It automates and manages the complete loan processing outflow of all retail asset products owing to its powerful back-end loan engine which helps in instant decision-making. It also allows for flexibility in changing decision-making parameters. These collectively allow Leviosa to automate credit underwriting, focusing on straight-through processing, enabling the credit team to underwrite applications through rule-based deviations and workflows based on customer profile;

- Have collection services aided by a mobile application 'Delta' and a web application 'Omega', which are collections applications providing a priority list of overdue customers to the collection team in real-time;

- Continue to use a platform containing data of multiple portfolios in a single system, which allows for data migration from external to internal loan management systems, and enables other lenders to be on-boarded seamlessly; and

- Have set up a dedicated 'Gold Genie' sales application, enabling gold loan disbursal at a customer's home.

Sales and 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 Fiscals 2020, 2021, 2022 and the three months ended June 30, 2022, our business promotion expenses was ₹ 9.92 million, ₹ 16.51 million, ₹ 53.41 million and ₹ 4.87 million, and accounted for 0.22%, 0.33%, 1.01% and 0.30% of our total revenue from operations.

Competition

The financial services market is being served by a range of financial entities, including traditional banking institutions, captive finance affiliates of players in various industries, NBFCs and small finance banks approved by RBI to enhance credit penetration. We attempt to ensure that the interest rates we charge are in line with the market and similar to those charged by our competitors. Majority of small finance banks which received approval for commencement of operations from RBI are focused on the low and middle income individuals and micro, small and medium enterprises.

For example, we compete with players in MSME finance such as Vistaar Finance, Veritas Finance, AU Small Finance Bank and the non-home segment of affordable housing finance companies. (*Source: CRISIL Report*), and Fedbank Financial Services, Manappuram Finance, Muthoot Fincorp and Muthoot Finance in the Loan against Gold segment. (*Source: CRISIL Report*)

Liberalization of the Indian financial services sector could also lead to a greater presence or new entries of Indian and foreign banks, NBFCs, and other entities operating in the financial services sector offering a wider range of products and services. 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.

Human Resources

We believe that our employees are crucial in order for us to maintain our competitive advantage and continued success. In our effort to support the Skill India mission, we initiated SBFC Gurukul. The program is run under the guidelines of National Apprenticeship Promotion Scheme and National Apprentice Training Scheme, where we groom and train fresh undergraduates and graduates in skills which match their aptitude and interest. We finance local businesses and hire local candidates, including candidates from underprivileged backgrounds. We ensure that there is individual discussion with the candidates before we register and enroll them in SBFC Gurukul, which has induction and facilitation program, classroom and on the job training. We assign buddies who are proficient in the subject matters to help us to keep the youngsters motivated, followed by regular review and feedback mechanism. A mandatory one day workshop is run for mentors and coaches assigned with different SBFC Gurukul batches. As of June 30, 2022, 130 candidates are enrolled in different management training courses including those for chief valuer, credit processing officer, branch sales manager, human resources executive, accountant and internal auditor. After the training period, we consider their inclusion as part of our workforce.

We aim to instill integrity, excellence and agility as part of our workplace culture, and conduct orientations, training and performance management programs to outline and reinforce these values. As at June 30, 2022, we had 2,377 full-time employees under our payroll. The following table sets out the number of our full-time employees by function as of June 30, 2022:

Department	No. of Employees
Sales and Marketing	1,594
Operations	97
Credit	423
Finance	16
Human Resources	18
Legal and Compliance	4
Audit and Risk Management	22
Collections	168
Technology	16
Others	19
Total	**2,377**

Intellectual Property

As of June 30, 2022, our Company has registered for three trademarks in India under class 36, in respect of financial services for our logo, SBFC. For further information, see "*Government and Other Approvals*" on page 415. Also see, "*Risk Factors – We may be unable to adequately protect our intellectual property and may be subject to risks of infringement claims*" on page 53.

Corporate Social Responsibility

We undertake our Corporate Social Responsibility ("**CSR**") activities with our CSR committee, and have undertaken a number of CSR projects under our CSR policy. We focus our CSR efforts on primary education, health, critical illness, mental wellbeing and skill development. Our CSR expenses were ₹ 1.39 million, ₹ 1.39 million, ₹ 20.35 million and ₹ 0.17 million in Fiscal 2020, 2021 and 2022 and the three months ended June 30, 2022.

Our CSR policy is in compliance with the requirements of the Companies Act, 2013 and the Companies (Corporate Social Responsibility) Rules, 2014.

Insurance

Our Company has obtained insurance policies to cover our assets against losses from fire, burglary, risks to our property and against third party liabilities, including a public liability policy. Additionally, we maintain a group term insurance policy and a group health insurance policy to cover the medical expenses incurred by our employees during hospitalisation, for any illness or injury suffered. Our Company is also covered for directors' and officers' liability insurance.

Properties

We lease the building where our Registered Office and our Corporate Offices are located. In addition, as on June 30, 2022, we have leased 135 branch properties across India. See "*Risk Factors—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*" on page 50 of this Draft Red Herring Prospectus.

KEY REGULATIONS AND POLICIES

The following is an overview of certain key laws and regulations in India which are applicable to the operations of our Company in India. The information available in this section has been obtained from various legislations, rules and regulations notified thereunder and other regulatory requirements available in the public domain. The description of laws and regulations set out below may not be exhaustive and is only intended to provide general information to the Bidders and are neither designed nor intended to substitute for professional legal advice. The statements below are based on the current provisions of Indian law and the judicial, regulatory and administrative interpretations thereof, which are subject to change or modification by subsequent legislative actions, regulatory, administrative, quasi-judicial, or judicial decisions.

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:

From	**December 1, 2020**	**December 1, 2021**	**December 1, 2022**	**December 1, 2023**	**December 1, 2024**
Minimum Liquidity Coverage Ratio	50%	60%	70%	85%	100%

All non-deposit taking NBFCs with asset size of ₹50 billion and above but less than ₹100 billion are required to also maintain the required level of liquidity coverage ratio in accordance with the time-line given below:

From	**December 1, 2020**	**December 1, 2021**	**December 1, 2022**	**December 1, 2023**	**December 1, 2024**
Minimum Liquidity Coverage Ratio	30%	50%	60%	85%	100%

Asset Classification and Provisioning Norms

All NBFCs are required to adopt the asset classification and provisioning norms as set forth below:

Asset Classification

i. a "standard asset" means the asset in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business; and

ii. a "sub-standard asset" means (a) an asset which has been classified as non-performing asset for a period not exceeding 12 months; (b) an asset where the terms of the agreement regarding interest and/or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms. However, the classification of infrastructure loans as sub-standard assets is subject to the conditions stipulated in the Master Direction.

iii. a "doubtful asset" means (a) a term loan, or (b) a lease asset, or (c) a hire purchase asset, or (d) any other asset, which remains a sub-standard asset for a period exceeding 12 months.

iv. a "loss asset" means (a) an asset which has been identified as loss asset by an Applicable NBFC or its internal or external auditor or by the RBI during the inspection of the Applicable NBFC, to the extent it is not written off by the Applicable NBFC; and (b) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

v. a "non-performing asset" means: (a) an asset for which interest or principal payment has remained overdue for a period of three months or more; (b) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of three months or more or on which interest amount remained overdue for a period of six months or more; (c) a demand or call loan, which remained overdue for a period of three months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more; (d) a bill which remains overdue for a period of three months or more; (e) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans/advances, which facility remained overdue for a period of three months or more; (f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of three months or more; (g) the lease rental and hire purchase instalment, which has become overdue for a period of three months or more; (h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/beneficiary when any of the above credit facilities becomes non-performing asset. Provided that in the case of lease and hire purchase transactions, an Applicable NBFC is required to classify each such account on the basis of its record of recovery.

Provisioning Norms

In addition to provisioning norms under applicable accounting standards, and under the Master Directions, all Applicable NBFCs are required to, after taking into account the time lag between an account becoming non-performing, its recognition as such, the realisation of the security and the erosion over time in the value of security charged, make provision against sub-standard assets, doubtful assets and loss assets as provided hereunder:

S. No.	Provisioning Requirement		
1.	**Loans, advances and other credit facilities including bills purchased and discounted**		
	(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	(a) 100% provision to the extent to which the advance is not covered by the realizable value of the security to which the Applicable NBFC has a valid recourse is to be made. The realizable value is to be estimated on a realistic basis. (b) In addition to (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e., estimated realizable value of the outstanding) is to be made on the following basis –

S. No.		Provisioning Requirement	
		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.	**Lease and hire purchase assets -**		
	(i) Hire purchase Assets	I. In respect of hire purchase assets, the total dues (overdue and future instalments taken together) as reduced by - (a) the finance charges not credited to the profit and loss account and carried forward as unmatured finance charges; and (b) the depreciated value of the underlying asset, is to be provided for. Explanation: (i) the depreciated value of the asset is to be notionally computed as the original cost of the asset to be reduced by depreciation at the rate of 20% per annum on a straight line method; and (ii) in the case of second hand asset, the original cost is to be the actual cost incurred for acquisition of such second hand asset. II. Additional provision for hire purchase and leased assets:	

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

III. On expiry of a period of 12 months after the due date of the last instalment of hire purchase/leased asset, the entire net book value is to be fully provided for

Standard Asset Provisioning

All Applicable NBFCs are required to make provisions for standard assets at 0.40% of the outstanding, which shall not be reckoned for arriving at the net NPAs. The provision towards standard assets shall not be netted from gross advances but are required to be shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet of the Applicable NBFCs.

Balance Sheet Disclosures

(i) Applicable NBFCs are required to separately disclose in their balance sheets the provisions made, as prescribed under the Master Directions, without netting them from income or against the value of assets.

(ii) The provisions are to be distinctly indicated under separate heads of account as:

(a) Provisions for bad and doubtful debts; and

(b) Provisions for depreciation in investments.

(iii) Such provisions shall not be appropriated from the general provisions and loss reserves held, if any, by the Applicable NBFC.

(iv) Such provisions for each year are required to be debited to the profit and loss account. The excess of provisions, if any, held under the heads general provisions and loss reserves are required to be written back without making adjustment against them.

(v) Additionally, Applicable NBFCs are required to disclose: (a) Capital to risk assets ratio; (b) exposure to real estate sector, both direct and indirect; and (iii) maturity pattern of assets and liabilities.

Regulation of Excessive Interest Charged by NBFCs

(i) The board of directors of each Applicable NBFC is required to adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest, the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers are required to be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.

(ii) The rates of interest and the approach for gradation of risks are also required to be made available on the website of the Applicable NBFCs or published in the relevant newspapers. The information published in the website or otherwise published is required to be updated whenever there is a change in the rates of interest.

(iii) The rate of interest must be annualized rate so that the borrower is aware of the exact rates that would be charged to the account.

Although rates of interest charged by NBFCs are not regulated by the RBI, rates of interest beyond a certain level may be seen to be excessive. The board of directors of Applicable NBFCs are required to layout appropriate internal principles and procedures in determining interest rates and processing and other charges.

Accounting Standards

Accounting Standards and guidance notes issued by the Institute of Chartered Accountants of India are required to be followed by NBFCs insofar as they are not inconsistent with any of the provisions of the Master Directions.

Fair Practices Code

All Applicable NBFCs having customer interface are required to adopt a fair practices code in line with the guidelines prescribed under the Master Directions. The Master Directions stipulate that such fair practices code should cover, inter alia, the form and manner of processing of loan applications; loan appraisal and terms and conditions thereof; and disbursement of loans and changes in terms and conditions of loans. The Master Directions also prescribe general conditions to be observed by Applicable NBFCs in respect of loans, and requires the board of directors of Applicable NBFCs to lay down a grievance redressal mechanism. Such fair practices code should shall 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.

Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs ("SBR Framework")

The RBI released the SBR Framework i.e. Framework for Scale Based Regulation for Non-Banking Financial Companies dated October 22, 2021 and put in place a revised regulatory framework for NBFCs. The SBR Framework 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.

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.

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 ("RBIA") System for Select NBFCs and Urban Co-operative Banks (the "RBIA Guidelines")

RBIA for non-deposit taking NBFCs with an asset size of ₹50 billion and above (the "**RBIA Applicable NBFCs**"), was mandated by the RBI through its notification dated February 3, 2021 bearing reference number DoS.CO.PPG./SEC.05/11.01.005/2020-21. Under the RBIA Guidelines, RBIA Applicable NBFCs are required to implement the RBIA framework by March 31, 2022. The RBIA Guidelines, inter alia, are intended to enhance the efficacy of internal audit systems and contribute to the overall improvement of governance, risk management and control processes followed by RBIA Applicable NBFCs. Under the RBIA Guidelines, the board of directors of the RBIA Applicable NBFC must approve a policy clearly documenting the purpose, authority, and responsibility of the internal audit activity, with a clear demarcation of the role and expectations from risk management function and the RBIA function. It's also mandated that the policy be reviewed periodically, and that the internal audit function not be outsourced. Further, the RBIA Guidelines also require that the risk assessment of business and other functions of RBIA Applicable NBFCs should be conducted at least on an annual basis.

Circular dated June 24, 2021 on Declaration of Dividends by NBFCs ("Dividend Circular")

The Dividend Circular specifies, inter alia, certain minimum prudential requirements (relating to its capital adequacy, net NPA and other criteria) for an NBFC to be eligible to declare dividend, the maximum permissible dividend payout ratio, the considerations to be taken into account by the board of directors of an NBFC while considering the proposal to declare dividend (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 April 1, 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/rediscounted 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 April 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, 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 are effective March 31, 2022 onwards.

Pursuant to the notification dated February 15, 2022, RBI has issued further clarifications to the "Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" clarifying the definition of 'out of order'. Additionally, the notification also clarified the upgradation of loan accounts from NPAs to standard assets category upon repayment of entire arrears of interest and principal pertaining to all the credit facilities, in case of borrowers having more than one credit facility from a lending institution.

Further, RBI issued a master circular "Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" dated April 1, 2022, consolidating instructions received through previous circulars and notifications on the concerned matter issued upto March 31, 2022.

The Reserve Bank – Integrated Ombudsman Scheme, 2021 (the "Ombudsman Scheme")

The RBI through its 'Statement on Developmental and Regulatory Policies' dated February 5, 2021, proposed the integration of the Ombudsman Scheme for Non-Banking Financial Companies, 2018 with the Banking Ombudsman Scheme, 2006 and the Ombudsman Scheme for Digital Transactions, 2019 under the 'One Nation One Ombudsman' approach for grievance redressal and has done the same through the Ombudsman Scheme effective from November 12, 2021. This is intended to make the process of redressal 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 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. Further, the RBI through its notification on Appointment of Internal Ombudsman by Non-Banking Financial Companies dated November 15, 2021 has established the office of Internal Ombudsman for NBFCs along with its roles and responsibilities.

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.

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 ("Consolidated 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, pursuant to the Consolidated 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/2020-21/16DOR.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) had 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. Further, through the RBI circular on the same, dated June 4, 2021 the aggregate exposure limit was increased to ₹500 million as on March 31, 2021. All the measures under these circulars 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 Manufactures Association v. Union of India, dated March 23, 2021, has issued a circular dated April 7, 2021 (the "**April 2021 Circular**", Reference No. RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22). The April 2021 Circular stipulates that all lending institutions (including NBFCs) are required to implement a board-approved policy to refund/adjust the "interest on interest" charged to the borrowers during the moratorium period, i.e. March 1, 2020 to August 31, 2020 in conformity with the above judgement. In order to ensure that the above judgement is implemented uniformly in letter and spirit by all lending institutions, the methodology for calculation of the amount to be refunded/adjusted for different facilities is required to be finalised by the Indian Banks Association in consultation with other industry participants/bodies, which shall be adopted by all lending institutions. The above reliefs shall be applicable to all borrowers, including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed, in terms of the circulars dated March 27, 2020 and May 23, 2020.

Further, in relation to asset classification, the April 2021 Circular stipulates that, (i) in respect of accounts which were not granted any moratorium in terms of the COVID-19 regulatory relief provided, asset classification is to be undertaken in terms of the criteria laid out in the Master Circular - Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 (Reference No. RBI/2015-16/101 DBR.No.BP.BC.2/21.04.048/2015-16) or other relevant instructions as applicable to the specific categories of lending institutions; and (ii) in respect of accounts in relation to which a moratorium was granted in terms of the COVID-19 regulatory relief, the asset classification for the period from March 1, 2020 to August 31, 2020 shall be governed in terms of the circular dated April 17, 2020 (Reference No. RBI/2019-20/220

DOR.No.BP.BC.63/21.04.048/2019-20), read with circular dated May 23, 2020 (Reference No. RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20). For the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable income recognition and asset classification norms.

Priority Sector Lending Classification

Pursuant to its 'Statement on Developmental and Regulatory Policies' and notification dated April 7, 2021, the RBI with a view to ensure continued availability of credit to specified sectors to aid faster economic recovery, decided to extend the priority sector lending ("**PSL**") classification for lending by banks to NBFCs for on-lending by six months i.e. up to September 30, 2021. 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.

Foreign Exchange Management Act 1999 ("FEMA")

Foreign investment in Indian securities is regulated through the Consolidated Foreign Direct Investment ("**FDI**") Policy and Foreign Exchange Management Act 1999 ("**FEMA**"). The government bodies responsible for granting foreign investment approvals are the ministries / departments concerned of the Government of India and the RBI. The Union Cabinet has approved phasing out the Foreign Investment Promotion Board("**FIPB**"), as provided in the press release dated May 24, 2017. The Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India("**DPIIT**"), earlier known as Department of Industrial Policy and Promotion ("**DIPP**") issued the Consolidated FDI Policy Circular of 2020 ("**Consolidated FDI Policy**") by way of circular bearing number DPIIT file number 5(2)/2020-FDI Policy dated October 15, 2020, which consolidates and supersedes all previous press notes, press releases and clarifications on FDI. The DPIIT has from time to time made policy pronouncements on FDI through press notes and press releases which are notified by RBI as amendment to FEMA. In case of any conflict, FEMA prevails.

Further, on January 4, 2018 the RBI released the Master Direction on Foreign Investment in India (updated from time to time). Under the approval route, prior approval from the FIPB or RBI is required. FDI for the items/activities that cannot be brought in under the automatic route may be brought in through the approval route.

Approvals are accorded on the recommendation of the FIPB, which is chaired by the Secretary, DIPP, with the Union Finance Secretary, Commerce Secretary and other key Secretaries of the Government of India as its members.

As per the sector specific guidelines of the Government of India, 100% FDI/ Non-Resident Indian ("NRI") investments are allowed under the automatic route in certain NBFC activities subject to compliance with guidelines of the RBI in this regard.

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 originally incorporated on January 25, 2008 at Mumbai, India as 'MAPE Finserve Private Limited', a private limited company under the Companies Act, 1956, pursuant to a certificate of incorporation issued by the RoC. The Board of our Company approved the change in the name of our Company from 'MAPE Finserve Private Limited' to 'Small Business Fincredit India Private Limited' by their resolution dated July 3, 2017, which was thereafter approved by the Shareholders of our Company through their resolution dated August 24, 2017 due to change in control in favor of the new promoters of the Company i.e. Arpwood Group and a fresh certificate of incorporation, under the Companies Act, 2013, was issued by the RoC on August 31, 2017. Thereafter, the Board of our Company approved the change in the name of our Company from 'Small Business Fincredit India Private Limited' to 'SBFC Finance Private Limited' by their resolution dated October 24, 2019 for the ease of reference that a shorter name provides, which was thereafter approved by the Shareholders of our Company through their resolution dated December 11, 2019 and a fresh certificate of incorporation, under the Companies Act, 2013, was issued by the RoC on January 13, 2020. Subsequently, our Company was converted into a public limited company under the Companies Act, 2013 and consequently the name of our Company was changed from "SBFC Finance Private Limited" to 'SBFC Finance Limited' pursuant to a resolution passed by the Board of our Company on September 21, 2022 and a special resolution passed by the Shareholders of our Company on September 23, 2022, and a fresh certificate of incorporation dated September 30, 2022 was issued by the RoC.

Changes in the registered office of our Company

The registered office of our Company is currently situated at 103, 1st Floor, C&B Square, Sangam Complex, Andheri Kurla Road, Village Chakala, Andheri (East), Mumbai 400 059, Maharashtra, India.

Except as disclosed below, there has been no change in the address of the registered office of our Company since the date of incorporation:

Date of change	Details of change in the registered office	Reasons for change
August 1, 2009	Change of the registered office from Laxmi Towers, 4th Floor, A Wing, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India to 13/14, 1st Floor, Dr. Annie Besant Road, Worli, Mumbai – 400 030, Maharashtra, India.	Administrative convenience
August 24, 2017	Change of the registered office from 13/14, 1st Floor, Dr. Annie Besant Road, Worli, Mumbai – 400 030, Maharashtra, India to Unit No. 762, Bldg. No. 7, 6th Floor, Solitaire Corporate Park, Andheri (E), Mumbai 400 093, Maharashtra, India.	Administrative convenience
March 11, 2019	Change of the registered office address from Unit No. 762, Bldg. No. 7, 6th Floor, Solitaire Corporate Park, Andheri (E), Mumbai 400 093, Maharashtra, India to 103, 1st Floor, C&B Square, Sangam Complex, Andheri Kurla Road, Village Chakala, Andheri (East), Mumbai 400 059, Maharashtra, India.	Expiry of lease and requirement of larger space

Main objects of our Company

The main objects of our Company as contained in the Memorandum of Association are:

1. "*To lend and advance money or give credit with or without security to such persons or companies on such terms as may seem expedient and to guarantee or become liable for the payment of money or for the performance of any obligations, and generally to transact all kinds of guarantee business; trust and agency business and to receive money on deposit or loan and to borrow or raise money in such manner as the Company shall think fit, and in particular by the issue of debentures or debenture-stock and to secure the repayment of any money borrowed, raised or owing by mortgage, charge, lien upon all or any of the property or assets of the Company (both present and future), including the uncalled capital, and*

also by a similar mortgage, charge or lien to secure and guarantee the performance by the Company or any other person or company, as the case may be subject to Section 58A of the Companies Act, 1956 and the relevant RBI directives.

2. *To borrow raise money with or without security and or by issue or sale of bonds, mortgages, debentures or debenture-stock of the Company, whether perpetual or otherwise and to utilize any money so raised to any of the objects of the Company and to advance and lend money and assets of all kinds upon such terms as may be arranged subject to Section 58-A of the Companies Act, 1956 and the relevant RBI Directions.*

3. *To undertake and provide services related to buying, selling and dealing in shares and securities of bodies corporate, whether listed at stock exchanges or unlisted, to provide information, recommendations, advisory and consultancy services to any person through agents, franchises, newsletters, circulars, mailers, and other such print and electronic mediums including Internet, Website, Portals or by any other means for investments, trading dealings shares and securities including bonds, debentures, stocks, warrants, depository receipts and like financial instruments and to undertake and carry on all other activities.*

4. *To render services as brokers, distributors, commission agents, corporate agents, importers and exporters, and to act as principals, agents, corporate agents, distributors, contractors, executors, administrators, managers, trustees, or otherwise and by or through trustees, agents or attorney, or otherwise whether alone or in conjunction with others to carry on the ecommerce or otherwise business of retail and institutional distribution pf the schemes of the Mutual Funds, insurance policies, or any other financial products/ instruments issued by Banks, Mutual Funds, Insurance Companies or any financial intermediary, to contract for, and negotiate and issue and participate in finding any public and private loans and advances, underwriting contracts, mortgages, equity participation, cash credits, overdrafts and other financial facilities.*

5. *To carry on in India or abroad the business of advertising & publicity and for this propose to purchase, sell sponsor, hire, charter, manage, acquire, undertake, hold, provide & promote, publicity or advertising time space or opportunity on any premises, internet, broadcasting centre, television centre, hoardings, neon signs, electronic display board, newspapers, magazines, souvenirs and all other present and feature medias or display devices and to do all incidental acts and things necessary for the attainment of the objects under these presents.*"

The main objects as contained in the Memorandum of Association enable our Company to carry on the business presently being carried out.

Amendments to the Memorandum of Association in the last 10 years

Set out below are the amendments to the Memorandum of Association in the 10 years immediately preceding the date of this Draft Red Herring Prospectus:

Date of Shareholders' resolution	Nature of amendment
March 19, 2016	Clause V of the Memorandum of Association was amended to reflect the increase in authorised share capital from ₹20,500,000 divided into 2,050,000 Equity Shares of ₹ 10 each to ₹170,500,000 divided into 2,050,000 Equity Shares of ₹ 10 each and 15,000,000 Compulsorily Convertible Preference Shares of ₹ 10 each.
August 24, 2017	Clause I of the Memorandum of Association was amended to reflect the change of name of the Company from 'MAPE Finserve Private Limited' to 'Small Business Fincredit India Private Limited'.
September 14, 2017	Clause V of the Memorandum of Association was amended to reflect the increase in authorised share capital from ₹170,500,000 divided into 2,050,000 Equity Shares of ₹ 10 each and 15,000,000 Compulsory Convertible Preference Shares of ₹ 10 each to ₹10,000,000,000 divided into 985,000,000 Equity Shares of ₹ 10 each and 1,50,00,000 Compulsory Convertible Preference Shares of ₹ 10 each.
June 25, 2018	Inserted the following sub clause no. A (4) in Clause III(A) of the main object of the Memorandum of Association: "*To render services as brokers, distributors, commission agents, corporate agents, importers and exporters, and to act as principals, agents, corporate agents, distributors, contractors, executors, administrators, managers, trustees, or otherwise and by or through trustees, agents or attorney, or*

Date of Shareholders' resolution	Nature of amendment
	otherwise whether alone or in conjunction with others to carry on the ecommerce or otherwise business of retail and institutional distribution pf the schemes of the Mutual Funds, insurance policies, or any other financial products/ instruments issued by Banks, Mutual Funds, Insurance Companies or any financial intermediary, to contract for, and negotiate and issue and participate in finding any public and private loans and advances, underwriting contracts, mortgages, equity participation, cash credits, overdrafts and other financial facilities."
December 19, 2018	Inserted the following sub clause no. A (5) in Clause III(A) of the main object of the Memorandum of Association: **"***To carry on in India or abroad the business of advertising & publicity and for this propose to purchase, sell sponsor, hire, charter, manage, acquire, undertake, hold, provide & promote, publicity or advertising time space or opportunity on any premises, internet, broadcasting centre, television centre, hoardings, neon signs, electronic display board, newspapers, magazines, souvenirs and all other present and feature medias or display devices and to do all incidental acts and things necessary for the attainment of the objects under these presents***.**"
December 11, 2019	Clause I of the Memorandum of Association was amended to reflect the change of name of the Company from 'Small Business Fincredit India Private Limited' to 'SBFC Finance Private Limited'
September 23, 2022	Clause I of the Memorandum of Association was amended to reflect the change of name of the Company from 'SBFC Finance Private Limited' to 'SBFC Finance Limited'
September 23, 2022	Clause V of the Memorandum of Association was amended to reflect the change in authorised share capital from ₹10,000,000,000 divided into 985,000,000 Equity Shares of ₹ 10 each and 1,50,00,000 Compulsory Convertible Preference Shares of ₹ 10 each to ₹ 9,850,000,000 divided into 985,000,000 Equity Shares of ₹ 10 each
October 14, 2022	Clause V of the Memorandum of Association was amended to reflect the increase in authorised share capital from ₹ 9,850,000,000 divided into 985,000,000 Equity Shares of ₹ 10 each to ₹ 13,000,000,000 divided into 1,300,000,000 Equity Shares of ₹ 10 each

Major events and milestones

The table below sets forth some of the major events in the history of our Company:

Calendar year	Activity
2008	Incorporation of the Company
2017	Investment by Arpwood Partners Investment Advisors LLP in our Company
2019	Investment by SBFC Holdings Pte. Ltd. in our Company
2021	ICRA Credit Rating for our long-term fund-based bank lines and non-convertible debentures reaffirmed as 'A' and outlook upgraded from Stable to Positive
2022	Investment by Malabar India Fund Limited in our Company
2022	ICRA Credit Rating for our long-term fund-based bank lines and non-convertible debentures upgraded to 'A +' and outlook revised to Stable

Significant financial or strategic partnerships

Our Company does not have any significant strategic or financial partners.

Time/cost overrun

Our Company has not experienced any time/ cost overruns pertaining to its business operations.

Launch of key products or services, entry into new geographies or exit from existing markets

For details of key products or services launched by our Company, entry into new geographies or exit from existing markets, see "*Our Business*" on page 193.

Defaults or rescheduling/ restructuring of borrowings with financial institutions/banks

There are no defaults and there have been no rescheduling or restructuring in relation to borrowings availed by our Company from financial institutions or banks.

Details regarding material acquisitions or divestments of business/ undertakings, mergers, amalgamation, any revaluation of assets, etc. in the last 10 years

Except as disclosed below, we have not made any material acquisitions or divestments of any business or undertaking, and have not undertaken any merger, amalgamation or any revaluation of assets in the preceding 10 years:

Business transfer agreement executed between our Company (then named MAPE Finserve Private Limited), Karvy Financial Services Limited ("Seller") and Karvy Stock Broking Limited ("KSBL") and dated August 1, 2017 ("Business Transfer Agreement")

Pursuant to the Business Transfer Agreement, the Seller transferred all rights, benefits, title, interest, obligations and employees of its retail lending business to our Company, as a going concern and on a slump sale basis, free and clear of all encumbrances (other than as disclosed under the Business Transfer Agreement and its related documents including *inter alia* collection agent agreement, local transfer documents, property agreements, escrow agreement, transitional services agreement and deeds of novation for business contracts) for a consideration of ₹ 10,795.63 million effectively on September 28, 2017. Further, our Company, the Seller and KSBL had entered into other agreements *inter alia*, collection agent agreement, transitional services agreement and accounts agreement to enable smooth transition and transfer of the retail lending business to our Company.

Shareholders' agreements and other material agreements

Amended and Restated Shareholders' agreement dated February 22, 2022, by and amongst our Company, Arpwood Partners Investment Advisors LLP, Arpwood Capital Private Limited, Eight45 Services LLP, SBFC Holdings Pte. Ltd., Malabar India Fund Limited, Malabar Select Fund and Malabar Midcap Fund ("Malabar Group") (collectively, the "Parties") read with the amendment agreement dated October 18, 2022 entered into between the aforementioned parties ("Shareholders' Agreement")

The Shareholders' Agreement, entered into between the Parties, records the inter-se rights and obligations by virtue of the respective shareholding of the certain shareholders in our Company, the management of our Company and certain other matters.

The Shareholders' Agreement, inter alia, sets out the inter-se rights and obligations of the parties thereto vis-à-vis our Company, and provides, subject to the terms and conditions contained therein, certain rights and obligations including without limitation: (i) pre-emptive rights of shareholders; (ii) certain transfer restrictions including right of first offer, tag along rights and drag along rights in the event of any transfer of shares by certain Parties to any third party; (iii) information rights; and (iv) affirmative voting rights under certain reserved matters.

Further, in order to facilitate the proposed Offer process in accordance with applicable laws, the Parties entered into an amendment agreement dated October 18, 2022, to the Shareholders Agreement (the "**Amendment Agreement**"), recording certain amendments and waivers with respect to certain special rights available to the Parties under the Shareholders' Agreement.

Further, under the Amendment Agreement, subject to receipt of approval of the Shareholders, by way of a special resolution, at the first Shareholders meeting held by our Company after the commencement of trading of Equity Shares pursuant to the Offer, a) So long as SBFC Holdings Pte. Ltd. holds (i) at least 30% (thirty percent) of the paid-up Equity Share Capital on a fully diluted basis ("**Clermont Nomination Threshold 1**"), it shall be entitled to nominate 4 (four) Directors on the Board (provided however, in the event the shareholding of the Arpwood Group goes below 5% (five percent) of the paid-up Equity Share Capital on a fully diluted basis, and SBFC Holdings Pte. Ltd. continues to maintain the Clermont Nomination Threshold 1, then SBFC Holdings Pte. Ltd. shall be entitled to nominate 1 (one) additional nominee Director on the Board; (ii) at least 15% (fifteen percent) of the paid-up Share Capital on a fully diluted basis, it shall be entitled to nominate 2 (two) Directors on the Board; and (iii) at least 5% (five percent) of the paid-up Share Capital on a fully diluted basis, it shall be entitled to nominate 1 (one) Director; and b) So long as the Arpwood Group holds at least 5% (five percent) of the paid-up Equity Share Capital on a fully diluted basis, it shall be entitled to nominate 1 (one) Director. However, both SBFC Holdings Pte. Ltd. and Arpwood Group shall cease to have the right to appoint its respective nominee Director under the Amendment Agreement once their respective shareholding falls below the thresholds mentioned herein above.

In terms of the Amendment Agreement, all the rights of the shareholders under the Shareholders Agreement shall automatically fall away, without any further action by any party on the date on which the Equity Shares shall list and commence trading on the Stock Exchanges pursuant to the Offer, except for the right of the SBFC Holdings Pte. Ltd. and Arpwood Group to nominate directors, which shall be subject to the approval of the Shareholders by way of a special resolution in the first shareholders meeting after the commencement of trading of Equity Shares pursuant to the Offer. These rights are not prejudicial or adverse to the interest of the minority or the public shareholders of our Company.

Holding company

SBFC Holdings Pte. Ltd. is our holding company. For details, see "*Promoters and Promoter Group – Details of the Corporate Promoters - I. SBFC Holdings Pte. Ltd.*" on page 252.

Subsidiaries, joint ventures and associates

As on the date of this Draft Red Herring Prospectus, our Company does not have any subsidiaries, joint ventures or associates.

Guarantees given by the Promoter Selling Shareholders

As on the date of this Draft Red Herring Prospectus, no guarantees have been issued by the Promoter Selling Shareholders to any third party.

OUR MANAGEMENT

In terms of the Articles of Association, the maximum number of Directors that our Company can have shall be not more than 15.

Board of Directors

The details regarding the Board, as on the date of this Draft Red Herring Prospectus, are set forth below:

Name, date of birth, designation, address, occupation, term, period of directorship, DIN and age of the Directors	Other directorships
Neeraj Swaroop *Date of birth:* July 15, 1958 *Designation:* Independent Director and Chairperson *Address:* 1104, Signia Isles, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051, Maharashtra *Occupation*: Corporate executive *Term:* 5 years from November 21, 2017# *Period of directorship:* From November 21, 2017 *DIN:* 00061170 *Age:* 64 years	***Indian Companies*** • Avanse Financial Services Limited • HDFC Securities Limited • Spandana Sphoorty Financial Limited ***Foreign Companies*** NIL
Aseem Dhru *Date of birth:* April 7, 1970 *Designation:* Managing Director and Chief Executive Officer *Address:* B-12, 12th Floor, Ahuja Tower, Rajabhau Anant Desai Marg, Prabhadevi, Mumbai - 400025, Maharashtra *Occupation*: Service *Term:* 5 years from September 28, 2022 *Period of directorship:* Since September 28, 2017 *DIN:* 01761455 *Age:* 52 years	***Indian Companies*** • Rossari Biotech Limited ***Foreign Companies*** NIL
Amol Jain *Date of birth:* December 16, 1972 *Designation:* Non-Executive Nominee Director* *Address:* 301 Le Papeyon, Mount Mary Road, Bandra West, Mehboob Studio, Mumbai – 400050, Maharashtra *Occupation*: Business *Term:* Liable to retire by rotation in accordance with applicable law *Period of directorship:* Since May 9, 2017 *DIN:* 00334710 *Age:* 49 years	***Indian Companies*** • Sterling Addlife India Private Limited • Arcturos Healthcare Private Limited ***Foreign Companies*** NIL
Arjun Sakhuja *Date of birth:* July 16, 1989 *Designation:* Non-Executive Nominee Director** *Address:* Tower X.1, Apartment – 402, Beauport Tower, Marsa, Dubai – 488008, UAE *Occupation*: Professional *Term:* Liable to retire by rotation in accordance with applicable law *Period of directorship:* From February 5, 2020 *DIN:* 08669224 *Age:* 33 years	***Indian Companies*** NIL ***Foreign Companies*** NIL
John Mescall *Date of birth:* April 25, 1981 *Designation:* Non-Executive Nominee Director** *Address:* Villa-A4V-09, 393-Al Thanyah Fifth, Dubai – 506991, UAE *Occupation*: Professional	***Indian Companies*** NIL ***Foreign Companies*** • Clermont Financial Pte. Ltd. • SBFC Holdings Pte. Ltd. • Clermont Asia Pte. Ltd

Name, date of birth, designation, address, occupation, term, period of directorship, DIN and age of the Directors	Other directorships
Term: Liable to retire by rotation in accordance with applicable law *Period of directorship:* From May 29, 2019 *DIN:* 08385575 *Age:* 41 years	• Clermont Limited • Clermont Capital Limited • Tamarind Capital Pte. Ltd. • Jasmine Capital Investments Pte. Ltd. • Magnolia Investments Limited • Indie Holdings Pte. Ltd
Jonathan Tadeusz Tatur *Date of birth:* November 29, 1984 *Designation:* Non-Executive Nominee Director** *Address:* 1208 Damac Park Tower A, Dubai, UAE *Occupation*: Professional *Term:* Liable to retire by rotation in accordance with applicable law *Period of directorship:* From December 17, 2019 *DIN:* 08639243 *Age:* 37 years	***Indian Companies*** • Arcturos Healthcare Private Limited; • Sterling Addlife India Private Limited ***Foreign Companies*** • Sustainable Samui Co. Ltd. • Tradewinds Solutions Ltd.
Rajesh Mannalal Agrawal *Date of birth:* March 31, 1976 *Designation:* Independent Director *Address:* 4504 45th Floor, Tower- B, Three Sixty West, Dr. Annie Besant Road, Worli, Mumbai – 400025, Maharashtra *Occupation*: Business *Term:* 5 years from November 11, 2020 *Period of directorship:* November 11, 2020 *DIN:* 00302467 *Age:* 46 years	***Indian Companies*** • Gabs Investments Private Limited • Ajanta Pharma Limited ***Foreign Companies*** • Ajanta Pharma Philippines Inc.
Surekha Marandi *Date of birth:* July 27, 1959 *Designation:* Independent Director *Address:* Flat No. 301, Wing A, Neelsidhi Garden, CHS Takka, Plot No. 417/418, Panvel, Raigarh, Maharashtra, 410206 *Occupation*: Professional *Term:* 5 years from September 23, 2022 *Period of directorship:* From September 23, 2022 *DIN:* 06952573 *Age:* 63	***Indian Companies*** • Origo Commodities India Private Limited • Satya Microcapital Limited ***Foreign Companies*** NIL
Robin Banerjee *Date of birth:* August 20, 1955 *Designation:* Independent Director *Address:* C-Wing, Flat – 102/103, Tower – 1, Ashok Gardens, T.J. Road, Sewri, Mumbai – 400015, Maharashtra *Occupation*: Professional *Term:* 5 years from October 16, 2022 *Period of directorship:* From October 16, 2022 *DIN:* 00008893 *Age:* 67	***Indian Companies*** • IMICL Dighi Maritime Limited • VIP Clothing Limited • Rossari Biotech Limited ***Foreign Companies*** NIL

 # Neeraj Swaroop has also been reappointed for a period of five years with effect from November 21, 2022
** Nominee of Arpwood Group*
*** Nominee of SBFC Holdings Pte. Ltd.*

Arrangement or understanding with major shareholders, customers, suppliers or others

Except for (i) Arjun Sakhuja, John Mescall and Jonathan Tadeusz Tatur (nominated by the SBFC Holdings Pte. Ltd. pursuant to the terms of the Shareholders' Agreement); and (ii) Amol Jain (nominated by Arpwood Group pursuant to the terms of the Shareholders' Agreement), there is no arrangement or understanding with the major Shareholders, customers, suppliers or others, pursuant to which any of our other Directors were appointed on the

Board. For details, see "*History and Certain Corporate Matters - Shareholders' agreements and other material agreements*" and "*Main Provisions of the Articles of Association*" on pages 234 and 471, respectively.

Brief profiles of the Directors

Neeraj Swaroop is an Independent Director and Chairperson of the Board. He holds a bachelor's of technology degree in mechanical engineering from Indian Institute of Technology, Delhi and a post graduate diploma in management from Indian Institute of Management, Ahmedabad. He has been associated with our Company since November 21, 2017. Prior to joining our Company, he was associated with Pond's (India) Limited, Bank of America, HDFC Bank Limited, Standard Chartered Bank and Singapore Exchange Limited and he is currently a visiting faculty at S.P. Jain Institute of Management & Research, Mumbai.

Aseem Dhru is the Managing Director and Chief Executive Officer of our Company. He holds a bachelor's degree in commerce from Gujarat University. He is a member of the Institute of Chartered Accountants of India and has been certified by the Institute of Cost and Works Accountants of India. He has been associated with our Company since September 28, 2017. Prior to joining our Company, he was associated with HDFC Bank Limited as a group head – business banking working capital & retail agri business, HDFC Securities Limited as managing director and chief executive officer and was a director on the board of HDB Financial Services Limited.

Amol Jain is a Non-Executive Nominee Director of our Company. He holds a bachelor's of technology degree in electrical engineering from Indian Institute of Technology, Bombay and a post graduate diploma in management from Indian Institute of Management, Ahmedabad. He has been associated with our Company since May 9, 2017. He is part of the senior leadership team at Arpwood Partners Fund I LLP as its co-founder. Prior to co-founding Arpwood Partners Fund I LLP in 2015, Amol was associated with TPG Capital India Private Limited and was part of DSP Merrill Lynch from 1999 to 2005. He has also been a director on the board of Shriram Equipment Finance Limited, Shriram Holdings Madras Private Limited and TPG Wholesale Private Limited (now renamed as Vishal Mega Mart Private Limited).

Arjun Sakhuja is a Non-Executive Nominee Director of our Company and employee of Clermont Group. He holds a bachelor's of science degree in economics from the University of Warwick and a master's degree in business administration from the London Business School. He has been associated with our Company since February 5, 2020. Prior to joining the Clermont Group, he was associated with Citigroup Global Markets Limited and Boston Consulting Group International Inc. (BCG) as project leader.

John Mescall is a Non-Executive Nominee Director of our Company and employee of Clermont Group. He holds a bachelor's degree in law and accounting from the University of Limerick, Ireland. He has been associated with our Company since May 29, 2019. Prior to joining the Clermont Group, he was associated with Ernst and Young, Ireland as a manager in the assurance department of its financial services group.

Jonathan Tadeusz Tatur is a Non-Executive Nominee Director of our Company and employee of Clermont Group. He holds a bachelors of arts degree from St. John's College in the University of Cambridge and a master's of philosophy degree in economics from Brasenose College in the University of Oxford. He has been associated with our Company since December 17, 2019.

Rajesh Mannalal Agrawal is an Independent Director of our Company. He holds a bachelor's degree in business studies from the University of Buckingham, UK and a master's degree in business administration from Bentley College, USA. He has been associated with our Company since November 11, 2020. He is currently associated with Ajanta Pharma Limited as joint managing director.

Surekha Marandi is an Independent Director of our Company. She holds a bachelor's degree in arts with honours in history from Jadavpur University. She has been associated with our Company since September 23, 2022. Prior to joining our Company, she has served at the Reserve Bank of India for over three decades in regulatory and supervisory, financial inclusion and development and human resource management areas. She was also appointed as an executive director of the RBI, where she supervised consumer education and protection department, financial inclusion and development department and secretary's department. She has also served on the boards of United Bank of India and Bank of Baroda.

Robin Banerjee is an Independent Director of our Company. He holds a master's degree in commerce form the University of Calcutta. He is a qualified company secretary, a fellow member of the Institute of Chartered Accountants of India and has been certified by the Institute of Cost and Works Accountants of India. He has been associated with our Company since October 16, 2022. Prior to joining our Company, he was associated with Essar

Steel Limited, Thomas Cook (India) Limited and Hindustan Cargo Limited. He is currently associated with Caprihans India Limited as president. He has also authored three business non-fiction books titled Corporate Frauds: Now Bigger, Broader, Bolder; Who Blunders and How; and Who Cheats & How.

Relationship between the Directors and the Key Managerial Personnel

As on the date of this Draft Red Herring Prospectus, none of our Directors are related to each other or to any of the Key Managerial Personnel.

Terms of appointment of the Executive Directors

Aseem Dhru

The total remuneration paid to Aseem Dhru in Fiscal 2022 was ₹ 46.15 million, which included a base salary of ₹19.40 million, a child education allowance of ₹11.25 million, a performance bonus of ₹ 12.50 million and perquisites of ₹ 3.00 million.

Pursuant to the resolution dated October 14, 2022 passed by our Board and the resolution dated October 15, 2022 passed by our shareholders, Aseem Dhru is currently entitled to the following remuneration and other benefits, the details of which are set forth below:

Particulars	Description
Basic salary	₹ 14.00 million
House rent allowance	₹ 8.40 million
Other allowance	₹ 1.71 million
Perquisites (Medical, PF, NPS, etc.)	₹ 3.89 million
Gross salary	₹ 28.00 million

Additionally, Aseem Dhru is entitled to USD 75,000 per annum for overseas undergraduate education of each child.

Remuneration paid/ payable to the Non-executive Directors

Pursuant to the resolution dated July 14, 2020 by our Board the Independent Directors are entitled to receive a sitting fee of ₹ 100,000 per meeting for attending meetings of our Board and ₹ 100,000 per meeting for attending the meetings of the committees of our Board.

Except sitting fees amounting to ₹ 2,900,000 and ₹ 1,600,000 paid to Neeraj Swaroop and Rajesh Mannalal Agrawal respectively (our Independent Directors), no remuneration was paid to the Non-executive Directors in Fiscal 2022.

Bonus or profit-sharing plan for the Directors

Our Company does not have any bonus or profit-sharing plan for our Directors.

Shareholding of the Directors

In accordance with the Articles of Association, the Directors are not required to hold any qualification shares.

Except as disclosed below, none of our Directors hold any Equity Shares. For details, see "*Capital Structure*" on page 81:

Sr. No.	Name of the Director	Equity Shares held	Shareholding (%)
1.	Aseem Dhru	15,918,167	1.77

For further details on Aseem Dhru's shareholding through ESOP Schemes, see "*Capital Structure - Employee Stock Options Plan of our Company*" beginning on page 91.

Service contracts with the Directors

Our Company has not entered into any service contracts with its Directors providing for benefits upon termination of employment.

Contingent and deferred compensation payable to the Directors

There is no contingent or deferred compensation payable to any of our Directors.

Interest of the Directors

All our Directors may be deemed to be interested to the extent of (i) sitting fees, if any, payable to them for attending meetings of our Board and Committees and other remuneration or commission, if any, payable or reimbursement of expenses to them; and (ii) Equity Shares, if any, already held by them or their relatives or any firms, companies and trusts in which our Directors are interested as a director, member, partner or trustee, in our Company, or that may be Allotted to them in the Offer in terms of the Red Herring Prospectus and any dividend payable to them and other benefits arising out of such shareholding.

Further, our Managing Director and Chief Executive Officer may also be deemed to be interested to the extent of the remuneration payable to him by our Company. For further details, see "-*Terms of appointment of the Executive Directors*" on page 239.

No sum has been paid or agreed to be paid to the Directors or to firms or companies in which they may be members, in cash or shares or otherwise by any person either to induce him/ her to become, or to qualify him/ her as, a Director, or otherwise for services rendered by him/ her or by such firm or company, in connection with the promotion or formation of our Company.

None of the Directors have any interest in any property acquired or proposed to be acquired by our Company.

None of the Directors have any interest in the promotion or formation of our Company.

None of the Directors have any interest in any transaction by our Company for acquisition of land, construction of building or supply of machinery, *etc*.

Confirmations

None of our Directors is or was a director of any listed company during the five years immediately preceding the date of this Draft Red Herring Prospectus, whose shares have been or were suspended from being traded on any stock exchange during the term of their directorship in such company.

None of our Directors is or was a director of any listed company which has been or was delisted from any stock exchange during the term of their directorship in such company.

Further, none of our Directors have been identified as Wilful Defaulters or Fraudulent Borrowers.

Changes in the Board during the last three years

The changes in the Board during the three years immediately preceding the date of this Draft Red Herring Prospectus are set forth below:

Name of Director	Date of Change	Reasons
Robin Banerjee	October 16, 2022	Appointed as an Independent Director
Surekha Marandi	September 23, 2022	Appointed as an Independent Director
Rajeev Gupta	July 18, 2022	Resigned as an Additional Director
Rajesh Mannalal Agrawal	November 11, 2020	Appointed as an Additional Director
Amitabh Mohanty	September 17, 2020	Resigned as an Independent Director
Arjun Sakhuja	July 6, 2020	Redesignated as a Non-Executive Nominee Director
Jonathan Tadeusz Tatur	July 6, 2020	Redesignated as a Non-Executive Nominee Director
Amitabh Mohanty	July 6, 2020	Redesignated as an Independent Director
Arjun Sakhuja	February 5, 2020	Appointed as an Additional Director
Jonathan Lewis	February 5, 2020	Resigned as a Nominee Director
Jonathan Tadeusz Tatur	December 17, 2019	Appointed as an Additional Director
Martin Eric Robinson	December 17, 2019	Resigned as a Nominee Director

Borrowing powers

Our Board pursuant to its resolution dated May 29, 2019 read with its resolution dated February 14, 2022, is empowered to borrow up to ₹ 45,000 million, notwithstanding the borrowings exceeding the aggregate of the paid-up share capital and free reserves of the Company at any point of time in accordance with Section 179 and Section 180 of the Companies Act, 2013 and our Articles of Association.

Corporate governance

The provisions of the SEBI Listing Regulations with respect to corporate governance will be applicable to our Company immediately upon the listing of the Equity Shares with the Stock Exchanges. Our Company is in compliance with the requirements of the applicable regulations, including the SEBI Listing Regulations, the Companies Act, 2013 and other applicable regulations of SEBI, in respect of corporate governance including in respect of the constitution of the Board and its committees thereof, and formulation and adoption of policies.

As on the date of this Draft Red Herring Prospectus, we have nine Directors on the Board, comprising one Executive Director and eight Non-executive Directors comprising four Independent Directors including a woman Director on the Board.

Board committees

Our Company has constituted the following committees of the Board in terms of the SEBI Listing Regulations and the Companies Act, 2013:

(a) Audit Committee;

(b) Nomination and Remuneration Committee;

(c) Stakeholders' Relationship Committee;

(d) Risk Management Committee;

(e) Corporate Social Responsibility Committee

Audit Committee

The Audit Committee was constituted by our Board at its meeting held on March 20, 2018 and was last reconstituted by the meeting of our Board on October 14, 2022. The Audit Committee is in compliance with Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI Listing Regulations. The members of the Audit Committee are:

(a) Robin Banerjee (*Chairperson*);

(b) Neeraj Swaroop;

(c) Surekha Marandi; and

(d) John Mescall.

The Company Secretary shall act as the secretary to the Audit Committee.

Scope and terms of reference: The terms of reference of the Audit Committee shall include the following:

a) Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that its financial statements are correct, sufficient and credible;

b) Recommending to the Board the appointment, re-appointment, replacement, remuneration and terms of appointment of the statutory auditors of the Company;

c) Reviewing and monitoring the statutory auditor's independence and performance, and effectiveness of audit process;

d) Approving payments to the statutory auditors for any other services rendered by the statutory auditors;

e) Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:

i. 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;

ii. Changes, if any, in accounting policies and practices and reasons for the same;

iii. Major accounting entries involving estimates based on the exercise of judgment by management;

iv. Significant adjustments made in the financial statements arising out of audit findings;

v. Compliance with listing and other legal requirements relating to financial statements;

vi. Disclosure of any related party transactions; and

vii. Qualifications and modified opinions in the draft audit report.

f) Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;

g) 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;

h) Approval or any subsequent modifications of transactions of the Company with related parties and omnibus approval for related party transactions proposed to be entered into by the Company subject to such conditions as may be prescribed;

i) Scrutiny of inter-corporate loans and investments;

j) Valuation of undertakings or assets of the Company, wherever it is necessary;

k) Evaluation of internal financial controls and risk management systems;

l) Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;

m) Reviewing, with the management, the performance of statutory and internal auditors, and adequacy of the internal control systems;

n) 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;

o) Discussing with internal auditors on any significant findings and follow up thereon;

p) 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;

q) 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;

r) 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;

s) Reviewing the functioning of the whistle blower mechanism;

t) 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;

u) ensuring that an information system audit of the internal systems and process is conducted at least once in two years to assess operational risks faced by the Company;

v) 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, if any, whichever is lower including existing loans / advances / investments;

w) Recommending to the board of directors the appointment and removal of the external auditor, fixation of audit fees and approval for payment for any other services;

x) Considering and commenting on the rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the Company and its shareholders; and

y) Such roles as may be delegated by the Board and/or prescribed under the Companies Act and SEBI Listing Regulations or other applicable law.

The powers of the Audit Committee will include the following:

a. To investigate any activity within its terms of reference;

b. To seek information from any employee;

c. To obtain outside legal or other professional advice;

d. To secure attendance of outsiders with relevant expertise, if it considers necessary as may be prescribed under the Companies Act, 2013 (together with the rules thereunder) and SEBI Listing Regulations; and

e. To have full access to information contained in records of Company.

The Audit Committee shall mandatorily review the following information:

a. management's discussion and analysis of financial condition and result of operations;

b. statement of significant related party transactions (as defined by the Audit Committee), submitted by management;

c. management letters/letters of internal control weaknesses issued by the statutory auditors;

d. internal audit reports relating to internal control weaknesses;

e. the appointment, removal and terms of remuneration of the chief internal auditor; and

f. statement of deviations, including:

    i) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the SEBI Listing Regulations; and

    ii) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32(7) of the SEBI Listing Regulations.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was constituted by our Board at its meeting held on March 20, 2018 and was last reconstituted by the meeting of our Board on October 14, 2022. The Nomination and Remuneration Committee is in compliance with Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI Listing Regulations. The Nomination and Remuneration Committee currently consists of:

(a) Rajesh Mannalal Agrawal (*Chairperson*);

(b) Neeraj Swaroop; and

(c) John Mescall.

Scope and terms of reference: The terms of reference of the Nomination and Remuneration Committee shall include the following:

a. formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other employees;

b. for the appointment of an independent director, the 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 of directors of the Company 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 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;

c. formulation of criteria for evaluation of the performance of independent directors and the Board;

d. devising a policy on diversity of the Board;

e. identifying persons, who are qualified to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommending to the Board their appointment and removal and carrying out evaluation of every director's performance;

f. 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;

g. recommending remuneration of executive directors and any increase therein from time to time within the limit approved by the members of the Company;

h. recommending remuneration to non-executive directors in the form of sitting fees for attending meetings of the Board and its committees, remuneration for other services, commission on profits;

i. recommending to the Board, all remuneration, in whatever form, payable to senior management;

j. 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 and Sweat Equity) Regulations, 2021, as amended;

k. engaging the services of any consultant/professional or other agency for the purpose of recommending compensation structure/policy;

l. analyzing, monitoring and reviewing various human resource and compensation matters;

m. reviewing and approving compensation strategy from time to time in the context of the then current Indian market in accordance with applicable laws;

n. 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; and

o. performing such other functions as may be delegated by the Board and/or prescribed under the SEBI Listing Regulations, Companies Act, each as amended or other applicable law."

Risk Management Committee

The Risk Management Committee was constituted by our Board at its meeting held on March 20, 2018 and was last reconstituted by the meeting of our Board on October 14, 2022. The Risk Management Committee is in compliance with Section 177 of the Companies Act, 2013 and the SEBI Listing Regulations. The Risk Management Committee currently consists of:

(a) Neeraj Swaroop (*Chairperson*);

(b) Surekha Marandi;

(c) Robin Banerjee;

(d) Aseem Dhru;

(e) John Mescall;

(f) Amol Jain;

(g) Mahesh Dayani;

(h) Pankaj Poddar;

(i) Narayan Barasia; and

(j) Sanket Agrawal.

Scope and terms of reference: The terms of reference of the Risk Management Committee shall include the following:

(a) Formulating a detailed risk management policy which shall include:

  (i) 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;

  (ii) Measures for risk mitigation including systems and processes for internal control of identified risks; and

  (iii) Business continuity plan;

(b) Ensuring that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;

(c) Monitoring and overseeing implementation of the risk management policy, including evaluating the adequacy of risk management systems;

(d) Periodically reviewing the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;

(e) Keeping the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;

(f) Reviewing the appointment, removal and terms of remuneration of the Chief Risk Officer (if any);

(g) Seeking information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary;

(h) Coordinating its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors; and

(i) Such other terms of reference and activities as may be delegated by the Board and/or prescribed under the SEBI Listing Regulations or other applicable law.

Stakeholders' Relationship Committee

The Stakeholders' Relationship Committee was constituted by our Board at its meeting held on October 14, 2022. The Stakeholders' Relationship Committee is in compliance with Section 178 of the Companies Act, 2013 and Regulation 20 of the SEBI Listing Regulations. The Stakeholders' Relationship Committee currently consists of:

(a) Surekha Marandi (*Chairperson*);

(b) Aseem Dhru; and

(c) John Mescall.

Scope and terms of reference: The Stakeholders' Relationship Committee shall be responsible for, among other things, the following:

1. Resolving the grievances of the security holders of the listed entity 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.;

2. Review of measures taken for effective exercise of voting rights by shareholders;

3. Review of adherence to the service standards adopted by the listed entity in respect of various services being rendered by the Registrar and Share Transfer Agent;

4. Review of the various measures and initiatives taken by the listed entity for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company;

5. To consider and resolve the grievances of security holders of the Company.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee was reconstituted by our Board at its meeting held on October 14, 2022. The Corporate Social Responsibility Committee is in compliance with Section 135 of the Companies Act, 2013. The Corporate Social Responsibility Committee currently consists of:

(a) Surekha Marandi (*Chairperson*);

(b) Aseem Dhru; and

(c) John Mescall.

The Corporate Social Responsibility Committee shall be responsible for, among other things, the following:

a. formulating and recommending to the Board the corporate social responsibility policy of the Company, including any amendments thereto, in accordance with Schedule VII of the Companies Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 ("**CSR Rules**"), each as amended;

b. Formulating and recommending to the Board of Directors, a roadmap of the CSR activities to be undertaken by the Company and annual budget to carry out the CSR activities including amendments therein, from time to time;

c. recommending the amount of expenditure to be incurred on the corporate social responsibility activities, from time to time as per the annual budget/ CSR programme approved by the Board of Directors and in accordance with the Companies Act, 2013 and the CSR Rules;

d. Formulating and recommending an annual action plan in pursuance of its CSR Policy which shall include the following: (a) the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Companies Act, 2013, (b) the manner of execution of such projects or programmes as specified the CSR Rules, (c) the modalities of utilisation of funds and implementation schedules for the projects or programmes, (d) monitoring and reporting mechanism for the projects or programmes, (e) details of need and impact assessment, if any, for the projects undertaken by the company, as specified in the CSR Rules;

e. Identifying corporate social responsibility policy partners and corporate social responsibility policy programmes;

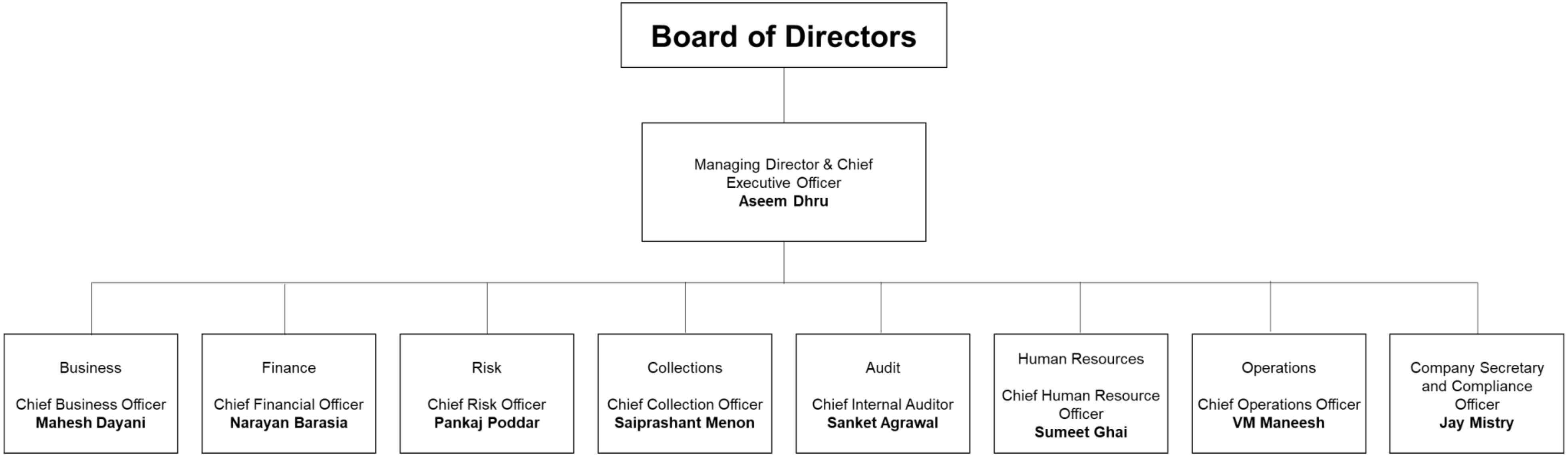
f. Identifying and appointing the corporate social responsibility team of the Company, including corporate social responsibility manager, wherever required and delegate responsibilities to the corporate social responsibility team and supervise proper execution of all delegated responsibilities;

g. reviewing and monitoring the implementation of corporate social responsibility policy of the Company and issuing necessary directions as required for proper implementation and timely completion of corporate social responsibility programmes;

h. Establishing a transparent monitoring mechanism for implementation of CSR projects and programs undertaken by the Company and submitting a half-yearly report to the Board of Directors;

i. 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

Management Organisation Structure



Key Managerial Personnel

In addition to Aseem Dhru, our Managing Director and Chief Executive Officer, the details of the other Key Managerial Personnel as on the date of this Draft Red Herring Prospectus are set forth below. For details of Aseem Dhru, our Managing Director and Chief Executive Officer, see "- *Brief Profiles of the Directors*" on page 238.

Narayan Barasia, is the Chief Financial Officer of our Company. He joined the Company on October 24, 2018. In his current role, he is responsible for financial management, accounts, tax, treasury, secretarial and legal matters. He holds a bachelor's in commerce from the University of Calcutta, is an associate of the Institute of Chartered Accountants of India, is a member of the Institute of Company Secretaries of India and has successfully completed the Chartered Financial Analysts Program. He has worked at Godrej Foods Limited, Godrej Sara Lee Limited, and subsequently worked with Olam Agro India Limited. Prior to joining the Company, he was working with Greaves Cotton Limited, where he was the president – auxiliary power business & industrial, engineering business. He received a compensation of ₹ 30.58 million in Fiscal 2022.

Jay Mistry, is the Company Secretary and Compliance Officer of our Company. He joined the Company on June 5, 2021. In his current role, he is responsible for secretarial and regulatory compliance of the Company. He holds a bachelors in law from the University of Mumbai and is a member of the Institute of Company Secretaries of India, wherein he achieved an 'all India rank -14' in the professional examination conducted by ICSI. He has requisite experience in securities and corporate laws, and corporate compliances. He started his career with Chembond Chemicals Limited. Prior to joining the Company, he was working with IRIS Business Services Limited as their company secretary. He received a compensation of ₹ 1.79 million in Fiscal 2022.

Mahesh Dayani, is chief business officer of our Company. He joined the Company on November 1, 2017. In his current role, he is responsible for developing the Company's distribution, products, marketing & delivering profitable growth. He holds a bachelors in commerce from the University of Calcutta and a post graduate diploma in business administration from ICFAI Business School, Hyderabad and is also an associate member of the Indian Institute of Bankers. He has over two decades of experience across wholesale and retail banking, and has worked at ICICI Bank Limited and HDFC Bank Limited. Prior to joining the Company, he was working with Kotak Mahindra Bank, where he was the senior executive vice president. He received a compensation of ₹ 46.58 million in Fiscal 2022.

Pankaj Poddar, is chief risk officer of our Company. He joined the Company on November 20, 2017. In his current role, he is involved in identification, measurement and mitigation of risks for the company including credit risk, operating risks, liquidity risk, market risk. He has managed the role of credit and risk management which included credit policy formulation, credit underwriting, fraud control, collateral management, portfolio management along with managing other operating risks for the Company. He holds a bachelor's in commerce from the Maharshi Dayanand Saraswati University, Ajmer and is an associate member of the Institute of Chartered Accountants of India wherein he achieved an 'all India rank 36' in the final examination conducted by ICAI. He has over 18 years of experience in the financial services sector where he has handled various leadership roles in the retail and SME space. He started his career with Kotak Mahindra Bank, and subsequently worked with Standard Chartered Bank. Prior to joining the Company, he was working with Bajaj Finance Limited, where he was the chief risk officer-small & medium enterprises. He received a compensation of ₹ 31.30 million in Fiscal 2022.

Saiprashant Menon, is chief collection officer of our Company. He joined the Company on May 29, 2020. In his current role, he is responsible for creating and implementing collection & legal strategies so as to maximize collections whilst protecting customer relationship. He holds a bachelor's in commerce from the University of Mumbai. He has more than two decades of experience in credit management and collections. He started his career with Standard Chartered Bank, and subsequently worked with Citi Financial Consumer Finance Limited, Royal Bank of Scotland and Fullerton India Credit Company Limited. Prior to joining the Company, he was working with Bajaj Housing Finance Limited, where he was the national head - collections. He received a compensation of ₹ 13.19 million in Fiscal 2022.

Sanket Agrawal, is chief internal auditor of our Company. He joined the Company on September 30, 2020 as Head – Internal Audit and was appointed as the Chief Internal Auditor on November 19, 2021. In his current role, he is responsible for oversight of risk management and governance, internal operational controls, business integrity and ethics. He also provides objective assurance, advice and anticipative value-added support to functions. He holds a bachelor's in commerce from the G.S. College of Commerce & Economics and is an associate of the Institute of Chartered Accountants of India. He started his career with Deloitte Haskins & Sells

LLP where he was working in the statutory audit – audit & assurance team and audited and advised large multinational corporations in India and abroad. He received a compensation of ₹ 5.92 million in Fiscal 2022.

VM Maneesh, is chief operations officer of our Company. He joined the Company on March 21, 2022. In his current role, he is responsible for managing critical systems and processes which underpin the Company's pan-India operations. He holds a bachelor's in commerce from the University of Mumbai and a master's degree in financial management from the University of Mumbai. He has over 19 years of financial services experience in credit, risk and operations. He started his career with ICICI Bank, and subsequently worked with HDFC Bank Limited and HSBC Bank Limited. Prior to joining the Company, he was working with Bajaj Finance Limited. He received a compensation of ₹ 2.54 million in Fiscal 2022.

Sumeet Ghai, is chief human resource officer of our Company. He joined the Company on February 4, 2022. In his current role, he is responsible for managing human resource dynamics through creation and adoption of a strategic plan that is in alignment with the business strategy of the Company. He holds a diploma in hotel management & catering technology from the National Council for Hotel Management and Catering Technology, New Delhi and a post graduate diploma in business administration, with a specialization in human resource management. He has over 15 years of experience in human resource management. Prior to joining the Company, he started his career with the Taj Group of Hotels, and subsequently worked with Mahindra Holidays and Resorts India Limited as the general manager – human resources. He received a compensation of ₹ 1.59 million in Fiscal 2022.

Status of the Key Managerial Personnel

All the Key Managerial Personnel are permanent employees of our Company.

Relationship among the Key Managerial Personnel

None of the Key Managerial Personnel are related to each other.

Bonus or profit-sharing plan for the Key Managerial Personnel

Our Company does not have any bonus or profit-sharing plan for the Key Managerial Personnel, other than in the ordinary course of business.

Shareholding of the Key Managerial Personnel

Except as disclosed with respect to Aseem Dhru, our Managing Director and Chief Executive Officer under "-*Shareholding of the Directors*" on page 239 above and as disclosed below, none of the Key Managerial Personnel hold any Equity Shares as on the date of this Draft Red Herring Prospectus:

S. No.	Name of the Key Managerial Personnel	Equity Shares held	Number of employee stock options outstanding
1.	Narayan Barasia	1,815,000	3,830,833
2.	Mahesh Dayani	5,150,166	17,203,333
3.	Pankaj Poddar	3,435,300	3,120,833
4.	Saiprashant Menon	180,000	1,020,000
5.	Sanket Agrawal	90,000	610,000
6.	VM Maneesh	-	600,000
7.	Sumeet Ghai	-	150,000
8.	Jay Mistry	-	50,000

Service Contracts with the Key Managerial Personnel

Other than statutory benefits payable upon termination of employment, none of our Key Managerial Personnel has entered into a service contract with our Company pursuant to which they are entitled to any benefits upon termination of employment.

Interest of the Key Managerial Personnel

Our Key Managerial Personnel do not have any interests in our Company, other than to the extent of (i) the remuneration or benefits to which they are entitled in accordance with the terms of their appointment or reimbursement of expenses incurred by them during the ordinary course of business by our Company; and (ii) the Equity Shares and employee stock options held by them, if any, and any dividend payable to them and other benefits arising out of such shareholding. For details, see "- *Shareholding of the Key Managerial Personnel*" and "*Capital Structure – Notes to Capital Structure – Employee Stock Options Plan of our Company*" on pages 250 and 91.

There is no contingent or deferred compensation accrued for Fiscal 2022 and payable to the Key Managerial Personnel.

Arrangements and understanding with major shareholders, customers, suppliers or others

None of the Key Managerial Personnel have been selected pursuant to any arrangement or understanding with the major Shareholders, customers, suppliers or any other person.

Changes in the Key Managerial Personnel during the last three years

The changes in the Key Managerial Personnel during the three years immediately preceding the date of this Draft Red Herring Prospectus:

Name	Date	Reason
Deepak K Mudalgikar	April 1, 2022	Cessation as chief technology officer
Manu Mahajan	April 1, 2022	Redesignated as head, project management office
VM Maneesh	March 21, 2022	Appointed as chief operations officer
Sumeet Ghai	February 4, 2022	Appointed as chief human resources officer
Sanket Agrawal	November 19, 2021	Redesignated as chief internal auditor
Jay Mistry	June 5, 2021	Appointed as company secretary
Swati Amey Morajkar	May 3, 2021	Resigned as company secretary
Vivek Tripathi	November 7, 2020	Cessation as chief human resources officer
Sanket Agrawal	September 30, 2020	Appointed as head – internal audit
R Gandhi	July 31, 2020	Cessation as chief internal auditor
Saiprashant Menon	May 29, 2020	Appointed as chief collection officer

Employee stock option and stock purchase schemes

For details of the employee stock option plan, see "*Capital Structure – Notes to Capital Structure – Employee Stock Options Plan of our Company*" on page 91.

Payment or Benefit to officers of our Company

No amount or benefit has been paid or given to any officer of our Company within the two years preceding the date of this Draft Red Herring Prospectus or is intended to be paid or given, other than in the ordinary course of their employment any employee stock options, for services rendered as officers of our Company, dividend that may be payable in their capacity as Shareholders, and as disclosed in "*Financial Statements*" on page 276.

PROMOTERS AND PROMOTER GROUP

SBFC Holdings Pte. Ltd., Clermont Financial Pte. Ltd. (together, "**Clermont Group**"), Arpwood Capital Private Limited, Arpwood Partners Investment Advisors LLP and Eight45 Services LLP (together, "**Arpwood Group**") are the corporate promoters of our Company. As on the date of this Draft Red Herring Prospectus, the Promoters hold an aggregate of 833,525,282 Equity Shares, comprising 92.92 % of the pre-Offer issued, subscribed and paid-up Equity Share capital of our Company. For details, see "*Capital Structure – Notes to Capital Structure - Details of Equity Shareholding of our Promoters and members of the Promoter Group in our Company"* on page 86.

Details of the Corporate Promoters

I. SBFC Holdings Pte. Ltd.

Corporate Information:

SBFC Holdings Pte. Ltd. was incorporated on July 27, 2017 under the laws of Singapore. Its Unique Entity Number (UEN) is 201721219C. SBFC Holdings Pte. Ltd. is primarily engaged in the business of investment holding. There have been no changes to the primary business activities undertaken by SBFC Holdings Pte. Ltd.

The registered office of SBFC Holdings Pte. Ltd. is at 80 Raffles Place, #46-01, UOB Plaza, Singapore 048624.

Shareholding Pattern of SBFC Holdings Pte. Ltd.

The following table sets forth details of the shareholding pattern of SBFC Holdings Pte. Ltd., as on the date of this Draft Red Herring Prospectus:

S. No.	Name of Shareholder	Number of shares	Percentage (%) of shareholding
1.	Clermont Financial Pte. Ltd.	100	100

Board of directors of SBFC Holdings Pte. Ltd.

The board of directors of SBFC Holdings Pte. Ltd. as on the date of this Draft Red Herring Prospectus are as under:

1. John Mescall; and

2. Leroy Langeveld

Details of the promoter of SBFC Holdings Pte. Ltd.

For details of Clermont Financial Pte. Ltd. who is the promoter of SBFC Holdings Pte. Ltd., and has also been identified as a Promoter of the Company, please see "*Promoters and Promoter Group – Details of the Corporate Promoters - II. Clermont Financial Pte. Ltd.*" below.

Details of Change in Control:

There has been no change in the control of SBFC Holdings Pte. Ltd.

Our Company confirms that permanent account number, bank account number, corporate registration number of SBFC Holdings Pte. Ltd. and address of the registrar of companies where SBFC Holdings Pte. Ltd. is registered shall be submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with them.

II. Clermont Financial Pte. Ltd.

Corporate Information:

Clermont Financial Pte. Ltd. was incorporated on August 14, 2017 under the laws of Singapore. Its Unique Entity Number (UEN) is 201723035G. Clermont Financial Pte. Ltd. is primarily engaged in the business of investment holding. There have been no changes to the primary business activities undertaken by Clermont Financial Pte. Ltd.

The registered office of Clermont Financial Pte. Ltd. is 80 Raffles Place, #46-01, UOB Plaza, Singapore 048624.

Shareholding Pattern of Clermont Financial Pte. Ltd.

The following table sets forth details of the shareholding pattern of Clermont Financial Pte. Ltd., as on the date of this Draft Red Herring Prospectus:

S. No.	Name of Shareholder	Number of shares	Percentage (%) of shareholding
1.	Clermont Corporation Pte. Ltd.	100	100

Board of directors of Clermont Financial Pte. Ltd.

The board of directors of Clermont Financial Pte. Ltd. as on the date of this Draft Red Herring Prospectus are as under:

1. John Mescall; and

2. Russell Low

Details of the promoter of Clermont Financial Pte. Ltd.

Clermont Corporation Pte. Ltd. holds 100 shares constituting 100% shareholding in Clermont Financial Pte. Ltd.. Clermont Corporation Pte. Ltd. was incorporated as a private company limited by shares on October 23, 2006. Its Unique Entity Number (UEN) is 200615855N.

The board of directors of Clermont Corporation Pte. Ltd. as on the date of this Draft Red Herring Prospectus are as under:

1. Russell Low

Details of Change in Control:

There has been no change in the control of Clermont Financial Pte. Ltd.

Our Company confirms that permanent account number, bank account number, corporate registration number of Clermont Financial Pte. Ltd. and address of the registrar of companies where Clermont Financial Pte. Ltd. is registered shall be submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with them.

III. Arpwood Capital Private Limited

Corporate Information:

Arpwood Capital Private Limited was incorporated as a private limited company on March 25, 2013 under the Companies Act, 1956. Its CIN is U65100MH2013PTC241310. Arpwood Capital Private Limited is primarily engaged in the business of being a mergers and acquisitions advisor. There have been no changes to the primary business activities undertaken by Arpwood Capital Private Limited

The registered office of Arpwood Capital Private Limited is 51B, Floor 5, Plot 222, Maker Chamber IV, Jamnalal Bajaj Marg, Nariman Point, Mumbai – 400021, Maharashtra, India.

Shareholding Pattern of Arpwood Capital Private Limited

As on the date of this Draft Red Herring Prospectus, the authorised share capital of Arpwood Capital Private Limited is ₹ 2,00,00,000 divided into 20,00,000 equity shares of face value of ₹ 10 each. The issued and paid-up share capital of Arpwood Capital Private Limited, as on the date of this Draft Red Herring Prospectus is ₹ 51,00,000 divided into 510,000 equity shares of face value of ₹ 10.

The following table sets forth details of the shareholding pattern of Arpwood Capital Private Limited, as on the date of this Draft Red Herring Prospectus:

S. No.	Name of Shareholder	Number of shares	Percentage (%) of shareholding
1.	Arpwood Consultant LLP	510,000	100

Board of directors of Arpwood Capital Private Limited

The board of directors of Arpwood Capital Private Limited as on the date of this Draft Red Herring Prospectus are as under:

1. Rajeev Gupta; and
2. Raj Kumar Kataria.

Details of the promoter of Arpwood Capital Private Limited

Arpwood Consultants LLP holds 510,000 shares constituting 100 % shareholding in Arpwood Capital Private Limited. Arpwood Consultants LLP was converted from a private company into a limited liability partnership on March 17, 2016 under the Limited Liability Partnership Act, 2008. Its LLP identification number is AAF-9719.

The following table sets forth details of the partners of Arpwood Consultant LLP, as on the date of this Draft Red Herring Prospectus:

S. No.	Name of Partner	Designation	Capital (₹)	Profit/ Loss sharing ratio
1.	Rajeev Gupta	Partner	4,995,000	75%
2.	Raj Kumar Kataria	Partner	1,665,000	25%

The natural persons in control of Arpwood Consultant LLP are Rajeev Gupta and Raj Kumar Kataria.

Details of Change in Control:

There has been no change in the control of Arpwood Capital Private Limited.

Our Company confirms that permanent account number, bank account number, corporate registration number of Arpwood Capital Private Limited and address of the registrar of companies where Arpwood Capital Private Limited is registered shall be submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with them.

IV. Arpwood Partners Investment Advisors LLP

Corporate Information:

Arpwood Partners Investment Advisors LLP was incorporated as a limited liability partnership on March 5, 2015 under the Limited Liability Partnership Act, 2008. Its LLP identification number is AAD-4983. Arpwood Partners Investment Advisors LLP is primarily engaged in the business of being an Investment Adviser. There have been no changes to the primary business activities undertaken by Arpwood Partners Investment Advisors LLP.

The registered office of Arpwood Partners Investment Advisors LLP is 51B, Floor 5, Plot 222, Maker Chamber IV, Jamnalal Bajaj Marg, Nariman Point, Mumbai – 400021, Maharashtra, India.

Partners of Arpwood Partners Investment Advisors LLP

The following table sets forth details of the partners of Arpwood Partners Investment Advisors LLP, as on the date of this Draft Red Herring Prospectus:

S. No.	Name of Partner	Designation	Capital (₹)	Profit/ Loss sharing ratio
1.	Arpwood Consultant LLP	Partner	572,500	34.87%
2.	Amol Jain	Designated Partner	538,566	32.79%
3.	Manoj Dengla	Partner	421,329	25.66%
4.	Rajeev Gupta	Designated Partner	109,574	6.67%
5.	Vistra ITCL	Partner	32,681	0.01%

Details of Change in Control:

There has been no change in the control of Arpwood Partners Investment Advisors LLP.

Our Company confirms that the PANs, bank account numbers, Aadhar card numbers, driving licence numbers and passport numbers of the partners of Arpwood Partners Investment Advisors LLP shall be submitted to the Stock Exchanges at the time of filing this Draft Red Herring Prospectus.

V. Eight45 Services LLP

Corporate Information:

Eight45 Services LLP was incorporated as a limited liability partnership on April 18, 2018 under the Limited Liability Partnership Act, 2008. Its LLP identification number is AAM-4498. Eight45 Services LLP is primarily engaged in the business of management consultants and advisors in all forms and aspects of trade and industry. There have been no changes to the primary business activities undertaken by Eight45 Services LLP.

The registered office of Eight45 Services LLP is 51B, Floor 5, Plot 222, Maker Chamber IV, Jamnalal Bajaj Marg, Nariman Point, Mumbai – 400021, Maharashtra, India.

Partners of Eight45 Services LLP

The following table sets forth details of the partners of Eight45 Services LLP, as on the date of this Draft Red Herring Prospectus:

S. No.	Name of Partner	Designation	Capital (₹)	Profit/ Loss sharing ratio
1.	Dalmia Family Office Trust	Limited Partner	150,000,000	47.41%
2.	Gaurav Tevatia	Limited Partner	80,000,000	25.50%
3.	Vishal Thakkar	Limited Partner	12,375,000	19.72%
4.	Mayank Gupta	Limited Partner	4,125,000	6.57%
5.	Amit Jain	Limited Partner	2,500,000	0.80%
6.	Arpwood Partners Investment Advisors LLP (through Manoj Dengla)	Designated Partner	66,000,000	0.00%
7.	Amol Jain	Designated Partner	12,500	0.00%

Details of Change in Control:

There has been no change in the control of Eight45 Services LLP.

Our Company confirms that the PANs, bank account numbers, Aadhar card numbers, driving licence numbers and passport numbers of the partners of Eight45 Services LLP shall be submitted to the Stock Exchanges at the time of filing this Draft Red Herring Prospectus.

Details regarding change in control of our Company

Our Promoters are not the original Promoter of our Company. Other than as disclosed below, there has been no change in control of our Company in the last five years:

On May 29, 2019, Lyra Partners Limited transferred 560,000,000 Equity Shares of our Company for a consideration of ₹ 13.18 for each Equity Share to SBFC Holdings Pte. Ltd., thereby transferring control of our Company**.** The RBI had granted approval for the same through its letter dated January 30, 2019. For details see "*Capital Structure – Build-up of our Promoter's Equity Shareholding in our Company*" on page 86.

Additionally, pursuant to a resolution dated October 14, 2022, the Board took note that SBFC Holdings Pte. Ltd., Clermont Financial Pte. Ltd. (holding company of SBFC Holdings Pte. Ltd.), Arpwood Capital Private Limited, Arpwood Partners Investment Advisors LLP and Eight45 Services LLP are the Promoters of our Company. For details see "*History and Certain Corporate Matters*" on page 231 and "*Capital Structure – Build-up of our Promoter's Equity Shareholding in our Company*" on page 86.

Interests of the Promoters

i. The Promoters are interested in our Company to the extent (i) that they are promoters of our Company; (ii) of their shareholding in our Company; and (iii) of their right to nominate directors on the board of our Company. For details in relation to the experience of our Promoters in the business of our Company, please see, "*Risk Factors – Our Promoters have limited experience in certain functional areas of our business operations*" on page 42.

ii. The Promoters have no interest in any property acquired in the three years preceding the date of this Draft Red Herring Prospectus or is proposed to be acquired by our Company or in any transaction in acquisition of land, construction of building and supply of machinery, etc.

iii. No sums have been paid or agreed to be paid to our Promoters or to the firms or companies in which our Promoters are interested as members in cash or shares or otherwise by any person, either to induce them to become or to qualify them as directors or otherwise for services rendered by such Promoters or by such firms or companies in connection with the promotion or formation of our Company.

Payment or benefits to our Promoters or the members of our Promoter Group

Except as stated otherwise in "*Financial Statements – Notes to Restated Financial Information - Note 47*" on page 339, no amount or benefits have been paid or given to our Promoters or the members of the Promoter Group during the two years preceding the date of this Draft Red Herring Prospectus nor is there any intention to pay or give any amount or benefit to our Promoters or the members of our Promoter Group.

Material guarantees given by the Promoters to third parties with respect to Equity Shares

As on the date of this Draft Red Herring Prospectus, the Promoters have not given any material guarantees to any third party with respect to the Equity Shares.

Companies or firms with which our Promoters have disassociated in the last three years

Except as stated below, our Promoters have not disassociated themselves from any company or firm in the three years immediately preceding the date of this Draft Red Herring Prospectus:

Name of Company or Firm from which Promoter has Disassociated	Reasons for and Circumstances Leading to Disassociation	Date of Disassociation
Arpwood Partners Investment Advisors I LLP	Entire stake of the Arpwood Partners Investment Advisors I LLP, held by Arpwood Partners Investment Advisors LLP, has been transferred and the LLP is owned by Mr. Amol Jain, Mr. Manoj Dengla and Mr. Rajeev Gupta individually.	April 24, 2021
Movi Credit Asia Pte. Ltd.	Entire stake of Movi Credit Asia Pte. Ltd., held by Clermont Financial Pte. Ltd., has been transferred to Corinthia Holdings Pte. Ltd. pursuant to a sale and purchase agreement	October 18, 2022

Promoter Group

The entities forming a part of our Promoter Group are as follows:

1. Arpwood Consultants LLP;
2. Vastrapur Investment Advisors LLP;
3. Dalmia Family Office Trust;
4. Indie Holdings Pte. Ltd.; and
5. Clermont Corporation Pte. Ltd.

OUR GROUP COMPANIES

In terms of the SEBI ICDR Regulations, the term "Group Company" includes such companies (other than promoters and subsidiaries) with which there were related party transactions as disclosed in the Restated Financial Information, as covered under the applicable accounting standards, and also other companies as considered material by our Board. The Board by way of its resolution dated November 3, 2022 has resolved that there are no companies with which our Company has had any related party transactions and there are no companies considered material by the Board.

Accordingly, as on the date of this Draft Red Herring Prospectus, there are no group companies of our Company in terms of the SEBI ICDR Regulations.

DIVIDEND POLICY

The declaration and payment of dividend on our Equity Shares, if any, will be recommended by our Board and approved by our Shareholders, at their discretion, subject to the provisions of our Articles of Association and the applicable laws including the Companies Act, 2013 together with the applicable rules notified thereunder. The dividend, if any, will depend on a number of factors, including but not limited to our Company's profits, accumulated reserves, earnings outlook, capital requirements, financial commitments and financial requirements including business expansion plans, applicable legal restrictions, cost of raising funds from alternate sources, cash flows and other factors considered relevant by our Board. In addition, the dividend, if any, will also depend on a number of external factors including but not limited to applicable laws and regulations including taxation laws, economic conditions, and prevalent market practices. For details in relation to risks involved in this regard, see *"Risk Factors – Our Company may not be able to pay dividends in the future. Our ability to pay dividends in the future will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures and the terms of our financing arrangements*" and "*Key Regulations and Policies – Key regulations applicable to our Company – Circular dated June 24, 2021 on Declaration of Dividends by NBFCs"* on pages 52 and 224, respectively.

As on the date of this Draft Red Herring prospectus, our Company does not have a formal dividend policy.

We have neither declared nor paid any dividends on the Equity Shares in any of the three Financial Years preceding the date of this Draft Red Herring Prospectus and until the date of this Draft Red Herring Prospectus.

SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in conjunction with our "Restated Financial Information" on page 281 as well as "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 193 and 373, respectively.

Certain non-GAAP measures presented in this Draft Red Herring 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. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, 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 are not measures of operating performance or liquidity defined by generally accepted accounting principles. These non-GAAP financial measures and other statistical and other 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 banks or financial institutions in India or elsewhere. Other companies may calculate the non-GAAP Measures differently from us, limiting its utility as a comparative measure.

Return on Equity and Assets

The following table sets forth, for the periods indicated selected financial information relating to the return on equity and assets for our Company:

	As of / For the year ended March 31,			As of / For the three months ended June 30,
	2020	**2021**	**2022**	**2022**
	(₹ in million, except percentages and per share data)			
Profit After Tax	354.95	850.10	645.21	320.66
AUM(1)	16,482.07	22,213.23	31,921.81	36,282.62
Average AUM(2)	14,034.59	19,347.65	27,067.52	34,102.21
Total Assets(3)	42,079.85	42,311.90	45,150.34	46,630.32
Average Total Assets(4)	30,004.82	42,195.88	43,731.12	45,890.33
Total Tangible Assets(5)	39,475.93	39,707.98	42,546.42	44,026.40
Average Total Tangible Assets(6)	27,400.90	39,591.96	41,127.20	43,286.41
Net Worth(7)	10,124.77	12,051.08	12,871.67	15,718.76
Average Net Worth(8)	9,463.55	11,087.93	12,461.38	14,295.22
AUM/ Net Worth	1.63	1.84	2.48	2.31
Tangible Net Worth(9)	7,520.85	9,447.16	10,267.75	13,114.84
Average Tangible Net Worth(10)	6,859.63	8,484.01	9,857.46	11,691.30
Total Borrowings(11)	30,563.77	27,725.52	29,488.18	28,232.88
Average Total Borrowings(12)	19,509.20	29,144.64	28,606.85	28,860.52
Return on Total Tangible Assets(13)*	1.30%	2.15%	1.57%	0.74% [2.96%]
Return on Total Assets (%)(14)	1.18%	2.01%	1.48%	0.70%
Return on Tangible Equity(15)*	5.17%	10.02%	6.55%	2.74% [10.97%]
Return on Equity (%)(16)	3.75%	7.67%	5.18%	2.24%
Basic Earnings Per Equity Share(17)*	0.49	1.09	0.81	0.37 [1.48]
Diluted Earnings Per Equity Share(17)*	0.48	1.06	0.79	0.36 [1.42]
Tangible Net Asset Value Per Equity Share(18)	9.80	11.50	12.30	14.62
Net Asset Value Per Equity Share(19)	13.19	14.66	15.42	17.52
Profit as a percentage of Average Total Assets (%)	1.18%	2.01%	1.48%	0.70%

**Figures in square brackets represent annualized figures. Annualized figures are arrived at by multiplying the three month figures with four. Un-annualized figures are the actual figures for the period. The annualized figures are not indicative of our future financial performance.*

(1) AUM represents aggregate of Gross Loan Book and share and loan share of partner bank under co-origination agreement as of the last day of the relevant period.
(2) Average AUM represents the simple average of our AUM as of the last day of the relevant period and our AUM of the last day of the previous period.
(3) Total Assets represents total assets as of the last day of the relevant period.
(4) Average Total Assets represents the simple average of our total assets as of the last day of the relevant period and our total assets of the last day of the previous period.
(5) Total Tangible Assets represents Total Assets less goodwill as of the last day of the relevant period.
(6) Average Total Tangible Assets represents the simple average of our Total Tangible Assets as of the last day of the relevant period and our Total Assets of the last day of the previous period.
(7) Net Worth represents the sum of equity share capital and other equity as of the last day of the relevant period.
(8) Average Net Worth represents the simple average of Net Worth as of the last day of the relevant period and Net Worth as of the last day of the previous period.
(9) Tangible Net Worth represents the sum of equity share capital and other equity and reduced by goodwill as of the last day of the relevant period.
(10) Average Tangible Net Worth represents the simple average of Tangible Net Worth as of the last day of the relevant period and Tangible Net Worth as of the last day of the previous period.
(11) Total Borrowings represents the aggregate of debt securities, borrowings (other than debt securities) and collateralised borrowing principal outstanding as of the last day of the relevant period.
(12) Average Total Borrowings is the simple average of our Total Borrowings outstanding as of the last day of the relevant period and our Total Borrowings outstanding as of the last day of the previous period.
(13) Return on Total Tangible Assets is calculated as the profit after tax for the relevant period as a percentage of Average Total Tangible Assets in such period.
(14) Return on Total Assets is calculated as the profit after tax for the relevant period as a percentage of Average Total Assets in such period.
(15) Return on Tangible Equity is calculated as the profit after tax for the relevant period as a percentage of Average Tangible Net Worth in such period.
(16) Return on Equity is calculated as the profit after tax for the relevant period as a percentage of Average Net Worth in such period.
(17) 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).
(18) Tangible Net Asset Value per equity share is Tangible Net Worth as at the end of the relevant period divided by number of equity shares outstanding (including partly paid and those issued to ESOP trust) at the end of the relevant period.
(19) Net Asset Value per equity share is Net Worth as at the end of the relevant period divided by number of equity shares outstanding (including partly paid and those issued to ESOP trust) at the end of the relevant period.

Financial Ratios

The following table sets forth, for the periods indicated, certain financial ratios for our Company:

	As of / For the year ended March 31,			**As of / For the three months ended June 30, 2022**
	2020	**2021**	**2022**	
	(₹ in million, except percentages and ratios)			
AUM[(1)]	16,482.07	22,213.23	31,921.81	36,282.62
AUM Growth (%)[(2)]	42.24%	34.77%	43.71%	13.66%
Average AUM[(3)]	14,034.59	19,347.65	27,067.52	34,102.21
Gross Loan Book	15,670.89	21,101.64	30,293.11	34,071.67
Securitized assets[(4)]	1,641.50	752.04	588.30	548.32
Total Tangible Assets[(5)]	39,475.93	39,707.98	42,546.42	44,026.40
Revenue from Operations	4,446.70	5,070.99	5,290.52	1,599.67
Other Income	1.76	44.34	16.50	1.56
Total Income	4,448.46	5,115.33	5,307.02	1,601.23
Adjusted Finance Costs[(7)]	2,417.90	2,362.63	2,189.06	593.81
Operating Expenses[(8)]	1,121.81	1,275.65	1,783.20	513.74
Operating Expenses to Average Total Tangible Assets (%)[(9)]	4.09%	3.22%	4.34%	1.19%
Pre Provision Operating Profit (PPOP)	908.75	1,477.05	1,334.76	493.68
Pre Provision Operating Profit (PPOP) to Average Total Tangible Assets	3.32%	3.73%	3.25%	1.14%
Credit Cost[(10)]	322.63	336.40	467.80	65.09
Credit Cost to Average Total Assets (%)[(11)]	1.18%	0.85%	1.14%	0.15%
Gross NPA[(12)]	356.87	666.55	828.94	914.07
Gross NPA ratio (%)[(13)]	2.28%	3.16%	2.74%	2.68%
NPA Provision[(14)]	109.93	254.96	335.22	379.74
Net NPA[(15)]	246.94	411.59	493.72	534.33
Net NPA ratio (%)[(16)]	1.58%	1.95%	1.63%	1.57%
Provision Coverage Ratio (%)[(17)]	30.80%	38.25%	40.44%	41.54%

	As of / For the year ended March 31,			As of / For the three months ended June 30, 2022
	2020	2021	2022	
	(₹ in million, except percentages and ratios)			
Total Loan Loss Provision (LLP)[18]	370.69	652.49	662.75	713.04
Total LLP to Gross Loan Book (%)	2.37%	3.09%	2.19%	2.09%
Operating Expenses to Net Income [19]	55.25%	46.34%	57.19%	51.00%
Gross Loan Book/ Tangible Net Worth[20]	2.08	2.23	2.95	2.60
Average Gross Loan Book/ Average Tangible Net Worth[21]	1.98	2.17	2.61	2.75
Net Loan Book[22]	15,300.20	20,449.15	29,630.36	33,358.62

Figures disclosed in the above table, except Revenue from Operations, Other Income, Total Income, Finance Costs and Total Assets, are not measures of financial position, operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

(1) AUM represents aggregate of Gross Loan Book and loan share of partner bank under co-origination agreement as of the last day of the relevant period.

(2) AUM Growth represents growth in AUM for the relevant period over AUM of the previous period.

(3) Average AUM represents the simple average of our AUM as of the last day of the relevant period and our AUM of the last day of the previous period.

(4) Securitized assets represents aggregate of future principal outstanding and principal overdue outstanding, for loan assets which have been transferred by our Company by way of securitization (including the minimum retention requirement portion retained in the books) and outstanding as of the last day of the relevant period.

(5) Total Tangible Assets represents Total Assets less goodwill as of the last day of the relevant period.

(6) Disbursements represents the aggregate of all loan amounts extended to our customers in the relevant period.

(7) Adjusted Finance Costs represents aggregate of finance costs and fee expenses excluding interest on lease liabilities and interest on current tax liability for the relevant period.

(8) Operating Expenses represents employee benefits expense, depreciation and amortization expense, interest on lease liabilities and other expenses for the relevant period.

(9) Operating Expenses to Average Total Tangible Assets represents operating expenses for the relevant period upon the simple average of our Total Tangible Assets as of the last day of the relevant period and our Total Tangible Assets as of the last day of the previous period.

(10) Credit Cost represents impairment loss (including loss on derecognition) allowance on financial instruments as per Ind AS 109, write off (net of recovery) for the relevant period.

(11) Credit Cost to Average Total Tangible Assets represents our Credit Cost for a period to the Average Total Tangible Assets for the period.

(12) Gross NPA represents Gross Loan Book pertaining to loans which are required to be classified as NPA as per the Income Recognition, Asset Classification and Provisioning Norms issued and modified by RBI from time to time.

(13) Gross NPA ratio (%) represents the Gross NPA to the Gross Loan Book as of the last day of the relevant period.

(14) NPA provision represents total Expected Credit Loss allowance on Stage 3 Loans held in the books as of the last day of the relevant period.

(15) Net NPA represents Gross NPA reduced by NPA provisions as of the last day of relevant period.

(16) Net NPA ratio (%) represents the Net NPA to the Gross Loan Book as of the last day of the relevant period.

(17) Provision Coverage Ratio represents total provisions held on Gross NPA as of the last day of the period, as a percentage of total Gross NPAs as of the last day of the period.

(18) Total Loan Loss Provision (LLP) represents total provision held against the total Gross Loan Book outstanding as of the last day of relevant period.

(19) Operating Expenses to Net Income represents the ratio of operating expenses for the relevant period divided by Net Income for the period, expressed as a percentage. Net Income represents Total Income less Adjusted Finance Costs for the relevant period.

(20) Gross Loan Book represents aggregate of future principal outstanding, principal overdue, interest overdue and interest accrued but not due from borrowers pertaining to loans held in our books as on the last day of the relevant period.

(21) Average Tangible Net Worth represents the simple average of Tangible Net Worth as of the last day of the relevant period and Tangible Net Worth as of the last day of the previous period.

(22) Net Loan Book represents the Gross Loan Book less Total Loan Loss Provision made on Gross Loan Book of the last day of the relevant period.

Return Ratios

	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(Percentages)			
Total Income to Average AUM[1]	31.70%	26.44%	19.61%	4.70%
Adjusted Finance Costs to Average AUM[2]	17.23%	12.21%	8.09%	1.74%
Net Income to Average AUM[3]	14.47%	14.23%	11.52%	2.95%
Operating Expenses to Average AUM[4]	7.99%	6.59%	6.59%	1.51%
Credit Cost to Average AUM[5]	2.30%	1.74%	1.73%	0.19%
PBT to Average AUM[6]	4.18%	5.90%	3.20%	1.26%

	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(Percentages)			
PAT to Average AUM(7)	2.53%	4.39%	2.38%	0.94%
Return on Total Tangible Assets(8)	1.30%	2.15%	1.57%	0.74%
Return on Tangible Equity(9)	5.17%	10.02%	6.55%	2.74%

(1) Total Income to Average AUM represents sum of revenue from operations and other income for the period to the Average AUM for the period.
(2) Adjusted Finance Cost to Average AUM represents our Adjusted Finance Cost for the period to the Average AUM for the period.
(3) Net Income to Average AUM represents the difference between Total Income and Adjusted Finance Costs for the period to the Average AUM for the period.
(4) Operating Expenses to Average AUM represents our operating expenses for a period to the Average AUM for the period.
(5) Credit Cost to Average AUM represents our Credit Cost for a period to the Average AUM for the period.
(6) PBT to Average AUM represents our profit before tax for a period to the Average AUM for the period.
(7) PAT to Average AUM represents our profit after tax for a period to the Average AUM for the period.
(8) Return on Total Tangible Assets represents our profit after tax for a period to the Average Total Tangible Assets for the period
(9) Return on Tangible Equity represents our profit after tax for a period to the Average Tangible Net Worth for the period.

Yields, Spreads and Margins

	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020**	2021	2022	
	(₹ in million, except percentages)			
Interest Income(1)	4,096.83	4,631.66	4,731.47	1,394.88
Adjusted Finance Costs(2)	2,417.90	2,362.63	2,189.06	593.81
Total Interest-earning Assets(3)	37,863.08	34,268.74	38,503.10	40,782.53
Average Interest-earning Assets(4)	24,772.24	36,065.91	36,385.92	39,642.81
Average Total Assets(5)	27,400.90	39,591.96	41,127.20	43,286.41
Average Interest-bearing Liabilities(6)	19,509.20	29,144.64	28,606.85	28,860.52
Total Income	4,448.46	5,115.33	5,307.02	1,601.23
Net Interest Income(7)	1,678.93	2,269.03	2,542.41	801.07
Gross Loan Book	15,670.89	21,101.64	30,293.11	34,071.67
Yield on Average Gross Loan Book(8)	15.78%	15.09%	14.89%	3.87%
Yield on Monthly Average Gross Loan Book(9)	15.60%	16.11%	15.47%	3.88%
Product Yield on Monthly Average – Secured MSME Loans(10)	14.37%	14.13%	13.94%	3.77%
Product Yield on Monthly Average – Loan against Gold(10)	18.45%	20.27%	19.58%	4.14%
Average Cost of Borrowings(11) ^	12.39%	8.11%	7.65%	2.06%
Spread(12)	3.38%	6.98%	7.23%	1.81%
Net Interest Margin (%)(13)	11.96%	11.73%	9.39%	2.35%
Incremental Cost of Borrowings(14)	8.29%	8.11%	7.78%	8.43%
Incremental Borrowings(15)	24,418.71	6,071.61	9,360.00	750.00

*** Since our Company has made substantial investment of ₹ 23,656.00 million in pass-through certificates on June 14, 2019, certain ratios are not strictly comparable.*
(1) Interest Income include interest on loans, interest on investment in pass-through certificates and interest on deposit from banks.
(2) Adjusted Finance Costs represents aggregate of finance costs and fees expenses reduced by interest on lease liabilities and interest on current tax liability.
(3) Total Interest-earning Assets represents loans; balances with banks in fixed deposit accounts and investment in pass-through certificates as of the last day of the previous period.
(4) Average Interest-earning Assets represent the simple average of total interest-earning assets as of the last day of the relevant period and total interest-earning assets outstanding as of the last day of the previous period.
(5) Average Total Assets represents the simple average of our Total Assets as of the last day of the relevant period and our Total Assets of the last day of the previous period.
(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 relevant period and our total interest-bearing liabilities outstanding as of the last day of the previous period.
(7) Net Interest Income represents Interest Income less Adjusted Finance Costs, for the relevant period.
(8) Yield on Average Gross Loan Book represents the ratio of interest income on loan assets for a period to the average Gross Loan Book for the period, expressed as a percentage.
(9) Yield on Monthly Average Gross Loan Book represents the ratio of interest income on loan assets for the relevant fiscal period expressed as a percentage of the Monthly Average Gross Loan Book. Monthly Average Gross Loan Book is calculated as the sum of (i) the Gross Loan Book as of the end of each month in the relevant fiscal period and (ii) the Gross Loan Book as of the last day of the immediately preceding fiscal period, divided by 13 (in the case of any fiscal year) and divided by 4 (in case of the three months ended June 30, 2022).

(10) Product Yield on Monthly Average Gross Loan Book represents the ratio of interest income for the relevant product loan assets for the relevant fiscal period expressed as a percentage of the Monthly Average Gross Loan Book. Monthly Average Gross Loan Book is calculated as the sum of (i) the Gross Loan Book as of the end of each month in the relevant fiscal period and (ii) the Gross Loan Book as of the last day of the immediately preceding fiscal period, divided by 13 (in the case of any fiscal year) and divided by 4 (in case of the three months ended June 30, 2022).
(11) Average Cost of Borrowings represents finance cost (including collateralized borrowings) for the relevant period as a percentage of Average Borrowings in such period. Average Borrowings is the simple average of our Total Borrowings outstanding as of the last day of the relevant period and our Total Borrowings outstanding as of the last day of the previous period.
(12) Spread represents average yield on Gross Loan Book less average cost of borrowings including collateralized borrowings.
(13) Net Interest Margin represents our net interest income on the loans for a period to the average AUM for the period, represented as a percentage.
(14) Incremental Cost of Borrowing represents weighted average rate of interest on fresh borrowings in the relevant period.
(15) Incremental Borrowings represents borrowings (including collateralized borrowings) during the period.
^ Our average cost of borrowing has increased because of reset of MCLR of loans availed from banks.

Gross Loan Book

Asset Category	**As of/ For the year ended March 31,**			**As of/ For the three months ended June 30, 2022**
	2020	**2021**	**2022**	
	(₹ in million, except percentages)			
Gross Loan Book[(1)]	**15,670.89**	**21,101.64**	**30,293.11**	**34,071.67**
Secured MSME Loans	9,981.12	13,311.16	21,634.00	24,739.55
Loan against Gold	3,665.24	5,600.50	6,395.64	7,112.18
Others[(2)]	2,024.53	2,189.98	2,263.47	2,219.94
Secured credit exposure	87.15%	89.64%	92.54%	93.49%
Unsecured credit exposure	12.85%	10.36%	7.46%	6.51%

(1) Gross Loan Book represents aggregate of future principal outstanding and principal overdue held in our books as on the last day of the relevant period as well as loan assets which has been transferred by our Company by way of securitization and are outstanding as on last day of the relevant period.
(2) Others includes Gross Loan Book other than Secured MSME Loans and Loan against Gold, being unsecured loans.

Average Gross Loan Book

Asset Category	**As of/ For the year ended March 31,**			**As of/ For the three months ended June 30, 2022**
	2020	**2021**	**2022**	
	(₹ in million)			
Average Gross Loan Book[(1)]	13,598.54	18,386.26	25,697.37	32,182.39
Secured MSME Loans	9,168.59	11,646.14	17,472.58	23,186.78
Loans against Gold	3,175.80	4,632.87	5,998.07	6,753.91
Others[(2)]	1,254.15	2,107.25	2,226.72	2,241.70

(1) Average Gross Loan Book represents simple average of Gross Loan Book as of the last day of the relevant period and our Gross Loan Book as of the last day of the previous period.
(2) Others includes other than Secured MSME Loans and Loan against Gold, being unsecured loans.

Asset Quality

Provisioning and Write-Offs

Asset Category (Loan Book)	**As of/ For the year ended March 31,**			**As of/ For the three months ended June 30, 2022**
	2020	**2021**	**2022**	
	(₹ in million)			
Gross Loan Book	15,670.89	21,101.64	30,293.11	34,071.67
Gross NPAs[(1)]	356.87	666.55	828.94	914.07
NPA Provisions[(2)]	109.93	254.96	335.22	379.74
Net NPAs[(3)]	246.94	411.59	493.72	534.33
Bad Debts Write-off[(4)]	17.50	54.61	359.26	15.43

(1) Gross NPA represents Gross Loan Book pertaining to loans which are required to be classified as NPA as per the Income Recognition, Asset Classification and Provisioning norms issued and modified by RBI from time to time.
(2) NPA provisions represents total Expected Credit Loss allowance on Stage 3 Loans held in the books as of the last day of the relevant period.
(3) Net NPA represents Gross NPA reduced by Impairment Loss Allowance (i.e., Expected Credit Loss Allowance or ECLs) made against these loans as of the last day of relevant reporting period.

(4) *Bad Debts Write-off (net of recovery) includes loss on settlement.*

Stage Wise Loans – Details

	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(₹ in million, except percentages)			
Gross Loan Book -				
1. Stage 1(1)	14,761.91	18,205.18	27,798.74	31,479.69
2. Stage 2(2)	552.11	2,229.91	1,665.43	1,677.91
3. Stage 3(3)	356.87	666.55	828.94	914.07
4. Total Gross Loan Book	**15,670.89**	**21,101.64**	**30,293.11**	**34,071.67**
ECL Allowance – Loans				
5. Stage 1	251.28	310.14	174.28	193.51
6. Stage 2	9.48	87.39	153.25	139.79
7. Stage 3	109.93	254.96	335.22	379.74
8. Total ECL Allowance Loans	**370.69**	**652.49**	**662.75**	**713.04**
Net Loan Book				
9. Stage 1 (9=1-5)	14,510.63	17,895.04	27,624.47	31,286.17
10. Stage 2 (10=2-6)	542.63	2,142.52	1,512.17	1,538.12
11. Stage 3 (11=3-7)	246.94	411.59	493.72	534.33
12. Total Net Loan Book – Loans (12=4-8)	**15,300.20**	**20,449.15**	**29,630.36**	**33,358.62**
13. Gross NPA to Gross Loan Book (%)(4)	2.28%	3.16%	2.74%	2.68%
14. Gross NPA to AUM (%)(5)	2.17%	3.00%	2.60%	2.52%

Note: For further details, see "Risk Factors – The quality of our portfolio may be impacted due to higher levels of NPAs and our business may be adversely affected if we are unable to provide for such higher levels of NPAs." and "Management's Discussion and Analysis of Financial Condition and Results of Operations –Factors Affecting our Results of Operations and Financial Condition – Asset quality, NPAs and provisioning requirements" on pages 27 *and* 378*, respectively.*

(1) *Stage 1 Loans refers to less than 30 Day Past Due ("**DPD**") accounts other than restructured and NPA accounts which are less than 30 DPD. It also excludes any loan accounts which has been tagged as loss account.*

(2) *Stage 2 Loans refers to 30-89 DPD and all loans restructured under the Resolution Framework which allowed a one-time restructuring of loans impacted by COVID-19 pandemic which are 89 DPD or below.*

(3) *Stage 3 Loans refers to Non-Performing Assets as defined in the master circular dated July 1, 2015 "Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" issued by RBI, as amended.*

(4) *Gross NPA ratio (%) to Gross Loan Book represents the closing balance of Stage 3 loan to the Gross Loan Book as of the last day of the relevant period.*

(5) *Gross NPA ratio (%) to AUM represents the closing balance of Stage 3 loan to AUM as of the last day of the relevant period.*

Stage wise loans – Secured MSME Loans

	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(₹ in million, except percentages)			
Stage 1	9,442.59	12,048.11	19,860.63	22,915.16
Stage 2	246.20	808.78	1,153.93	1,153.96
Stage 3(1)	292.33	454.27	619.44	670.43
Gross Loan Book – Secured MSME Loans	9,981.12	13,311.16	21,634.00	24,739.55
Secured MSME Loans (%)				
Stage 1(2)	94.60%	90.51%	91.80%	92.63%
Stage 2(3)	2.47%	6.08%	5.34%	4.66%
Stage 3(4)	2.93%	3.41%	2.86%	2.71%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

(1) *Stage 3 represents Gross NPA of Secured MSME as of the last day of the relevant period.*

(2) *Stage 1% represents Stage 1 of Secured MSME to Gross Loan Book of Secured MSME of our Company as of the last day of relevant period.*

(3) *Stage 2% represents Stage 2 of Secured MSME to Gross Loan Book of Secured MSME of our Company as of the last day of relevant period.*

(4) *Stage 3% represents Stage 3 / Gross NPA of Secured MSME to Gross Loan Book of Secured MSME of our Company as of the last day of relevant period.*

Stage wise loans – Loan against Gold

	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(₹ in million, except percentages)			
Stage 1	3,325.64	4,216.86	5,842.93	6,550.21
Stage 2	289.00	1,299.86	443.58	434.15
Stage 3[(1)]	50.60	83.78	109.13	127.82
Gross Loan Book – Loan against Gold	3,665.24	5,600.50	6,395.64	7,112.18
Secured loans against gold (%)				
Stage 1[(2)]	90.74%	75.29%	91.36%	92.10%
Stage 2[(3)]	7.88%	23.21%	6.93%	6.10%
Stage 3[(4)]	1.38%	1.50%	1.71%	1.80%
	100.00%	**100.00%**	**100.00%**	**100.00%**

(1) Stage 3 represents Gross NPA of Loan against Gold as of the last day of the relevant period.
(2) Stage 1% represents Stage 1 of Loan against Gold to Gross Loan Book of Loan against Gold of our Company as of the last day of relevant period.
(3) Stage 2% represents Stage 2 of Loan against Gold to Gross Loan Book of Loan against Gold of our Company as of the last day of relevant period.
(4) Stage 3% represents Stage 3 / Gross NPA of Loan against Gold to Gross Loan Book of Loan against Gold of our Company as of the last day of relevant period.

Product-wise Gross NPA

	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(₹ in million)			
Secured MSME Loans	292.33	454.27	619.44	670.43
Loans against Gold	50.60	83.78	109.13	127.82
Others[(1)]	13.94	128.50	100.37	115.82
Total Gross NPA	**356.87**	**666.55**	**828.94**	**914.07**

(1) Others includes Gross Loan Book other than Secured MSME Loans and Loan against Gold, being unsecured loans.

Product-wise Gross NPA (%)

	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(Percentages)			
Secured MSME Loans	2.93%	3.41%	2.86%	2.71%
Loans against Gold	1.38%	1.50%	1.71%	1.80%
Others[(1)]	0.69%	5.87%	4.43%	5.22%
Total Gross NPA	**2.28%**	**3.16%**	**2.74%**	**2.68%**

(1) Others includes Gross Loan Book other than Secured MSME Loans and Loan against Gold, being unsecured loans.

Productivity Ratios – Overall

The following table sets forth, for the periods indicated, certain productivity ratios for our Company:

	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
AUM[(1)] (₹ in million)	16,482.07	22,213.23	31,921.81	36,282.62
Number of branches[(2)]	96	124	135	135
Number of on-roll employees[(3)]	1,153	1,471	2,048	2,377
Number of Customers[(4)]	40,432	56,587	72,816	80,073
AUM per branch[(5)] (₹ in million)	171.69	179.14	236.46	268.76
AUM per employee[(6)] (₹ in million)	14.29	15.10	15.59	15.26

(1) *AUM represents aggregate of Gross Loan Book and share and loan share of partner bank under co-origination agreement as of the last day of the relevant period.*
(2) *Number of branches represents aggregate number of branches of our Company as of the last day of relevant period.*
(3) *Number of on-roll employees represents aggregate number of employees of our Company as of the last day of relevant period. On roll employees exclude trainees under National Apprentice Promotion Scheme.*
(4) *Number of customers represents aggregate number of customers of our Company as of the last day of relevant period including securitized accounts.*
(5) *AUM per branch represents AUM as of last day of the relevant period divided by number of branches.*
(6) *AUM per employee represents AUM as of the last day of the relevant period divided by number of on roll employees.*

Productivity Ratios – Secured MSME Loans

The following table sets forth, for the periods indicated, certain productivity ratios for our Secured MSME Loans. Secured MSME Loans include loans against residential property and loans against commercial property, excluding Loans against Gold for our Company:

Productivity Ratios – Secured MSME Loans	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
AUM - Secured MSME Loans (₹ in million)	10,792.30	14,422.75	23,262.70	26,950.50
Number of Customers	6,167	9,665	19,004	22,605
Disbursements- Secured MSME Loans (₹ in million)	4,455.01	5,955.21	13,328.28	4,955.64
Disbursement Yield on origination (%)	14.50%	14.61%	15.59%	16.04%
Number of branches(1)	96	124	135	135
Number of on-roll employees(2)	633	754	1,255	1,548
Number of branches with Vintage >=36 months	70	68	83	84
Number of branches with Vintage <36 month and >12 months	16	26	40	45
Number of branches with Vintage <=12 months	10	30	12	6
AUM per branch with Vintage >=36 months (₹ in million)	140.90	182.83	223.20	247.15
AUM per branch with Vintage <36 month and >12 months (₹ in million)	51.90	59.33	102.15	126.08
AUM per branch with Vintage <=12 months (₹ in million)	9.88	14.92	54.26	86.11
AUM per branch(3) (₹ in million)	112.42	116.31	172.32	199.63
AUM per employee(4) (₹ in million)	15.77	17.65	17.24	17.41
Disbursement per branch per month(5) (₹ in million)	3.87	4.00	8.23	12.24
Disbursement per employee per month(6) (₹ in million)	0.59	0.66	0.89	1.07
Employees per Branch	7	6	9	11

(1) *Number of branches represents aggregate number of branches of our Company for Secured MSME loans as of the last day of relevant period.*
(2) *Number of on-roll employees represents aggregate number of business, credit & risk and debt management employees of our Secured MSME business, as of the last day of relevant period. On roll employees exclude trainees under National Apprentice Promotion Scheme.*
(3) *AUM per branch represents AUM as of last day of the relevant period divided by number of branches.*
(4) *AUM per employee represents AUM as of the last day of the relevant period divided by number of on roll employees.*
(5) *Disbursement per branch per month represents disbursements in the relevant period divided by number of branches and number of months.*
(6) *Disbursement per employee represents disbursements in the relevant period divided by number of on roll employees.*

Secured MSME Loan Portfolio – AUM

Particulars	As of March 31,			As of June 30, 2022
	2020	2021	2022	
	(in million, except percentages)			
AUM	10,792.30	14,422.67	23,262.70	26,950.50
0 days AUM(1)	958.44	1,259.43	1,596.52	1,803.81
0 days AUM(2) (%)	8.88%	8.73%	6.86%	6.69%
30 days + AUM(3)	554.74	932.85	1,104.77	1,286.24
30 days + AUM(4) (%)	5.14%	6.47%	4.75%	4.77%

*(1) 0 days AUM refers to accounts that are 0 Days Past Due ("**DPD**").*
(2) 0 days AUM(%) to refers 0 DPD to the AUM of Secured MSME Loans as of the last day of the relevant period as a percentage.
(3) 30 days + AUM refers to accounts that are more than 30 DPD.
(4) 30 days + AUM (%) refers 30+ DPD to the AUM of Secured MSME as of the last day of the relevant period as a percentage.

Secured MSME Loan Portfolio – Restructured Standard Book

Particulars	As of March 31,			As of June 30, 2022
	2020	2021	2022	
	(in million, except percentages)			
Restructured AUM(1)	35.29	466.30	1,150.76	1,080.60
Standard Restructured AUM*(2)	35.29	424.56	938.52	834.94
Standard Restructured AUM(3)(%)	100.00%	91.05%	81.56%	77.27%

(1) Restructured AUM refers to all accounts restructured under the resolution framework of the RBI which allowed a one-time restructuring of loans impacted by COVID-19 pandemic as of the last day of the relevant period.
(2) Standard Restructured AUM refers to Restructured AUM which are 89 DPD or below as of the last day of the relevant period.
(3) Standard Restructured AUM (%) refers to Restructured AUM to the Standard Restructured AUM, as a percentage, as of the last day of the relevant period.
** Classified as Stage-2 assets.*

Secured MSME Loan Portfolio – ECLGS Standard Book

Particulars	As of March 31, 2021	As of March 31, 2022	As of June 30, 2022
	(in million, except percentages)		
AUM – Secured MSME Loans (ECLGS)(1)	175.04	170.81	155.24
Standard AUM – Secured MSME Loans (ECLGS)(2)	174.01	154.7	135.81
Standard AUM – Secured MSME Loans (ECLGS)(%)(3)	99.41%	90.57%	87.48%

(1) AUM represents aggregate of Gross Loan Book of Secured MSME Loans- ECLGS as of the last day of the relevant period.
(2) Standard AUM - Secured MSME Loans (ECLGS) refers to accounts which are 89 DPD or below other than Gross NPA accounts which are less than 30 DPD, as of the last day of the relevant period.
(3) Standard AUM – Secured MSME Loans (ECLGS) (%) refers to Standard AUM - Secured MSME Loans (ECLGS) to the AUM Secured MSME Loan (ECLGS) as of the last day of the relevant period.

AUM Customer Profiling – CIBIL on origination

CIBIL on origination	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(Percentage)			
>= 750	34.18%	42.09%	48.06%	48.48%
>= 700 - < 750	35.84%	33.23%	31.83%	31.95%
>= 650 - < 700	11.95%	9.85%	8.47%	8.37%
< 650	8.44%	6.84%	4.29%	3.61%
0/-1	9.60%	8.00%	7.35%	7.59%

Customer Segmentation

Our grade-based classification shows differential credit performance which ranks risks. Our Gross NPA as on June 30, 2022 for Grade 1, Grade 2, Grade 3, Grade 4 and Grade 5 customers was 0.68%, 1.17%, 1.68%, 2.79% and 4.98%, respectively.

Set forth below are details of the customer segmentation in terms of AUM:

Customer segment	As of March 31,						As of June 30, 2022	
	2020		2021		2022			
	AUM (₹ million)	Percentage of total AUM (%)	AUM (₹ million)	Percentage of total AUM (%)	AUM (₹ million)	Percentage of total AUM (%)	AUM (₹ million)	Percentage of total AUM (%)
Grade 1	388.82	5.18%	1,296.82	11.58%	3,667.11	17.96%	4,521.18	18.82%
Grade 2	1,119.55	14.90%	2,280.06	20.36%	5,647.89	27.67%	7,141.44	29.73%
Grade 3	810.45	10.79%	1,284.35	11.47%	2,439.93	11.95%	2,904.53	12.09%
Grade 4	1,934.85	25.75%	2,619.10	23.39%	4,455.41	21.83%	5,150.67	21.44%
Grade 5	1,571.39	20.92%	2,360.15	21.08%	3,010.55	14.75%	3,128.21	13.02%

Customer segment	As of March 31,						As of June 30, 2022	
	2020		2021		2022			
	AUM (₹ million)	Percentage of total AUM (%)	AUM (₹ million)	Percentage of total AUM (%)	AUM (₹ million)	Percentage of total AUM (%)	AUM (₹ million)	Percentage of total AUM (%)
Not Segmented	1,687.47	22.46%	1,355.61	12.11%	1,192.84	5.84%	1,173.43	4.89%
Sub-total	**7,512.53**	**100.00%**	**11,196.09**	**100.00%**	**20,413.73**	**100.00%**	**24,019.46**	**100.00%**

Set forth below are details of the customer segmentation in terms of disbursal amount:

Customer segment	As of March 31,						As of June 30, 2022	
	2020		2021		2022			
	Disbursement (₹ million)	Percentage of total disbursement (%)	Disbursement (₹ million)	Percentage of total disbursement (%)	Disbursement (₹ million)	Percentage of total disbursement (%)	Disbursement (₹ million)	Percentage of total disbursement (%)
Grade 1	342.55	8.50%	1,094.89	20.43%	2,851.28	22.39%	1,021.27	21.95%
Grade 2	839.27	20.83%	1,458.78	27.22%	4,158.86	32.66%	1,780.63	38.26%
Grade 3	471.72	11.71%	640.35	11.95%	1,515.55	11.90%	576.21	12.38%
Grade 4	1,387.52	34.44%	1,046.68	19.53%	2,635.16	20.69%	930.92	20.00%
Grade 5	987.41	24.51%	915.17	17.08%	1,257.85	9.88%	284.26	6.11%
Not Segmented	-	-	202.83	3.79%	316.34	2.48%	60.24	1.29%
Total	**4,028.47**	**100.00%**	**5,358.698**	**100.00%**	**12,735.04**	**100.00%**	**4,653.54**	**100.00%**

Property Type – Secured MSME Loans

Property Type	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(Percentage)			
Self-Occupied Residential Property	74.44%	77.55%	80.19%	81.02%
Self -Occupied Commercial Property	18.93%	15.68%	12.39%	11.87%
Others*	6.63%	6.77%	7.42%	7.11%

**Includes rental property and mixed use property.*

Collection efficiency – Secured MSME Loans

Particulars	As of/ For the year ended March 31, 2022	As of/ For the three months ended June 30, 2022
	(Percentage)	
Including overdue	94.86%	96.96%
Excluding overdue	92.78%	95.46%

AUM by Eligibility Type – Secured MSME Loans*

Eligibility type	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(Percentage)			
Income-based	72.43%	76.78%	87.63%	89.79%
Others	27.57%	23.22%	12.37%	10.21%

** Includes loans to salaried individuals as well.*

AUM by Ticket Size – Secured MSME Loans

Ticket size	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(Percentage)			
<= 3.00 million	69.61%	77.63%	87.75%	89.12%
> 3.00 million	30.39%	22.37%	12.25%	10.88%

Interest Rate – Secured MSME Loans

Particulars	As of/ For the year ended March 31, 2022	As of/ For the three months ended June 30, 2022
	(Percentage)	
Floating	95.47%	96.34%
Fixed	4.53%	3.66%
Total	**100.00%**	**100.00%**

Secured MSME Loans – Upto ₹ 3.00 Million

Particulars	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(in ₹ million, other than percentages)			
AUM	7,512.53	11,196.10	20,413.73	24,019.45
Disbursement	4,028.47	5,358.69	12,735.04	4,653.54
Disbursement sourced from co-origination	1,011.14	516.15	937.78	821.89
AUM sourced from co-origination	1,013.98	1,389.48	2,035.87	2,763.69

Productivity Ratios – Loan against Gold

The following table sets forth, for the periods indicated, certain productivity ratios for Loans against Gold provided by our Company (excluding all other loans):

Productivity Ratios – Loan against Gold	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
AUM- Loan against Gold (₹ in million)	3,665.24	5,600.50	6,395.64	7,112.18
Number of Customers	25,862	36,813	42,931	46,821
Number of branches(1)	96	124	135	135
Number of on-roll employees(2)	320	459	539	579
Number of branches with Vintage >=36 months	70	68	83	84
Number of branches with Vintage <36 month and >12 months	16	26	40	45
Number of branches with Vintage <=12 months	10	30	12	6
AUM per branch with Vintage >=36 months (₹ in million)	44.66	57.77	51.80	55.28
AUM per branch with Vintage <36 month and >12 months (₹ in million)	27.23	45.95	43.10	49.95
AUM per branch with Vintage <=12 months (₹ in million)	10.32	15.92	30.99	36.86
AUM per branch(3) (₹ in million)	38.18	45.17	47.38	52.68
AUM per employee(4) (₹ in million)	11.45	12.20	11.87	12.28

(1) Number of branches represents aggregate number of gold loan branches of our Company as of the last day of relevant period.
(2) Number of on-roll employees represents aggregate number of business, credit & risk (Chief Valuer) employees of our Loan against Gold business, as of the last day of relevant period. On roll employees exclude trainees under National Apprentice Promotion Scheme.
(3) AUM per branch represents AUM as of last day of the relevant period divided by number of branches.
(4) AUM per employee represents AUM as of the last day of the relevant period divided by number of on roll employees.

Interest Rate Coverage Ratio

The table below sets forth our interest coverage ratio for the year ended March 31, 2020, March 31, 2021, March 31, 2022, and for the three months ended June 30, 2022:

	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	**2021**	**2022**	
	(₹ million, except ratios)			
Net Profit	354.95	850.10	645.21	320.66
Add:				
Adjusted Finance Costs[(1)]	2,417.90	2,362.63	2,189.06	593.81
Depreciation	81.82	95.40	117.81	32.09
Net Profit Before Interest and Depreciation	2,854.67	3,308.13	2,952.08	**946.56**
Adjusted Finance Costs[(1)]	2,417.90	2,362.63	2,189.06	593.81
Interest Service Coverage Ratio	1.18	1.40	1.35	**1.59**

Adjusted Finance Costs represents aggregate of finance costs and fees expenses reduced by interest on lease liabilities and interest on current tax liability.

Asset Liability Management

The following table sets forth the maturity pattern of certain items of assets and liabilities as at the end of the relevant period or year:

Particulars		1 day to 30/31 (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Total
						(₹ million)				
Liabilities										
Borrowings	As of June 30, 2022	354.36	343.58	1,428.50	1,573.47	3,433.27	13,138.27	7,426.98	475.02	**28,173.45**
	As of March 31, 2022	307.37	310.00	1,374.06	2,031.21	3,065.93	13,425.89	7,513.33	1,371.28	**29,399.07**
	As of March 31, 2021	265.79	83.63	1,076.96	1,338.84	4,178.49	9,129.39	6,944.59	4,664.05	**27,681.74**
	As of March 31, 2020	68.11	121.68	210.19	4,745.22	2,504.68	7,913.52	6,825.42	8,167.25	**30,556.07**
Assets										
Advances	As of June 30, 2022	1,864.15	838.03	468.60	2,303.18	3,856.18	4,090.56	4,369.07	15,866.19	**33,655.96**
	As of March 31, 2022	1,273.16	812.04	1,241.03	1,793.22	3,308.89	3,898.03	4,014.81	13,482.94	**29,824.12**
	As of March 31, 2021	520.33	277.83	269.09	1,611.14	4,249.05	2,750.81	2,587.23	8,436.46	**20,701.94**
	As of March 31, 2020	492.49	156.74	167.14	818.44	3,119.43	2,278.56	2,132.92	6,315.85	**15,481.57**
Investments	As of June 30, 2022	2,206.86	82.21	82.82	254.34	551.33	2,156.03	1,315.94	-	**6,649.53**
	As of March 31, 2022	3,396.75	283.07	285.57	873.15	1,147.93	2,494.66	-	-	**8,481.13**
	As of March 31, 2021	4,254.49	234.75	236.83	723.25	1,504.16	5,367.25	2,521.76	-	**14,842.49**
	As of March 31, 2020	263.00	140.43	141.75	433.11	902.46	4,109.48	4,997.52	7,803.02	**18,790.77**

Capital Adequacy

Particulars	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(₹ in million, except percentages)			
Tier I Capital	7,021.41	9,087.59	9,864.61	12,711.44
Tier II Capital	175.09	221.71	119.27	138.51
Total Capital	7,196.50	9,309.30	9,983.88	12,849.95
Risk Weighted Assets	32,866.62	35,469.74	38,087.02	40,194.33

Particulars	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(₹ in million, except percentages)			
Capital Adequacy Ratio (%)	21.89%	26.25%	26.21%	31.97%
Tier I Capital (%)	21.36%	25.62%	25.90%	31.63%
Tier II Capital (%)	0.53%	0.63%	0.31%	0.34%
Total Borrowings(1) to Tangible Equity(2) ratio(3)	4.06	2.93	2.87	2.15

(1) Total Borrowings represents the aggregate of debt securities, borrowings (other than debt securities) and collateralised borrowing principal outstanding as of the last day of the relevant period.

(2) Tangible Equity represents the aggregate of Equity share capital and Other equity balance less goodwill as of the last day of the relevant period.

(3) Total Borrowings to Equity ratio represents Total Borrowings as of the last day of the relevant period upon total equity as of the last day of the relevant period.

Sources of Capital – Borrowing

Particulars	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(₹ in million)			
Term Loans – Secured				
Banks	25,748.91	25,179.91	27,253.65	26,475.02
NBFCs and Financial Institutions	-	375.00	1293.48	862.51
Debt Securities – Secured				
Non-Convertible Debentures	3,250.00	1,500.00	430.00	430.00
Others				
Collateralized borrowing	1,564.86	670.61	511.05	465.35
Total	**30,563.77**	**27,725.52**	**29,488.18**	**28,232.88**

Sources of Capital – Borrowing mix

Particulars	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(₹ in million)			
Term Loans – Secured				
Banks	84.25%	90.82%	92.42%	93.77%
NBFCs and Financial Institutions	0.00%	1.35%	4.39%	3.06%
Debt Securities – Secured				
Non-Convertible Debentures	10.63%	5.41%	1.46%	1.52%
Others				
Collateralized borrowing	5.12%	2.42%	1.73%	1.65%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Type of Borrowings

Particulars	As of/ For the year ended March 31, 2020	2021	2022	As of/ For the three months ended June 30, 2022
	(Percentages)			
Fixed Rate Borrowings	10.63%	5.41%	3.15%	3.19%
Floating Rate Borrowings	89.37%	94.59%	96.85%	96.81%
Total Borrowings(1)	**100.00%**	**100.00%**	**100.00%**	**100.00%**

(1) Total Borrowings represents the aggregate of debt securities, borrowings (other than debt securities) and collateralised borrowing principal outstanding as of the last day of the relevant period.

Average cost and tenure of borrowing

Particulars	As of/ For the year ended March 31, 2020**	2021	2020	As of/ For the three months ended June 30, 2022
	(in months, except percentages)			
Average Tenure of Borrowing(1)	75.32	66.55	53.87	51.58
Average Cost of Borrowing(2)	12.39%	8.11%	7.65%	2.06%

***Since our Company has made substantial investment of ₹ 23,656.00 million in pass-through certificates on June 14, 2019, the above ratios are not strictly comparable.*

(1) Average Tenure of Borrowings represents weighted tenure based on residual tenure.

(2) Average Cost of Borrowings represents finance cost (including collateralized borrowing) for the relevant period as a percentage of Average Total Borrowings in such period. Average Total Borrowings is the simple average of our Total Borrowings outstanding as of the last day of the relevant period and our Total Borrowings outstanding as of the last day of the previous period.

Number of Entities Borrowed From

Particulars	As of/ For the year ended March 31, 2020	2021	2022	As of/ For the three months ended June 30, 2022
Banks	4	10	14	15
NBFCs and Financial Institutions	0	2	2	2
Mutual Funds	3	0	0	0
Total	7	12	16	17

Borrowings by Rate Method

Rate Method	As of/ For the year ended March 31, 2020	2021	2022	As of/ For the three months ended June 30, 2022
	% Share			
Fixed Rate Borrowings	10.63%	5.41%	3.15%	3.19%
Floating Rate Borrowings	89.37%	94.59%	96.85%	96.81%
Total(1)	**100.00%**	**100.00%**	**100.00%**	**100.00%**

(1) Total Borrowings represents the aggregate of debt securities, borrowings (other than debt securities) and collateralised borrowing principal outstanding as of the last day of the relevant period.

Product Wise AUM (in terms of Amount)

Product Wise AUM (in terms of Amount)	As of/ For the year ended March 31, 2020	2021	2022	As of/ For the three months ended June 30, 2022
	(₹ in million)			
Secured MSME Loans	10,792.30	14,422.75	23,262.70	26,950.50
Loan against Gold	3,665.24	5,600.50	6,395.64	7,112.18
Others*	2,024.53	2,189.98	2,263.47	2,219.94
Total	**16,482.07**	**22,213.23**	**31,921.81**	**36,282.62**

** Others includes unsecured loans. This also includes discontinued business AUM of ₹ 11.10 million, ₹ 3.49 million, ₹ 2.28 million and ₹ 2.31 million as of March 31, 2020, March 31, 2021, March 31, 2022 and as of June 30, 2022, respectively.*

Product Wise Disbursement

Product Wise Disbursement	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(₹ in million)			
Secured MSME Loans	4,455.01	5,955.21	13,328.28	4,955.64
Loan against Gold[(1)]	6,352.77	8,300.43	11,270.03	3,606.98
Others*	1,871.07	768.96	1,110.51	184.52
Total	**12,678.85**	**15,024.60**	**25,708.82**	**8,747.14**

** Others includes unsecured loans.*

(1) Gold loan disbursement represent Gross disbursement during the relevant period.

Product Wise average LTV on AUM Origination Basis (%)

Product Wise average LTV on AUM on Origination Basis (%)	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(Percentages)			
Secured MSME Loans	46.62%	45.17%	43.42%	43.21%
Loan against Gold	65.95%	67.88%	69.47%	69.43%

Product Wise Tenure of AUM (in Months, on Origination)

Product Wise Tenure of AUM (in Months, on Origination)	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(in months)			
Secured MSME Loans	160	153	143	141
Loan against Gold	10	10	6	6
Others*	51	53	56	56

** Others includes unsecured loans.*

Product Wise Average Ticket Size on Disbursement

Product Wise Average Ticket Size on Disbursement	As of/ For the year ended March 31,			As of/ For the three months ended June 30, 2022
	2020	2021	2022	
	(₹ in million)			
Secured MSME Loans	1.15	1.08	0.98	0.97
Loan against Gold	0.10	0.10	0.10	0.10
Others*	0.26	0.26	0.31	0.63

** Others includes unsecured loans.*

AUM by State/Territory

Our Company does not disburse loans to borrowers in any country other than in India.

AUM by State/ Territory	As of/ For the year ended March 31,						As of/ For the three months ended June 30, 2022	
	2020		2021		2022			
	Amount	% Share	Amount	% Share	Amount	% Share	Amount	% Share
	(₹ in million, except percentages)							
Chandigarh	232.28	1.41%	228.36	1.03%	191.70	0.60%	182.58	0.50%
Delhi	1,398.74	8.49%	1,537.56	6.92%	1,415.22	4.43%	1,352.35	3.73%
Haryana	621.30	3.77%	948.77	4.27%	1,680.58	5.27%	1,988.48	5.48%
Punjab	602.15	3.65%	626.09	2.82%	679.81	2.13%	658.26	1.81%
Rajasthan	409.94	2.49%	579.35	2.61%	877.19	2.75%	969.59	2.67%
Uttar Pradesh	1,114.39	6.76%	2,004.33	9.02%	4,695.13	14.71%	5,598.09	15.43%
Uttarakhand	228.88	1.39%	561.54	2.53%	763.65	2.39%	794.77	2.19%
North Total	**4,607.68**	**27.96%**	**6,486.00**	**29.20%**	**10,303.28**	**32.28%**	**11,544.12**	**31.81%**
Andhra Pradesh	1,558.70	9.46%	1,883.56	8.48%	2,069.50	6.48%	2,173.30	5.99%
Karnataka	2,687.15	16.30%	3,659.34	16.47%	5,350.25	16.76%	6,159.71	16.98%
Puducherry	66.55	0.40%	61.06	0.27%	64.89	0.20%	76.62	0.21%

AUM by State/ Territory	As of/ For the year ended March 31,						As of/ For the three months ended June 30, 2022	
	2020		2021		2022			
	Amount	% Share	Amount	% Share	Amount	% Share	Amount	% Share
	(₹ in million, except percentages)							
Tamil Nadu	867.74	5.26%	972.11	4.38%	1,090.25	3.42%	1,224.75	3.38%
Telangana	1,395.55	8.47%	2,056.47	9.26%	3,419.27	10.71%	4,050.17	11.16%
South Total	**6,575.69**	**39.89%**	**8,632.54**	**38.86%**	**11,994.16**	**37.57%**	**13,684.55**	**37.72%**
Gujarat	1,422.10	8.63%	1,405.26	6.33%	1,379.47	4.32%	1,465.55	4.04%
Madhya Pradesh	992.38	6.02%	1,467.24	6.60%	2,416.23	7.57%	2,731.26	7.53%
Maharashtra	2,145.19	13.01%	2,870.91	12.92%	3,614.35	11.32%	4,074.79	11.23%
West Total	**4,559.67**	**27.66%**	**5,743.41**	**25.85%**	**7,410.05**	**23.21%**	**8,271.60**	**22.80%**
Assam	577.83	3.51%	991.94	4.47%	1,452.67	4.55%	1,722.15	4.75%
Bihar	-	0.00%	7.87	0.03%	438.35	1.37%	688.22	1.90%
West Bengal	150.10	0.91%	347.98	1.57%	321.02	1.01%	369.67	1.02%
East Total	**727.93**	**4.42%**	**1,347.79**	**6.07%**	**2,212.04**	**6.93%**	**2,780.04**	**7.66%**
Discontinued Business	11.10	0.07%	3.49	0.02%	2.28	0.01%	2.31	0.01%
Grand Total	**16,482.07**	**100.00%**	**22,213.23**	**100.00%**	**31,921.81**	**100.00%**	**36,282.62**	**100.00%**

SECTION V - FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Independent Auditors' Examination Report on the Restated Statement of Assets and Liabilities as at 30 June 2022, 31 March 2022, 31 March 2021 and 31 March 2020 and Restated Statement of Profit and Loss (including other comprehensive income), Restated Statement of Changes in Equity and Restated Statement of Cash Flows for the three months period ended 30 June 2022 and each of the years ended 31 March 2022, 31 March 2021 and 31 March 2020, the Statement of Significant Accounting Policies, and other explanatory information of SBFC Finance Limited (collectively, the "Restated Financial Information")

To
The Board of Directors of
SBFC Finance Limited (Formerly known as SBFC Finance Private Limited)

Dear Sirs,

1. We, Suresh Surana & Associates LLP ("we", "us" or "SSA LLP") have examined the attached Restated Financial Information of SBFC Finance Limited (Formerly known as SBFC Finance Private Limited) (the "Company" or the " Issuer"), comprising the Restated Statement of Assets and Liabilities as at 30 June 2022, 31 March 2022, 31 March 2021 and 31 March 2020, the Restated Statement of Profit and Loss (including other comprehensive income), the Restated Statement of Changes in Equity, the Restated Statement of Cash Flows for the three months period ended 30 June 2022 and for the years ended 31 March 2022, 31 March 2021 and 31 March 2020, the Summary Statement of Significant Accounting Policies, and other explanatory information (Collectively, the "Restated Financial Information"), as approved by the Board of Directors of the Company at their meeting held on November 3, 2022 for the purpose of inclusion in the Draft Red Herring Prospectus ("DRHP") prepared by the Company in connection with its proposed Initial Public Offering of equity shares of face value of Rs.10 each ("IPO"), prepared in terms of the requirements of:

   a) Section 26 of Part I of Chapter III of the Companies Act, 2013 (the "Act");

   b) 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**') on 11 September 2018, as amended from time to time in pursuance of the Securities and Exchange Board of India Act, 1992 ("**the ICDR Regulations**"); and

   c) Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ('ICAI'), ("Guidance Note")

2. The Company's Board of Directors is responsible for the preparation of the Restated Financial Information for the purpose of inclusion in the DRHP to be filed with Securities and Exchange Board of India ("SEBI"), the stock exchanges where the equity shares of the Company are proposed to be listed ("Stock Exchanges") in connection with the proposed IPO. The Restated Financial Information has been prepared by the management of the Company on the basis of preparation as stated in Note 2.1 to the Restated Financial Information. The responsibility of Board of Directors of the Company includes designing, implementing and maintaining adequate internal control relevant to the preparation and presentation of the Restated Financial Information. The Board of Directors are also responsible for identifying and ensuring that the Company complies with the Act, ICDR Regulations and the Guidance Note.

3. We have examined such Restated Financial Information taking into consideration:

   a) The terms of reference and terms of our engagement agreed upon with you in accordance with our engagement letter dated June 27, 2022 in connection with the proposed IPO of equity shares of the Company;

   b) The Guidance Note, which also requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI;

   c) Concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Financial Information; and

   d) The requirements of Section 26 of the Act and the ICDR Regulations. Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act, the ICDR Regulations and the Guidance Note in connection with the IPO.

4. These Restated Financial Information have been compiled by the management from:

   a) The audited special purpose interim financial statements of the Company as at and for the three months period ended 30 June 2022 prepared in accordance with the Indian Accounting Standard 34 "Interim Financial Reporting" 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 (Collectively, the **" Special purpose Interim financial statements")**, which have been approved by the Board of Directors at their meeting held on November 3, 2022;

   b) The audited financial statements of the Company as at and for the year ended 31 March 2022 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 meeting held on 21 May 2022;

   c) The audited special purpose financial statements of the Company as at and for the years ended 31 March 2021 and 31 March 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 November 3, 2022.

5. For the purpose of our examination, we have relied on:

   a) Auditor’s report issued by us dated November 3, 2022 on the special purpose interim financial statements of the Company as at and for the three months period ended 30 June 2022 as referred in paragraph 4(a) above;

   b) Auditor’s report issued by us dated 21 May 2022 on the financial statements of the Company for the year ended 31 March 2022 as referred in paragraph 4(b) above; and

   c) Auditor’s report issued by us dated November 3, 2022 on the Special purpose financial statements of the Company as at and for the years ended 31 March 2021 and 31 March 2020 as referred in paragraph 4(c) above;

6. The audit reports on the special purpose financial statements issued by us includes the following emphasis of matter paragraphs on the special purpose financial statements as at and for the years ended 31 March 2021 and 31 March 2020:

For the Year ended 31 March 2021

Emphasis of matter

We draw attention to Note 6.7 of the special purpose financial statements, which describes the continuing uncertainties arising from the COVID 19 pandemic and particularly the impairment provisions are dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

For the Year ended 31 March 2020

Emphasis of matter

We draw attention to Note 6.7 to the special purpose financial statements, which fully describes that the Company has recognised provision on loans to reflect the adverse business impact and uncertainties arising from the COVID-19 pandemic. Such estimates are based on current facts and circumstances and may not necessarily reflect the future uncertainties and events arising from the full impact of the COVID-19 pandemic.

Our opinion is not modified in respect of this matter.

7. Based on our examination and according to the information and explanations given to us, we report that:

   a) the Restated Financial Information have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regrouping/reclassifications retrospectively in the respective financial years to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the three months period ended 30 June 2022 as more fully described in Note 58 to the Restated Financial Information;

   b) there are no qualifications requiring adjustments:

      i. in the auditor’s report on the audited financial statements of the Company as at and for the year ended 31 March 2022. Qualifications included in the Annexure A to the Auditor’s Report issued under Companies (Auditor’s Report) Order, 2020, as applicable, issued by the Central Government of India in terms of sub section (11) of section 143 of the Act, which do not require any corrective adjustments in the Restated Financial Information have been disclosed in note no 58 VII (b) to the Restated Financial Information;

ii. in the auditor's reports on the audited special purpose financial statements of the Company as at and for the years ended 31 March 2021 and 31 March 2020; and

c) the Restated Financial Information has been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.

8. Restated Financial Information do not reflect the effects of events that occurred subsequent to the respective dates of the reports on the Special Purpose Interim Financial Statements, audited financial statements and audited special purpose financial statements mentioned in paragraph 4 above.

9. This report should not in any way be construed as a reissuance or re-dating of any of the previous audit reports issued by us or the Previous Auditor, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

10. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

11. Our report is intended solely for use of the Board of Directors for inclusion in the DRHP to be filed with Securities and Exchange Board of India, stock exchanges and Registrar of Companies, Maharashtra in connection with the proposed IPO. Our report should not be used, referred to, or distributed for any other purpose except with our prior consent in writing. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

For Suresh Surana & Associates LLP
Chartered Accountants
Firm's Reg. No.: 121750W / W-100010

Ramesh Gupta
Partner
Membership No.: 102306
UDIN: 22102306BBYEXU9960
Place: Mumbai
Certificate No: 22216
Date: 3 November 2022

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)

Restated Statement of Assets and Liabilities **(₹ In Million)**

Particulars	**Note No.**	**As at 30 June 2022**	**As at 31 March 2022**	**As at 31 March 2021**	**As at 31 March 2020**
ASSETS					
I. Financial assets					
(a) Cash and cash equivalents	3	936.45	1,514.76	1,382.72	2,250.75
(b) Bank balances other than cash and cash equivalents	4	1,846.14	1,838.17	2,031.06	1,908.36
(c) Receivables					
(i) Trade receivables	5	101.40	82.68	38.91	34.15
(d) Loans	6	33,655.96	29,824.12	20,701.94	15,481.57
(e) Investments	7	6,649.53	8,481.13	14,842.49	18,790.77
(f) Other financial assets	8	46.78	34.17	58.18	23.47
Total Financial Assets		**43,236.26**	**41,775.03**	**39,055.30**	**38,489.07**
II. Non-Financial assets					
(a) Current tax assets (net)	9	342.60	341.92	206.42	613.44
(b) Property, plant and equipment	10	360.05	357.06	390.00	324.16
(c) Intangible assets under development	10	-	-	3.33	-
(d) Goodwill	10	2,603.92	2,603.92	2,603.92	2,603.92
(e) Other intangible assets	10	30.66	32.87	17.21	10.23
(f) Other non-financial assets	11	56.83	39.54	35.72	39.03
Total Non-Financial Assets		**3,394.06**	**3,375.31**	**3,256.60**	**3,590.78**
TOTAL ASSETS		**46,630.32**	**45,150.34**	**42,311.90**	**42,079.85**
LIABILITIES AND EQUITY					
LIABILITIES					
I. Financial Liabilities					
(a) Payables	12				
(A) Trade payables					
(i) total outstanding dues of micro enterprises and small enterprises		0.19	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		68.84	80.73	52.70	54.35
(B) Other payables					
(i) total outstanding dues of micro enterprises and small enterprises		-	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		59.72	40.45	6.30	7.00
(b) Debt securities	13	463.22	454.03	1,584.47	3,397.81
(c) Borrowings (other than debt securities)	14	27,710.23	28,945.04	26,097.27	27,158.26
(d) Other financial liabilities	15	2,389.50	2,501.17	2,267.08	1,080.01
Total Financial Liabilities		**30,691.70**	**32,021.42**	**30,007.82**	**31,697.43**
II. Non-Financial Liabilities					
(a) Current tax liabilities (net)	16	21.21	-	-	-
(b) Provisions	17	1.40	2.47	2.25	-
(c) Deferred tax liabilities (net)	18	172.53	194.51	234.86	244.58
(d) Other non-financial liabilities	19	24.72	60.27	15.89	13.07
Total Non-Financial Liabilities		**219.86**	**257.25**	**253.00**	**257.65**
TOTAL LIABILITIES		**30,911.56**	**32,278.67**	**30,260.82**	**31,955.08**
EQUITY					
(a) Equity share capital	20	8,697.24	8,068.00	7,966.74	7,423.20
(b) Other equity	21	7,021.52	4,803.67	4,084.34	2,701.57
TOTAL EQUITY		**15,718.76**	**12,871.67**	**12,051.08**	**10,124.77**
TOTAL LIABILITIES AND EQUITY		**46,630.32**	**45,150.34**	**42,311.90**	**42,079.85**

Corporate Information and Significant Accounting Policies 1-2

The accompanying notes form an integral part of the restated financial information.

As per our report of even date attached

For Suresh Surana & Associates LLP
Chartered Accountants
Firm's Registration No. 121750W/W-100010

For and on behalf of the Board of Directors of
SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
CIN:U67190MH2008PLC178270

Ramesh Gupta
Partner
Membership No: 102306

Mr. Neeraj Swaroop
Chairperson
(DIN: 00061170)

Mr. Aseem Dhru
Managing Director & CEO
(DIN: 01761455)

Mr. Narayan Barasia
Chief Financial Officer

Mr. Jay Mistry
Company Secretary
(ACS: A34264)

Place: Mumbai
Date : 3 November 2022

Place: Mumbai
Date : 3 November 2022

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)

Restated Statement of Profit and Loss **(₹ In Million)**

Particulars	**Note No.**	**For the period ended 30 June 2022**	**For the year ended 31 March 2022**	**For the year ended 31 March 2021**	**For the year ended 31 March 2020**
(I) Revenue from operations					
Interest income	22	1,394.88	4,731.47	4,631.66	4,096.83
Fees and commission income	23	81.23	272.39	241.53	174.53
Net gain on fair value changes	24	32.73	157.22	91.06	114.92
Net gain on derecognition of financial instruments under amortised cost category	25	21.07	-	39.68	-
Other operating income	26	69.76	129.44	67.06	60.42
Total Revenue from operations		**1,599.67**	**5,290.52**	**5,070.99**	**4,446.70**
(II) Other income	27	1.56	16.50	44.34	1.76
(III) Total Income (I+II)		**1,601.23**	**5,307.02**	**5,115.33**	**4,448.46**
Expenses					
Finance costs	28	597.23	2,206.17	2,384.56	2,440.37
Net Loss on derecognition of financial instruments under amortised cost category	29	-	106.92	-	22.08
Impairment on financial instruments	30	65.09	360.88	336.40	300.55
Employee benefits expense	31	346.72	1,095.34	841.83	736.28
Depreciation and amortisation expense	10	32.09	117.81	95.40	81.82
Other expenses	32	131.51	552.94	316.49	281.24
(IV) Total expenses		**1,172.64**	**4,440.06**	**3,974.68**	**3,862.34**
(V) Profit before tax (III - IV)		**428.59**	**866.96**	**1,140.65**	**586.12**
Tax expense					
- Current tax	33	129.91	262.12	300.24	-
- Deferred tax charge/ (credit)	34	(21.98)	(40.37)	(9.69)	231.17
(VI) Total tax expense		**107.93**	**221.75**	**290.55**	**231.17**
(VII) Profit after tax (V-VI)		**320.66**	**645.21**	**850.10**	**354.95**
(VIII) Other comprehensive income	35				
(A) Items that will not be reclassified to profit or loss					
- Remeasurement of Net defined benefit plan		0.98	3.72	1.76	(1.19)
- Income tax relating to items that will not be reclassified to profit or loss		(0.25)	(0.94)	(0.44)	0.30
(B) Items that will be reclassified to profit or loss		-	-	-	-
Other Comprehensive Income		**0.73**	**2.78**	**1.32**	**(0.89)**
(IX) Total comprehensive income for the period/ year (VII +		**321.39**	**647.99**	**851.42**	**354.06**
(X) Earnings per equity share (Face value ₹ 10/- per share)					
Basic (₹)	45	0.37	0.81	1.09	0.49
Diluted (₹)		0.36	0.79	1.06	0.48

Note: EPS for June 2022 is not annualized.

Corporate Information and Significant Accounting Policies 1-2

The accompanying notes form an integral part of the restated financial information.

As per our report of even date attached

For Suresh Surana & Associates LLP
Chartered Accountants
Firm's Registration No. 121750W/W-100010

For and on behalf of the Board of Directors of
SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
CIN:U67190MH2008PLC178270

Ramesh Gupta
Partner
Membership No: 102306

Mr. Neeraj Swaroop
Chairperson
(DIN: 00061170)

Mr. Aseem Dhru
Managing Director & CEO
(DIN: 01761455)

Place: Mumbai
Date : 3 November 2022

Mr. Narayan Barasia
Chief Financial Officer

Mr. Jay Mistry
Company Secretary
(ACS: A34264)

Place: Mumbai
Date : 3 November 2022

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)

Restated Statement of Cash Flows

(₹ In Million)

Particulars	**For the period ended 30 June 2022**	**For the year ended 31 March 2022**	**For the year ended 31 March 2021**	**For the year ended 31 March 2020**
Cash flow from Operating activities				
Profit before tax	428.59	866.96	1,140.65	586.12
Adjustments for:				
Depreciation and amortisation expenses	32.09	117.81	95.40	81.82
Interest income on loans	(1,246.38)	(3,825.40)	(2,773.92)	(2,145.24)
Interest income on investment in PTC	(130.21)	(835.61)	(1,719.62)	(1,879.91)
Interest income on fixed deposits	(18.29)	(70.46)	(138.12)	(71.68)
Fees and commission income	(81.23)	(272.39)	(241.53)	(174.53)
Finance costs on borrowings and debt securities	593.81	2,189.06	2,362.63	2,417.90
Finance costs on lease liability	3.33	16.81	19.68	22.13
Net gain on financial instruments at fair value through profit or loss	(32.73)	(157.22)	(91.06)	(114.92)
Net gain/ loss on derecognition of financial instruments under amortised cost	(21.07)	106.92	(39.68)	22.08
Impairment on financial instruments	65.09	360.88	336.40	300.55
Employee share based payment	21.62	29.60	38.92	102.97
Net gain on termination of lease liability	(0.23)	1.11	(0.37)	0.89
Loss on sale/ discard of Property, plant and equipment/ Intangible assets	0.01	3.35	0.87	-
Operational Cash Flows:				
Cash inflow from interest on loans	1,145.36	3,893.66	2,709.71	2,066.64
Cash inflow from interest on investment in PTC	136.71	870.43	1,775.79	1,756.07
Cash inflow from interest on fixed deposits	10.32	131.87	104.53	10.64
Cash inflow from fees and commission income	86.90	40.83	37.46	33.69
Cash outflow towards finance cost on borrowings & debt securities	(564.13)	(2,234.37)	(2,398.73)	(2,588.17)
Operating Profit before working capital changes	429.56	1,233.84	1,219.01	427.05
Changes in working capital:				
Increase/ (Decrease) in payables	7.57	62.18	(2.35)	(44.20)
Increase/ (Decrease) in Other financial liabilities	(103.59)	288.47	1,207.72	602.44
Increase in Other non-financial liabilities	(35.55)	44.38	2.82	1.10
Increase in provision	(0.34)	3.00	3.57	(0.89)
(Increase)/ Decrease in trade receivables	(26.92)	178.55	192.07	101.65
Increase in loans and advances	(3,793.35)	(9,672.32)	(5,485.36)	(4,184.26)
Increase/ (Decrease) in other financial assets	8.08	46.88	0.43	(5.80)
(Increase)/ Decrease in other non-financial assets	(17.77)	12.32	544.92	(126.08)
Cash flows used in Operating activities	**(3,532.31)**	**(7,802.70)**	**(2,317.17)**	**(3,228.99)**
Income taxes refund/ (paid)	(108.95)	(413.74)	(434.79)	(605.50)
Net cash used in Operating activities	**(3,641.26)**	**(8,216.44)**	**(2,751.96)**	**(3,834.49)**
Cash flow from Investing activities				
Purchase of property, plant and equipment	(23.71)	(73.43)	(127.93)	(47.69)
	(0.16)	(23.65)	(15.54)	(4.49)
Purchase of intangible assets (including intangible assets under development)				
Proceeds from sale of property, plant and equipment	0.01	0.01	-	-
Purchase of investments at fair value through profit and loss	(5,509.83)	(20,452.13)	(21,351.89)	(16,963.36)
Sale of investments at fair value through profit and loss	6,528.54	21,480.25	17,488.85	18,745.91
Purchase of investment in PTC	-	-	-	(23,656.00)
Redemption/ Sale of investment in PTC	839.13	5,455.63	7,846.20	4,989.07
Placement of fixed deposits	-	(1,694.89)	(1,395.94)	(1,737.26)
Maturity/ Redemption of fixed deposits	-	1,826.37	1,306.83	45.20
Net cash generated from Investing activities	**1,833.98**	**6,518.16**	**3,750.58**	**(18,628.62)**

Cash flow from Financing activities				
Proceeds from issuance of equity share capital including securities premium	2,505.30	143.02	1,037.08	866.46
Share issue expenses	(1.23)	(0.02)	(1.11)	(1.06)
Proceeds from borrowings other than debt securities	750.00	8,930.00	4,571.61	24,418.71
Repayment of borrowings other than debt securities	(2,005.29)	(6,097.35)	(5,659.85)	(1,559.59)
Debt securities issued	-	430.00	1,500.00	-
Debt securities repaid	-	(1,500.00)	(3,250.00)	(750.00)
Principal repayment of lease liabilities	(16.48)	(58.52)	(44.70)	(39.37)
Interest paid on lease liabilities	(3.33)	(16.81)	(19.68)	(22.13)
Net cash (used in)/ generated from Financing activities	**1,228.97**	**1,830.32**	**(1,866.65)**	**22,913.02**
Net increase in cash and cash equivalents	**(578.31)**	**132.04**	**(868.03)**	**449.91**
Cash and cash equivalents at beginning of period/ year (Refer Note 3)	1,514.76	1,382.72	2,250.75	1,800.84
Cash and cash equivalents at end of period/ year (Refer Note 3)	**936.45**	**1,514.76**	**1,382.72**	**2,250.75**
Cash and cash equivalents at the end of the year/ period comprises of:				
Cash in hand	89.17	75.26	67.35	50.25
Balance with banks				
- In current accounts	467.18	399.40	905.32	521.69
- In fixed deposit with original maturity of less than 3 months	380.10	1,040.10	410.05	1,678.81
TOTAL	**936.45**	**1,514.76**	**1,382.72**	**2,250.75**

Notes:

1 The above Statement of Cash Flows has been prepared under the Indirect method set out in Indian Accounting Standard (Ind AS) 7 'Statement of Cash Flows'.

2 Figures in brackets indicate cash outflow.

Corporate Information and Significant Accounting Policies (Note 1-2)
The accompanying notes form an integral part of the restated financial information.
As per our report of even date attached

For Suresh Surana & Associates LLP
Chartered Accountants
Firm's Registration No. 121750W/W-100010

Ramesh Gupta
Partner
Membership No: 102306

Place: Mumbai
Date : 3 November 2022

For and on behalf of the Board of Directors of
SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
CIN:U67190MH2008PLC178270

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Chairperson
(DIN: 00061170)

Mr. Aseem Dhru
Managing Director & CEO
(DIN: 01761455)

Mr. Narayan Barasia
Chief Financial Officer

Mr. Jay Mistry
Company Secretary
(ACS: A34264)

Place: Mumbai
Date : 3 November 2022

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
Restated Statement of changes in equity

Equity Share Capital (₹ In Million)

Particulars	Amount
Balance as at 1 April 2019	**6,760.00**
Changes in equity share capital due to prior period errors	-
Restated Balance at the beginning of the previous reporting period	6,760.00
Changes in equity share capital during the year	663.20
Balance as at 31 March 2020	**7,423.20**
Changes in equity share capital due to prior period errors	-
Restated Balance at the beginning of the previous reporting period	7,423.20
Changes in equity share capital during the previous year	543.54
Balance as at 31 March 2021	**7,966.74**
Changes in equity share capital due to prior period errors	-
Restated Balance at the beginning of the previous reporting period	7,966.74
Changes in equity share capital during the current year	101.26
Balance as at 31 March 2022	**8,068.00**
Changes in equity share capital due to prior period errors	-
Restated Balance at the beginning of the previous reporting period	8,068.00
Changes in equity share capital during the current period	629.24
Balance as at 30 June 2022	**8,697.24**

Other Equity (₹ In Million)

Particulars	Reserves and Surplus					Total
	Statutory Reserve	Securities Premium	Employee Share Option Outstanding	Retained Earnings	Remeasurement gain/ (loss) on defined benefit plans	
Balance as at 1 April 2019	**49.89**	**1,684.88**	**74.90**	**230.60**	**2.06**	**2,042.33**
Changes in accounting policy/ prior period errors	-	-	-	-	-	-
Restated Balance as at 1 April 2019	**49.89**	**1,684.88**	**74.90**	**230.60**	**2.06**	**2,042.33**
Profit for the year	-	-	-	354.95	-	**354.95**
Other comprehensive income for the year	-	-	-	-	(0.89)	**(0.89)**
Transfer to statutory reserves from retained earnings	70.85	-	-	(70.85)	-	-
Premium on issue of share capital	-	203.26	-	-	-	**203.26**
Employee share based payment expenses	-	-	102.98	-	-	**102.98**
Share issue expenses	-	(1.06)	-	-	-	**(1.06)**
Balance as at 31 March 2020	**120.74**	**1,887.08**	**177.88**	**514.70**	**1.17**	**2,701.57**
Changes in accounting policy/ prior period errors	-	-	-	-	-	-
Restated Balance as at 1 April 2020	**120.74**	**1,887.08**	**177.88**	**514.70**	**1.17**	**2,701.57**
Profit for the year	-	-	-	850.10	-	**850.10**
Other comprehensive income for the year	-	-	-	-	1.32	**1.32**
Transfer to statutory reserves from retained earnings	170.30	-	-	(170.30)	-	-
Premium on issue of share capital	-	493.54	-	-	-	**493.54**
Employee share based payment expenses	-	-	38.92	-	-	**38.92**
Share issue expenses	-	(1.11)	-	-	-	**(1.11)**
Balance as at 31 March 2021	**291.04**	**2,379.51**	**216.80**	**1,194.50**	**2.49**	**4,084.34**

Changes in accounting policy/ prior period errors	-	-	-	-	-	-
Restated Balance as at 1 April 2021	**291.04**	**2,379.51**	**216.80**	**1,194.50**	**2.49**	**4,084.34**
Profit for the year	-	-	-	645.21	-	**645.21**
Other comprehensive income for the year	-	-	-	-	2.78	**2.78**
Transfer to statutory reserves from retained earnings	128.44	-	-	(128.44)	-	-
Premium on Issue of share capital	-	52.71	-	-	-	**52.71**
Employee share based payment expenses	-	-	29.60	-	-	**29.60**
Adjustment on account of treasury shares held through ESOP trust	-	(10.95)	-	-	-	**(10.95)**
Exercise of stock options outstanding	-	32.51	(32.51)	-	-	-
Share issue expenses	-	(0.02)	-	-	-	**(0.02)**
Balance as at 31 March 2022	**419.48**	**2,453.76**	**213.89**	**1,711.27**	**5.27**	**4,803.67**
Changes in accounting policy/ prior period errors	-	-	-	-	-	-
Restated Balance as at 1 April 2022	**419.48**	**2,453.76**	**213.89**	**1,711.27**	**5.27**	**4,803.67**
Profit for the period	-	-	-	320.66	-	**320.66**
Other comprehensive income for the period	-	-	-	-	0.73	**0.73**
Transfer to statutory reserves from retained earnings	-	-	-	-	-	-
Premium on Issue of share capital	-	1,875.00	-	-	-	**1,875.00**
Employee share based payment expenses	-	-	21.63	-	-	**21.63**
Adjustment on account of treasury shares held through ESOP trust	-	1.06	-	-	-	**1.06**
Exercise of stock options outstanding	-	1.70	(1.70)	-	-	-
Share issue expenses	-	(1.23)	-	-	-	**(1.23)**
Balance as at 30 June 2022	**419.48**	**4,330.29**	**233.82**	**2,031.93**	**6.00**	**7,021.52**

Corporate Information and Significant Accounting Policies
The accompanying notes form an integral part of the restated financial information.
As per our report of even date attached

For Suresh Surana & Associates LLP
Chartered Accountants
Firm's Registration No. 121750W/W-100010

Ramesh Gupta
Partner
Membership No: 102306

Place: Mumbai
Date : 3 November 2022

For and on behalf of the Board of Directors of
SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
CIN:U67190MH2008PLC178270

Mr. Neeraj Swaroop
Chairperson
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Mr. Aseem Dhru
Managing Director & CEO
(DIN: 01761455)

Mr. Narayan Barasia
Chief Financial Officer

Mr. Jay Mistry
Company Secretary
(ACS: A34264)

Place: Mumbai
Date : 3 November 2022

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
Corporate information and Significant Accounting Policies forming part of the restated Financial information

1. Corporate Information

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited) ('the Company') is a limited company incorporated in India under the Companies Act, 2013, having its registered office at First Floor, C&B Square, Sangam Complex, Andheri Kurla Road, Chakala, Andheri (East), Mumbai- 400059, Maharashtra. The Company is registered with the Reserve Bank of India (RBI) as a "systemically important non-deposit taking" NBFC ND-SI.

The registration details are as follows:

Reserve Bank of India Registration no	: N-13.01913
Corporate Identity Number (CIN)	: U67190MH2008PLC178270

The Company is in the business of giving loans to Micro Enterprise secured by residential or commercial property. The Company also gives Loan against Gold, which offers the Company superior yields with almost liquid security assets. The Company also gives unsecured personal loans and unsecured business loans.

2. Significant accounting policies

2.1 Basis of preparation

The Restated Statement of Assets and Liabilities of the Company as at 30 June 2022, 31 March 2022, 31 March 2021 and 31 March 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 the three months period ended 30 June 2022 and for the years ended 31 March 2022, 31 March 2021 & 31 March 2020, the Summary Statement of Significant Accounting Policies and other explanatory information to Restated Financial Information (together referred to as "Restated Financial Information") have been prepared under Indian Accounting Standard ("Ind AS") notified under section 133 of the Companies Act, 2013 and other relevant provisions of the Act as amended from time and time.

The Restated Financial Information have been approved by the Board of Directors on 03 November 2022.

These Restated Financial Information have been prepared by the management of the Company for the purpose of inclusion in the draft red herring prospectus (the "DRHP" or the "Offer Document") prepared by the Company in connection with its proposed Initial Public Officer ("IPO") in terms of 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') on 11 September 2018, as amended from time to time in pursuance of the Securities and Exchange Board of India Act, 1992 ("the ICDR Regulations"); and
(iii) Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India ('ICAI'), ("Guidance Note")

These Restated Financial Information has been prepared by the Management from:

a) The audited special purpose interim financial statements of the Company as at and for the three months period ended 30 June 2022 prepared in accordance with the Indian Accounting Standard 34 "Interim Financial Reporting" 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 (Collectively, the " Special purpose Interim financial statements"), which have been approved by the Board of Directors at their meeting held on 03rd August 2022;

b) The audited financial statements of the Company as at and for the year ended 31 March 2022 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 meeting held on 21 May 2022;

c) The audited special purpose financial statements of the Company as at and for the years ended 31 March 2021 and 31 March 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 26th May 2021 and 04th June 2020, respectively.

Division III- Schedule III to the Companies Act, 2013 has been further amended vide the Government Notification dated 24 March 2021 to include certain additional presentation and disclosures requirements and changes to some of the existing requirements. These changes needs to be applied in preparation of financial statements for the financial year commencing on or after 1 April 2021. Accordingly, these restated financial information has been prepared based on the above requirements. The adoption of the said amendment does not impact recognition and measurement principles followed for preparation of the financial statements.

The preparation of financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosed amount of contingent liabilities. Areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the Company are discussed in Note 2.14- Significant accounting judgements, estimates and assumptions.

The financial statements are presented in Indian Rupees (₹) in Million and all values are rounded to the nearest Rupee in Ten Thousands, except when otherwise indicated.

2.2. Presentation of financial statement

The financial statements of the Company are presented as per Schedule III (Division III) of the Companies Act, 2013, applicable to NBFCs as notified by the Ministry of Corporate Affairs (MCA). Financial assets and financial liabilities are generally reported on a gross basis except when, there is an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event and the parties intend to settle on a net basis in the following circumstances:

i. The normal course of business
ii. The event of default
iii. The event of insolvency or bankruptcy of the Company and/ or its counterparties

2.3. Statement of compliance

The financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS) on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies below and the relevant provisions of the Act.

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

Estimation of impairment allowance on financial assets affected by COVID-19 pandemic

The Covid-19 pandemic has impacted most countries including India. The nationwide lockdown initiated by the Government of India in April-May 2020 substantially impacted economic activity. The easing of lockdown measures subsequently led to gradual improvement in economic activity and progress towards normalcy. RBI took various regulatory measures like moratorium on payment of dues, relief towards "Interest on interest" charged during March-August 2020 and allowing onetime restructuring to eligible borrowers (OTR). Further the second wave of COVID-19 pandemic in April-May 2021 led to re- imposition of localised /regional lockdown in various parts of the country, which led to substantial impact on economic activities. The second waive subsided from June 2021 onwards and there has been gradual lifting of lock downs and increase in economic activities. However, the uncertainty around the third wave of Covid-19 pandemic in future and its impact on the economic activities are not known. Accordingly, the Company's results remain uncertain and dependent on future developments and actuals may differ from the estimates used in the preparation of Restated Financial Information on the reporting date. Estimates and associated assumptions used for determining the impairment allowance on the Company’s financial assets, are based on historical experience and other emerging factors emanating from the COVID-19 pandemic which may also influence the expected credit loss. The Company has used One Time Restructuring (OTR) scheme under the RBI resolution frame-work 1.0 and 2.0 and repayment moratorium on loans as early indicators suggesting higher flow rates and probability of default and accordingly accounted for commensurate expected credit loss. The Company believes that the factors considered are reasonable under the current circumstances and information available. However, the uncertainty caused by resurgence of the COVID-19 pandemic and related events could further influence the estimate of credit losses.

2.4. Financial instruments

(i) Classification of financial instruments

The Company classifies its financial assets into the following measurement categories:

1. Financial assets to be measured at amortised cost
2. Financial assets to be measured at fair value through other comprehensive income
3. Financial assets to be measured at fair value through profit or loss account

The classification depends on the contractual terms of the financial assets' cash flows and the Company's business model for managing financial assets which are explained below:

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:

► How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel

► The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed

► How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

► 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.

The Solely Payments of Principal and Interest (SPPI) test

As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the 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 the financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Company classifies its financial liabilities at amortised costs.

(ii) Financial assets measured at amortised cost

These financial assets comprise bank balances, receivables, investments and other financial assets.

These are measured at amortised cost where they have:

a) contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
b) are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost.

(iii) Items at fair value through profit or loss (FVTPL)

Items at fair value through profit or loss comprise:

• Investments (including equity shares) held for trading;
• Items specifically designated as FVTPL on initial recognition; and
• debt instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at FVTPL are initially recognised at fair value, with transaction costs recognised in the statement of profit and loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the statement of profit and loss as they arise.

(iv) 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 EIR.

(v) Reclassification
If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Company's financial assets. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

(vi) Recognition and Derecognition of financial assets and liabilities

Recognition:

a) Loans and Advances are initially recognised when the Financial Instruments are transferred to the customers.
b) Investments are initially recognised on the trade date.
c) Debt securities, deposits and borrowings are initially recognised when funds reach the Company.
d) Other Financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets

a) Financial assets:
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, the Company has transferred its contractual rights to receive cash flows from the financial asset.
A transfer only qualifies for derecognition if either:

i. The Company has transferred substantially all the risks and rewards of the asset, or
ii. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

b) Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the Statement of Profit and Loss.

(vii) Impairment of financial assets

Overview of the ECL principles

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), 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.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is the portion of Lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Company does the assessment of significant increase in credit risk at a borrower level. If a borrower has various facilities having different past due status, then the highest days past due (DPD) is considered to be applicable for all the facilities of that borrower.

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

Stage 1

All exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date and that are not credit impaired upon origination are classified under this stage. The Company classifies all standard advances and advances up to 0-29 days default under this category. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Stage 2

All exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired are classified under this stage. Financial assets past due for 30-89 days are classified under this stage. Stage 2 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 3

All exposures assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred are classified in this stage. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount. 90 days Past Due is considered as default for classifying a financial instrument as credit impaired. If an event warrants a provision higher than as mandated under ECL methodology, the Company may classify the financial asset in Stage 3 accordingly.

In line with Reserve Bank of India Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances and Clarifications dated 12 November 2021 borrower accounts shall be flagged as overdue as part of the day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as Non-Performing Asset/ Stage 3 shall be done as part of day-end process for the relevant date i.e. more than 90 days overdue and NPA/ Stage 3 classification date shall be the calendar date for which the day end process is run. In other words, the date of Non-Performing Asset/ Stage 3 shall reflect the asset classification status of an account at the day-end of that calendar date.

The Company has carried out the requirement in line with Reserve Bank of India Clarification and accordingly, the change in accounting policy is effective financial year 2021-22 and impact on financials is disclosed in note 50. Upgradation of accounts classified as Stage 3/ Non-performing assets (NPA) - The Company upgrades loan accounts classified as Stage 3/ NPA to "standard" asset category only if the entire arrears of interest, principal and other amount are paid by the borrower and there is no change in the accounting policy followed by the Company in this regard.

Credit-impaired financial assets:

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVTOCI are credit-impaired. 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

a) Significant financial difficulty of the borrower or issuer;
b) A breach of contract such as a default or past due event; or
c) The disappearance of an active market for a security because of financial difficulties.

The mechanics of ECL:

The Company calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Company and the cash flows that the Company expects to receive.
The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

Probability of Default (PD) - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
a) The Company has applied 12 months PD to Stage 1 Advances
b) The Lifetime PD is computed using basic exponentiation technique after considering the residual maturity of the respective loan for Stage 2 Advances.
c) PD of 100% is considered for Stage 3 Advances.

Exposure at Default (EAD) – EAD is taken as the gross exposure under a facility upon default of an obligor. The amortized principal and the interest accrued is considered as EAD for the purpose of ECL computation

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

Collateral Valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as the underlying asset financed, cash, securities, etc. However, the fair value of collateral affects the calculation of ECLs. To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models.

Collateral repossessed

In its normal course of business, the Company does not physically repossess properties or other assets in its retail portfolio, but engages its employees to recover funds, to settle outstanding debt. Any surplus funds are returned to the customers/ obligors. As a result of this practice, assets under legal repossession processes are not recorded on the balance sheet. These repossessed assets which are intended to be realised by way of sale are considered as Stage 3 assets and the ECL allowance is determined based on the estimated net realisable value of the repossessed asset.

(viii) Write-offs

The Company reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. Any subsequent recoveries against such loans are credited to the Statement of Profit and Loss.

(ix) Determination of fair value

On initial recognition, all the financial instruments are measured at fair value. For subsequent measurement, the Company measures certain categories of financial instruments (as explained in Note 2.4) at fair value on each balance sheet date.
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
i. In the principal market for the asset or liability, or
ii. In the absence of a principal market, in the most advantageous market for the asset or liability
The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

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.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Difference between transaction price and fair value at initial recognition
The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises the difference between the transaction price and the fair value in profit or loss on initial recognition (i.e. on day one).

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net gain on fair value changes. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is not recognised at the initial recognition stage.

2.5. Revenue from operations

(i) Interest Income
Interest income is recognised by applying (EIR) to the gross carrying amount of financial assets other than credit-impaired assets and financial assets classified as measured at FVTPL, taking into account the amount outstanding and the applicable interest rate. Interest income is recognised on non-performing assets at net of ECL.

The EIR is computed:
a. As the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset
b. By considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) in estimating the cash flows
c. Including all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Any subsequent changes in the estimation of the future cash flows are recognised in interest income with the corresponding adjustment to the carrying amount of the assets.

Delayed payment interest (penal interest) levied on customers for delay in repayments/ non-payment of contractual cashflows is recognised on realisation.

(ii) Dividend Income
Dividend income is recognised when the right to receive the payment is established.

(iii) Fees & Commission Income
Fees and commissions are recognised when the Company satisfies the performance obligation, at fair value of the consideration received or receivable based on a five-step model as set out below, unless included in the effective interest calculation:

<u>Step 1:</u> Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
<u>Step 2:</u> Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
<u>Step 3:</u> Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
<u>Step 4:</u> Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
<u>Step 5:</u> Recognise revenue when (or as) the Company satisfies a performance obligation

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

Initial money Deposit charges are collected from customers for document processing, which is non refundable in the nature and are recognized on realization basis

(iv) Net gain on Fair value changes
Any differences between the fair values of financial assets classified as FVTPL held by the Company on the balance sheet date is recognised as an unrealised gain/ loss. In cases there is a net gain in the aggregate, the same is recognised in "Net gains on fair value changes" under Revenue from operations and if there is a net loss the same is disclosed as "Net loss on fair value changes" under Expenses in the Statement of Profit and Loss.
Similarly, any realised gain or loss on sale of financial instruments measured at FVTPL and debt instruments measured at FVOCI is recognised in net gain/ loss on fair value changes.

However, Net gain/ loss on derecognition of financial instruments classified as amortised cost is presented separately under the respective head in the Statement of Profit and Loss.

(v) Loan Processing Fees
Processing fees on loans is collected towards processing of loan, this is amortised on EIR basis over the contractual life of the loan.

(vi) Other Operating Income
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.

2.6 Expenses
(i) Finance costs
Finance costs on borrowings is paid towards availing of loan, is amortised on EIR basis over the contractual life of loan.
The EIR in case of a financial liability is computed

a) As the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the gross carrying amount of the amortised cost of a financial liability.
b) By considering all the contractual terms of the financial instrument in estimating the cash flows

c) Including all fees paid between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Any subsequent changes in the estimation of the future cash flows are recognised in interest expense with the corresponding adjustment to the carrying amount of the liability.

Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to advisers and other expenses such as external legal costs, Rating Fee etc, provided these are incremental costs that are directly related to the issue of a financial liability.

(ii) Retirement and other employee benefits

Short term employee benefit

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include short term compensated absences such as paid annual leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised as an expense during the period. Benefits such as salaries and wages, etc. and the expected cost of the bonus/ ex-gratia are recognised in the period in which the employee renders the related service.

Post-employment employee benefits

a) Defined contribution schemes

All the eligible employees of the Company who have opted to receive benefits under the Provident Fund and Employees State Insurance scheme, defined contribution plans in which both the employee and the Company contribute monthly at a stipulated rate. The Company has no liability for future benefits other than its annual contribution and recognises such contributions as an expense in the period in which employee renders the related service. If the contribution payable to the scheme for service received before the Balance Sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the Balance Sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

b) Defined Benefit schemes

The Company provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated years mentioned under ‘The Payment of Gratuity Act, 1972’. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation, carried out by an independent actuary at each Balance Sheet date, using the Projected Unit Credit Method, which recognizes each period of service as giving rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government Securities as at the Balance Sheet date.

Net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, attrition rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.
The Company fully contributes all ascertained liabilities to The Trustees – “SBFC Finance Private Limited employees group gratuity cash accumulation scheme”. Trustees administer contributions made to the trust and contributions are invested in a scheme of insurance with the IRDA approved Insurance Company- Life Insurance Corporation of India.

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

Other employee benefits
Company's liabilities towards compensated absences to employees are accrued on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Statement of Profit and Loss.
The Company presents the Provision for compensated absences under provisions in the Balance Sheet.

Share-based payment arrangements
The stock options granted to employees pursuant to the Company's Stock Options Schemes, are measured at the fair value of the options at the grant date using Black Scholes Model. The fair value of the options determined at grant date is treated as discount and accounted as employee compensation cost over the vesting period on a straight line basis over the period of option, based on the number of grants expected to vest, with corresponding increase in equity. The employee stock option outstanding account is shown under Reserves and Surplus.
The Company has created an Employee Welfare Trust for providing share-based payment to its employees for (a) SBFC Stock Option Policy I 2018 and (b) SBFC Stock Option Policy 2021 – I policies. The Company uses the Trust as a vehicle for distributing shares to employees under the employee remuneration schemes for the above mentioned two policies. The Company allots shares to the Trustee of the Trust, for giving shares to employees. The Company treats Trust as its extension and shares held by the Trust are treated as treasury shares.

(iii) Leases:
Effective 1 April 2019 the company has adopted Ind AS 116- Leases and applied it to all lease contracts existing on 1 April 2019 using the modified retrospective approach under which the company recognised Lease Liabilities at the initial date of application. At the date of commencement of the lease, the Company has recognised a Lease Liability, except for leases with a term of 12 months or less (short-term leases) and low value leases.

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The Company determines the lease term as the non-cancellable period of a lease, 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 non-cancellable period of a lease. The discount rate is generally based on the incremental borrowing rate. The Company makes assessment on the expected lease term on lease by lease basis and thereby assesses whether it is reasonably certain that any option to extend or terminate the contract will be exercised. In evaluating the lease term, the Company considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to termination of lease and the importance of the underlying to the Company's operation taking into account the location of the underlying asset and the availability of the suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflect the current economic circumstances.
The right-of-use assets is subsequently measured at cost less accumulated depreciation, accumulated impairment losses, if any, and adjusted for any remeasurement of the lease liability.
The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.
The company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit and loss.
The Company has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(iv) Other income and expenses
All Other income and expense are recognized in the period they occur.

(v) Impairment of non-financial assets
The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(vi) Taxes
Current Tax
Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Company operates and generates taxable income.
Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable amounts will arise to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity.

Goods and services tax/ service 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/ service tax/ value added taxes paid, except:
i. 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
ii. 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.

2.7. Cash and cash equivalents
Cash and cash equivalents comprise the net amount of short-term, highly liquid investments that are readily convertible to known amounts of cash (short-term deposits with an original maturity of three months or less) and are subject to an insignificant risk of change in value. They are held for the purposes of meeting short-term cash commitments (rather than for investment or other purposes).
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short- term deposits, as defined above.

2.8. Property, plant and equipment
Property, plant and equipment (PPE) are measured at cost less accumulated depreciation and accumulated impairment, (if any). The total cost of assets comprises its purchase price, freight, duties, taxes and any other incidental expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner

intended by the management. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.
Subsequent expenditure related to an item of tangible asset are added to its gross value only if it increases the future benefits of the existing asset, beyond its previously assessed standards of performance and cost can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

Depreciation
Depreciation is calculated using the straight line method to write down the cost of property and equipment to their residual values over their estimated useful lives which is in line with the estimated useful life as specified in Schedule II of the Act. The estimated useful lives are as prescribed by Schedule II of the Act. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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.

2.9. Intangible assets
An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.
Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset comprises its purchase price and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the statement of profit and loss. Amortisation on assets acquired/ sold during the year is recognised on a pro-rata basis to the Statement of Profit and Loss from/ upto the date of acquisition/ sale.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives. Intangible assets comprising of software are amortised on a straight-line basis over a period of 5 years, unless it has a shorter useful life.

Intangible assets with indefinite useful life is tested for impairment at each reporting period.

Gains or losses from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the Statement of Profit and Loss when the asset is derecognised.

2.10. Provisions
Provisions are recognised when the enterprise 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 enterprise 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.

2.11. Contingent Liabilities
A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is

not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Commitments

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

- estimated amount of contracts remaining to be executed on capital account and not provided for;
- Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

2.12. Earnings Per Share

The Company reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

2.13. Segments

Based on “Management Approach" as defined by Ind AS 108, The Chief Operating Decision Maker (CODM) evaluates the “Operating Segments". Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company.

2.14. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, and future periods are affected. Although these estimates are based on the management’s best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

2.14.1 Impairment of loans portfolio

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.

It has been the Company’s policy to regularly review its models in the context of actual loss experience and adjust when necessary.

2.14.2 Effective Interest Rate (EIR) method

The Company’s EIR methodology, recognises interest income/ expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given/ taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the base rate and other fee income/ expense that are integral parts of the instrument

2.14.3 Share-Based Payments

Estimating fair value for share-based payment transactions requires use of an appropriate valuation model. The Company measures the cost of equity-settled transactions with employees using Black-Scholes Model to determine the fair value of the options on the grant date.

Inputs into the valuation model, includes assumption such as the expected life of the share option, volatility and dividend yield.

Further details used for estimating fair value for share-based payment transactions are disclosed in Note 40.

2.15 Operating Cycle

Based on the nature of products/ activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months.

2.16 Recent Accounting Pronouncements

Ministry of Corporate Affairs ('MCA') notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On 23 March 2022, MCA issued the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from 1 April 2022, as below:

Ind AS 103 – Reference to Conceptual Framework

The amendments specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 16 – Proceeds before intended use

The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Company does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

Ind AS 37 – Onerous Contracts - Costs of Fulfilling a Contract

The amendments specify that that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is essentially a clarification and the Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 109 – Annual Improvements to Ind AS (2021)

The amendment clarifies which fees an entity includes when it applies the ‘10 percent’ test of Ind AS 109 in assessing whether to derecognise a financial liability. The Company does not expect the amendment to have any significant impact in its financial statements.

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
Notes to restated financial information

3 Cash and cash equivalents (₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Cash on hand	89.17	75.26	67.35	50.25
Balances with banks:				
- In current accounts	467.18	399.40	905.32	521.69
- In fixed deposit with original maturity of less than 3 months	380.00	1,040.00	410.00	1,678.00
- Interest accrued but not due	0.10	0.10	0.05	0.81
Total	**936.45**	**1,514.76**	**1,382.72**	**2,250.75**

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

4 Bank balances other than cash and cash equivalents (₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Fixed deposit with banks				
- original maturity more than 3 months [Refer Note 4.1]	1,804.89	1,804.89	1,936.37	1,847.26
- Interest accrued but not due	41.25	33.28	94.69	61.10
Total	**1,846.14**	**1,838.17**	**2,031.06**	**1,908.36**

(₹ In Million)

4.1

Details of fixed deposits under lien	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Credit enhancement in securitisation transactions	110.00	110.00	176.84	152.37
In connection with borrowings in the form of term loans from SBI	1,365.29	1,365.29	1,365.29	1,365.29
In connection with Investment in Pass Through Certificates	329.60	329.60	350.16	329.60
Total	**1,804.89**	**1,804.89**	**1,892.29**	**1,847.26**

5 Trade receivables (₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Receivables considered good- Secured	-	-	-	-
Receivables considered good- Unsecured	84.29	64.49	20.63	29.86
Receivables which have significant increase in credit risk	-	-	-	-
Receivables credit impaired	-	-	-	-
Unbilled Trade receivables	17.11	18.19	18.28	4.29
	101.40	82.68	38.91	34.15
Less: Expected credit loss	-	-	-	-
Total	**101.40**	**82.68**	**38.91**	**34.15**

5.1 No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

5.2 No ECL provision is required due to the short term nature of these receivables.

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
Notes to restated financial information

5.3 Ageing of Trade receivables

Ageing of Trade receivables as on 30 June 2022:

(₹ In Million)

Particulars	Unbilled	Not due for payment	Outstanding for following periods from transaction date					
			Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed Trade receivables- considered good - Unsecured	17.11	-	75.99	2.97	5.33	-	-	**101.40**
Total	**17.11**	**-**	**75.99**	**2.97**	**5.33**	**-**	**-**	**101.40**

Ageing of Trade receivables as on 31 March 2022:

(₹ In Million)

Particulars	Unbilled	Not due for payment	Outstanding for following periods from transaction date					
			Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed Trade receivables- considered good - Unsecured	18.19	-	56.79	3.49	4.21	-	-	**82.68**
Total	**18.19**	**-**	**56.79**	**3.49**	**4.21**	**-**	**-**	**82.68**

Ageing of Trade receivables as on 31 March 2021:

(₹ In Million)

Particulars	Unbilled	Not due for payment	Outstanding for following periods from transaction date					
			Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed Trade receivables- considered good - Unsecured	18.28	-	20.18	-	0.45	-	-	**38.91**
Total	**18.28**	**-**	**20.18**	**-**	**0.45**	**-**	**-**	**38.91**

Ageing of Trade receivables as on 31 March 2020:

(₹ In Million)

Particulars	Unbilled	Not due for payment	Outstanding for following periods from transaction date					
			Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed Trade receivables- considered good - Unsecured	4.29	-	29.41	0.45	-	-	-	**34.15**
Total	**4.29**	**-**	**29.41**	**0.45**	**-**	**-**	**-**	**34.15**

6 Loans (₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Measured at amortised cost				
Loan against Property	24,836.90	21,714.77	13,407.60	10,080.38
Loan against Gold	7,309.62	6,510.05	5,760.60	3,768.43
Unsecured loan	2,199.10	2,241.43	2,170.82	1,992.44
Staff loans	23.39	20.62	15.41	11.01
Total (A)– Gross	**34,369.01**	**30,486.87**	**21,354.43**	**15,852.26**
Less: Expected credit loss	(713.05)	(662.75)	(652.49)	(370.69)
Total (A)– Net	**33,655.96**	**29,824.12**	**20,701.94**	**15,481.57**
(a) Secured by tangible assets [Refer Note 6.2]	32,146.52	28,224.82	19,168.20	13,848.81
(b) Unsecured	2,222.49	2,262.05	2,186.23	2,003.45
Total (B)– Gross	**34,369.01**	**30,486.87**	**21,354.43**	**15,852.26**
Less: Expected credit loss	(713.05)	(662.75)	(652.49)	(370.69)
Total (B)– Net	**33,655.96**	**29,824.12**	**20,701.94**	**15,481.57**
Loans in India				
(i) Public sector	-	-	-	-
(ii) Others	34,369.01	30,486.87	21,354.43	15,852.26
Total (C)– Gross	**34,369.01**	**30,486.87**	**21,354.43**	**15,852.26**
Less: Expected credit loss	(713.05)	(662.75)	(652.49)	(370.69)
Total (C)– Net	**33,655.96**	**29,824.12**	**20,701.94**	**15,481.57**

6.1 The Company's business model is to collect contractual cash flows, being the payment of Principal and Interest and accordingly the loans are measured at amortized cost.

6.2 Loans granted by the Company are secured or partly secured by one or a combination of the following securities:- Registered/ equitable mortgage of property, Hypothecation of assets including Gold.

6.3 Loans where fraud has been committed/ reported for the period ended 30 June 2022: Nil (31 March 2022: ₹ 18.57 Million; 31 March 2021: ₹ 26.60 Million; 31 March 2020: Nil)

6.4 The Company has not provided any loans or advances to promoters, directors, KMPs and the related parties.

6.5 The Company has securitised certain term loans and managed servicing of such loan accounts. The carrying value of these assets have not been de-recognised in the books. Refer Note 49 for securitised term loans not derecognised in their entirety.

6.6 Unsecured Loans includes unsecured business loans which is guaranteed by Credit Guarantee Fund Trust for Micro and Small Enterprises amounting to ₹ 77.96 Million; 31 March 2022: ₹ 82.40 Million; 31 March 2021: ₹ 283.00 Million; 31 March 2020: ₹ 444.74 Million)

6.7 Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19):
For year ended 31 March 2021:

The COVID -19 pandemic continues to spread across the globe and India, which has contributed to a significant volatility in global and Indian financial markets and a significant decrease in global and local economic activities. The financial statements, includes the potential impact of the COVID-19 pandemic on the Company's financial statements which are dependent on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the second wave of COVID-19 pandemic and any action to contain its spread or mitigate its impact whether Government mandated or elected by the Company and its subsequent impact on the recoverability's on the Company's assets. The Company has, based on current available information and based on the policy approved by the board, determined the provision for impairment of financial assets including the additional overlay for uncertainty over the potential macro-economic impact of the pandemic.

Based on the current indicators of future economic conditions, the Company considers this provision to be adequate and expects to recover the carrying amount of these financial assets. Given the uncertainty over the potential macro-economic condition, the impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

The Company holds a management overlay of ₹ 192.55 Million as at 31 March 2021 (₹ 149.90 Million as at 31 March 2020) in addition to expected credit loss provision for loans aggregating to ₹ 459.94 Million as on 31 March 2021 (₹ 220.79 Million as at 31 March 2020).

For year ended 31 March 2020:

The COVID-19 pandemic has resulted in a significant decrease in the economic activities across the country, on account of Lockdown that was announced on 24 March 2020. The Financial Statement, includes the potential impact of the COVID-19 Pandemic on the Company's results which are dependent on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether Government mandated or elected by the Company and its subsequent impact on the recoverability's of the Company's assets.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27 March 2020 and 17 April 2020 and the Board approved policy in this regard, the Company has offered moratorium to its customers. For all such accounts where the moratorium is granted, the asset classification will remain standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification as per the Company policy).

The Company has, based on current information available, estimated various scenario analysis and applied management overlays based on the policy approved by the board while arriving at the provision for impairment of financial assets which the management believes is adequate. Given the uncertainty over the closure of the aforesaid lockdown and the potential macro-economic impact, the Company's management has considered internal and external information upto the date of approval of these Financial Statements. The Company has performed an estimation of portfolio stress through analysing its portfolio in respect of various risk classification, using the available historical and current data and based on current indicators of future economic conditions. The said analysis has resulted in an overlay of ₹ 149.90 Million.

On 22 May 2020 the RBI has announced extension of the moratorium period by further three months. The extent to which COVID-19 pandemic will impact the Company's provision on financial assets will depend on future developments, which are highly uncertain. The impact of COVID-19 pandemic may be different from that estimated as at the date of approval of these Financial Statements and the Company will continue to closely monitor any material changes to future economic conditions.

7 Investments

(₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
At fair value through profit or loss				
Investment in mutual funds- quoted	2,097.21	3,083.18	3,954.10	-
At amortized cost				
Investment in Pass through certificates (PTC) [Refer Note 7.1 & 7.2]	4,552.32	5,397.95	10,888.39	18,790.77
Total (A)	**6,649.53**	**8,481.13**	**14,842.49**	**18,790.77**
(i) Investments outside India	-	-	-	-
(ii) Investments in India	6,649.53	8,481.13	14,842.49	18,790.77
Total (B)	**6,649.53**	**8,481.13**	**14,842.49**	**18,790.77**
Less: Allowance for Impairment loss (C)	-	-	-	-
Total – Net (D)= (A)-(C)	**6,649.53**	**8,481.13**	**14,842.49**	**18,790.77**

7.1 During the year ended 31 March 2020, the Company had acquired portfolio amounting to ₹ 23,656.00 Million from DHFL through a trust in a Pass Through Certificate arrangement. The Company had a risk cover of ₹ 6,000.00 Million against these receivables. During the year ended 31 March 2022 and 31 March 2021, the Company had sold Investment in Pass Through Certificates amounting to ₹ 1,005.53 Million and ₹ 1,440.96 Million respectively.

7.2 There is no impairment allowance for existing Investment in Pass Through Certificates considering the performance of the underlying loans and the risk

8 Other financial assets

(₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Unsecured, considered good				
Security deposits	31.47	29.73	22.64	23.47
Receivables on sale of Investment in PTC [Refer Note 8.1]	15.31	2.53	23.83	-
Receivable from trusts	-	1.91	-	-
Other receivables	-	-	11.71	-
Total	**46.78**	**34.17**	**58.18**	**23.47**

8.1 With respect to Receivable on sale of Investment in PTC, Company has created an interest receivable strip, with corresponding credit to statement of profit and loss, which has been computed by discounting excess interest spread to present value.

9 Current tax assets (net)

(₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Advance income tax [Net of provision for income tax ₹ 686.28 Million (31 March 2022: ₹ 686.28 Million; 31 March 2021: ₹ 423.22 Million; 31 March 2020: ₹ 122.54 Million)]	342.60	341.92	206.42	613.44
Total	**342.60**	**341.92**	**206.42**	**613.44**

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
Notes to restated financial information

10 Property, plant and equipment, Other intangible assets, Intangible assets under development, Goodwill

(₹ In Million)

Particulars	Property, plant and equipment						Other intangible assets			Intangible assets under development	Goodwill
	Computers	Furniture and fixtures	Office equipments	Motor car	Buildings Right-of-use (Refer Note 44.1)	Total	Computer Software	Trademark and Patent	Total	Computer Software	Goodwill (Refer Note 46)
Gross Block:											
As at 1 April 2019	14.87	73.56	17.41	-	255.67	**361.51**	18.31	0.69	**19.00**	-	2,603.92
Additions	9.63	31.44	6.62	-	13.25	**60.94**	4.49	-	**4.49**	-	-
Disposals	-	-	-	-	1.25	**1.25**	-	-	-	-	-
As at 31 March 2020	**24.50**	**105.00**	**24.03**	**-**	267.67	**421.20**	**22.80**	**0.69**	**23.49**	**-**	**2,603.92**
Additions	11.75	95.91	17.36	2.91	53.43	**181.36**	12.21	-	**12.21**	3.33	-
Disposals	0.93	1.63	2.81	-	44.85	**50.22**	2.58	-	**2.58**	-	-
As at 31 March 2021	**35.32**	**199.28**	**38.58**	**2.91**	**276.25**	**552.34**	**32.43**	**0.69**	**33.12**	**3.33**	**2,603.92**
Additions	29.18	30.07	14.18	-	19.30	**92.73**	23.65	-	**23.65**	-	-
Disposals	-	-	0.05	-	26.40	**26.45**	-	-	**-**	3.33	
As at 31 March 2022	**64.50**	**229.35**	**52.71**	**2.91**	**269.15**	**618.62**	**56.08**	**0.69**	**56.77**	**-**	**2,603.92**
Additions	7.11	12.60	4.00	-	10.59	**34.30**	0.16	-	**0.16**	-	-
Disposals	-	-	0.05	-	2.53	**2.58**	-	-	**-**	-	-
As at 30 June 2022	**71.61**	**241.95**	**56.66**	**2.91**	**277.21**	**650.34**	**56.24**	**0.69**	**56.93**	**-**	**2,603.92**
Depreciation and Amortization:											
As at 1 April 2019	5.95	6.83	7.08	-	-	**19.86**	8.80	0.19	**8.99**	-	-
Additions	5.23	12.78	4.81	-	54.71	**77.53**	4.13	0.14	**4.27**	-	-
Disposals	-	-	-	-	0.35	**0.35**	-	-	**-**	-	-
As at 31 March 2020	**11.18**	**19.61**	**11.89**	**-**	**54.36**	**97.04**	**12.93**	**0.33**	**13.26**	**-**	**-**
Additions	8.13	19.61	5.68	0.16	56.60	**90.18**	5.09	0.14	**5.23**	-	-
Disposals	0.92	0.93	2.65	-	20.38	**24.88**	2.58	-	**2.58**	-	-
As at 31 March 2021	**18.39**	**38.29**	**14.92**	**0.16**	**90.58**	**162.34**	**15.44**	**0.47**	**15.91**	**-**	**-**
Additions	14.96	21.67	8.04	0.36	64.77	**109.80**	7.85	0.14	**7.99**	-	-
Disposals	-	-	0.02	-	10.56	**10.58**	-	-	**-**	-	-
As at 31 March 2022	**33.35**	**59.96**	**22.94**	**0.52**	**144.79**	**261.56**	**23.29**	**0.61**	**23.90**	**-**	**-**
Additions	4.62	5.89	2.48	0.09	16.63	**29.71**	2.34	0.03	**2.37**	-	-
Disposals	-	-	0.04	-	0.94	**0.98**	-	-	**-**	-	-
As at 30 June 2022	**37.97**	**65.85**	**25.38**	**0.61**	**160.48**	**290.29**	**25.63**	**0.64**	**26.27**	**-**	**-**
Net Block:											
As at 31 March 2020	**13.32**	**85.39**	**12.14**	**-**	**213.31**	**324.16**	**9.87**	**0.36**	**10.23**	**-**	**2,603.92**
As at 31 March 2021	**16.93**	**160.99**	**23.66**	**2.75**	**185.67**	**390.00**	**16.99**	**0.22**	**17.21**	**3.33**	**2,603.92**
As at 31 March 2022	**31.15**	**169.39**	**29.77**	**2.39**	**124.36**	**357.06**	**32.79**	**0.08**	**32.87**	**-**	**2,603.92**
As at 30 June 2022	**33.64**	**176.10**	**31.28**	**2.30**	**116.73**	**360.05**	**30.61**	**0.05**	**30.66**	**-**	**2,603.92**

10.1 Intangible assets under development ageing schedule:

(₹ In Million)

Intangible assets under development	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
as on 30 June 2022					
Projects in progress	-	-	-	-	-
as on 31 March 2022					
Projects in progress	-	-	-	-	-
as on 31 March 2021					
Projects in progress	3.33	-	-	-	**3.33**
as on 31 March 2020					
Projects in progress	-	-	-	-	-

11 Other non-financial assets

(₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Prepaid expenses	18.07	19.62	18.44	12.42
Gratuity asset (net)	-	-	-	0.75
Balance with government authorities	10.42	-	1.04	6.68
Advance to creditors	25.37	13.82	7.23	11.71
Capital advances	2.97	6.10	9.01	7.47
Total	**56.83**	**39.54**	**35.72**	**39.03**

12 Payables

(A) Trade payables

(₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Total outstanding dues of micro enterprises and small enterprises	0.19	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	68.84	80.73	52.70	54.35
Total	**69.03**	**80.73**	**52.70**	**54.35**

12.1 The Company had requested its supplier to confirm the status so as to whether they are covered under the Micro, Small and Medium Enterprises Development Act, 2006 and is in the continuous process of obtaining such confirmation from its suppliers. The disclosure relating to unpaid amount as at the year end together with interest paid/ payable as required under the said Act have been given to the extent such parties could be identified on the basis of the information available with the Company regarding the status of the suppliers under MSMED Act, 2006.

(₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Principal amount due to suppliers under MSMED Act, as at the period/ year end (since paid)	0.17	-	-	-
Interest accrued and due to suppliers under MSMED Act, on the above amount as at the period/ year end	0.02	-	-	-
Payment made to suppliers (other than interest) beyond the appointed day, during the period/ year	-	-	-	-
Interest paid to suppliers under MSMED Act	-	-	-	-
Interest due and payable to suppliers under MSMED Act, for payments already made	-	-	-	-
Interest accrued and remaining unpaid at the end of period/ year to suppliers under MSMED Act	0.02	-	-	-

The aforementioned is based on the responses received by the Company to its inquiries with suppliers with regard to applicability under the said Act. This has been relied upon by the auditors.

Ageing of Trade payables as on 30 June 2022:

(₹ In Million)

Particulars	Unbilled	Not due for payment	Outstanding for following periods from transaction date				
			Less than 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
Others	62.15	-	6.70	0.18	-	-	**69.03**
Total	**62.15**	**-**	**6.70**	**0.18**	**-**	**-**	**69.03**

Ageing of Trade payables as on 31 March 2022:

(₹ In Million)

Particulars	Unbilled	Not due for payment	Outstanding for following periods from transaction date				
			Less than 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
Others	60.51	-	20.22	-	-	-	**80.73**
Total	**60.51**	**-**	**20.22**	**-**	**-**	**-**	**80.73**

Ageing of Trade payables as on 31 March 2021:

(₹ In Million)

Particulars	Unbilled	Not due for payment	Outstanding for following periods from transaction date				
			Less than 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
Others	51.97	-	0.73	-	-	-	**52.70**
Total	**51.97**	**-**	**0.73**	**-**	**-**	**-**	**52.70**

Ageing of Trade payables as on 31 March 2020:

(₹ In Million)

Particulars	Unbilled	Not due for payment	Outstanding for following periods from transaction date				
			Less than 1 Year	1-2 Years	2-3 Years	More than 3 Years	Total
Others	52.14	-	2.12	0.09	-	-	**54.35**
Total	**52.14**	**-**	**2.12**	**0.09**	**-**	**-**	**54.35**

(B) Other payables

(₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Total outstanding dues of micro enterprises and small enterprises	-	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	59.72	40.45	6.30	7.00
Total	**59.72**	**40.45**	**6.30**	**7.00**

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13 Debt securities

(₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
At amortized cost				
Secured				
- Privately Placed redeemable Non Convertible Debentures				
Gross amount	463.22	454.03	1,584.47	3,397.81
Net amount	**463.22**	**454.03**	**1,584.47**	**3,397.81**
Total (A)	**463.22**	**454.03**	**1,584.47**	**3,397.81**
Debt securities in India	463.22	454.03	1,584.47	3,397.81
Debt securities outside India	-	-	-	-
Total (B)	**463.22**	**454.03**	**1,584.47**	**3,397.81**

13.1 No Non Convertible Debentures is guaranteed by directors and/ or others.

13.2 Terms of repayment of privately placed redeemable non convertible debentures:

(₹ In Million)

	As at 30 June 2022		As at 31 March 2022		As at 31 March 2021		As at 31 March 2020	
Tenure (from the date of Balance Sheet)	**Rate of Interest**	**Amount**	**Rate of Interest**	**Amount**	**Rate of Interest**	**Amount**	**Rate of Interest**	**Amount**
Due within 3 years	8.57%	430.00	8.57%	430.00	9.25% - 9.30%	1,500.00	9.40%	3,250.00
Total		**430.00**		**430.00**		**1,500.00**		**3,250.00**
Interest accrued		33.22		24.03		84.47		154.94
Effective interest rate adjustment		-		-		-		(7.13)
Net Amount		**463.22**		**454.03**		**1,584.47**		**3,397.81**

13.3 Details of Secured Redeemable Non Convertible Debentures:

(₹ In Million)

Name of Securities	Number	Allotment Date	Redemption Date	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
9.25% Non Convertible Debentures- SERIES A	250	03-Aug-20	03-Feb-22	-	-	250.00	-
9.25% Non Convertible Debentures- SERIES A	500	11-Aug-20	11-Feb-22	-	-	500.00	-
9.30% Non Convertible Debentures- SERIES A	250	17-Aug-20	17-Feb-22	-	-	250.00	-
9.25% Non Convertible Debentures- SERIES A	500	14-Sep-20	14-Mar-22	-	-	500.00	-
8.57% Non Convertible Debentures- SERIES A	430	06-Aug-21	06-Aug-24	430.00	430.00	-	-
9.40% Non Convertible Debentures	3,250	27-Sep-17	27-Sep-20	-	-	-	3,250.00

Face value of Non Convertible Debentures is ₹ 1.00 Million. These debentures are redeemable at the end of 18 to 36 months from the date of allotment. Payment of Interest is yearly and principal repayment at maturity.

13.4 The debentures are secured by way of first pari passu charge against the book debts, Investment in PTC and loan assets of the Company which are standard.
Minimum security cover of 1.1 times is required to be maintained throughout the year.

14 Borrowings (other than debt securities)

(₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
At amortized cost				
Secured				
Term loans				
- Indian rupee loan from banks				
Gross amount	26,491.10	27,260.79	25,192.34	25,755.67
Less: Effective interest rate adjustment	(112.00)	(124.79)	(142.36)	(165.50)
Net amount	**26,379.10**	**27,136.00**	**25,049.98**	**25,590.17**
- Indian rupee loan from financial institutions				
Gross amount	865.67	1,298.03	375.35	-
Less: Effective interest rate adjustment	(1.37)	(1.78)	(1.04)	-
Net amount	**864.30**	**1,296.25**	**374.31**	**-**
Collateralized borrowings	466.83	512.79	672.98	1,568.09
Total (A)	**27,710.23**	**28,945.04**	**26,097.27**	**27,158.26**
Borrowings in India	27,710.23	28,945.04	26,097.27	27,158.26
Borrowings outside India	-	-	-	-
Total (B) to tally with (A)	**27,710.23**	**28,945.04**	**26,097.27**	**27,158.26**

14.1 **a) Indian rupee loan from banks:** These are secured by First Pari Passu charge by way of hypothecation of standard loan receivables of the Company, Investments in PTC and on all other book debts and current assets of the company.

b) Indian rupee loan from financial institutions: These are secured by First Pari Passu charge by way of hypothecation of standard loan receivables of the Company, Investments in PTC and on all other book debts and current assets of the company.

c) Collateralized borrowings are secured against pool of Loan Assets. Refer Note 49 for more details.

14.2 No term loan and any other borrowing is guaranteed by directors and/ or others.

14.3 The Company has not defaulted in repayment of principal and interest during the period ended 30 June 2022 and year ended 31 March 2022; 31 March 2021 and 31 March 2020.

14.4 The repayment of borrowings is done monthly and quarterly as per the sanctioned terms.

As at 30 June 2022

(₹ In Million)

Terms of Repayment	Indian rupee loan from banks		Indian rupee loan from financial institutions		Collateralized Borrowings	
Tenure (from the date of Balance Sheet)	**Rate of Interest**	**Amount**	**Rate of Interest**	**Amount**	**Rate of Interest**	**Amount**
Due within 3 years	6.76% - 9.51%	18,889.20	5.75% - 8.05%	862.51	8.30%	134.93
Due within 3-5 years	6.76% - 9.51%	7,342.56	-	-	8.30%	98.22
Above 5 years	6.76% - 9.51%	243.26	-	-	8.30%	232.20
Total		**26,475.02**		**862.51**		**465.35**
Interest Accrued		16.08		3.16		1.48
Effective interest rate adjustment		(112.00)		(1.37)		-
Net amount		**26,379.10**		**864.30**		**466.83**

As at 31 March 2022 **(₹ In Million)**

Terms of Repayment	Indian rupee loan from banks		Indian rupee loan from financial institutions		Collateralized Borrowings	
Tenure (from the date of Balance Sheet)	**Rate of Interest**	**Amount**	**Rate of Interest**	**Amount**	**Rate of Interest**	**Amount**
Due within 3 years	6.76% - 8.91%	18,728.32	5.75% - 8.00%	1,293.48	8.30%	134.00
Due within 3-5 years	6.76% - 8.91%	7,431.17	-	-	8.30%	99.17
Above 5 years	6.76% - 8.91%	1,094.16	-	-	8.30%	277.88
Total		**27,253.65**		**1,293.48**		**511.05**
Interest accrued		7.14		4.55		1.74
Effective interest rate adjustment		(124.79)		(1.78)		-
Net amount		**27,136.00**		**1,296.25**		**512.79**

As at 31 March 2021 **(₹ In Million)**

Terms of Repayment	Indian rupee loan from banks		Indian rupee loan from financial institutions		Collateralized Borrowings	
Tenure (from the date of Balance Sheet)	**Rate of Interest**	**Amount**	**Rate of Interest**	**Amount**	**Rate of Interest**	**Amount**
Due within 3 years	7.00% - 9.20%	14,088.58	6.32% - 8.00%	375.00	9.20% - 9.52%	120.87
Due within 3-5 years	7.00% - 9.20%	6,872.96	-	-	9.20% - 9.52%	98.96
Above 5 years	7.00% - 9.20%	4,218.37	-	-	9.20% - 9.52%	450.78
Total		**25,179.91**		**375.00**		**670.61**
Interest accrued		12.43		0.35		2.37
Effective interest rate adjustment		(142.36)		(1.04)		-
Net amount		**25,049.98**		**374.31**		**672.98**

As at 31 March 2020 **(₹ In Million)**

Terms of Repayment	Indian rupee loan from banks		Indian rupee loan from financial institutions		Collateralized Borrowings	
Tenure (from the date of Balance Sheet)	**Rate of Interest**	**Amount**	**Rate of Interest**	**Amount**	**Rate of Interest**	**Amount**
Due within 3 years	8.35% - 9.85%	11,387.91	-	-	9.52% - 9.85%	878.32
Due within 3-5 years	8.35% - 9.85%	6,760.00	-	-	9.52% - 9.85%	104.50
Above 5 years	8.35% - 9.85%	7,601.00	-	-	9.52% - 9.85%	582.04
Total		**25,748.91**		**-**		**1,564.86**
Interest accrued		6.76		-		3.23
Effective interest rate adjustment		(165.50)		-		-
Net Amount		**25,590.17**		**-**		**1,568.09**

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
Notes to restated financial information

15 Other financial liabilities (₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Employee benefits payable	117.59	112.90	86.07	61.30
Lease liabilities [Refer Note 44.2]	133.00	141.08	195.46	216.11
Book overdraft	1,690.96	1,671.18	920.08	-
Payable on account of PTC pool	382.79	504.46	947.06	683.92
Payable to trusts	3.06	-	2.04	9.91
Other liabilities	62.10	71.55	116.37	108.77
Total	**2,389.50**	**2,501.17**	**2,267.08**	**1,080.01**

16 Current tax liabilities (net) (₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Income tax liability [net of Advance Tax of ₹ 108.95 Million]	21.21	-	-	-
Total	**21.21**	**-**	**-**	**-**

17 Provisions (₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits				
Gratuity (funded) [Refer Note 40]	1.40	2.47	2.25	-
Total	**1.40**	**2.47**	**2.25**	**-**

18 Deferred tax liabilities (net) (₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Deferred tax liabilities				
Depreciation	371.42	372.32	373.04	374.43
Unamortized processing fees on term loan	28.53	31.85	36.09	41.65
Unamortized debenture cost	-	-	-	1.80
Income on sale of Investment in PTC	3.85	-	-	-
Mark to market gain on mutual funds	21.23	20.04	9.41	-
Total Deferred tax liabilities	**425.03**	**424.21**	**418.54**	**417.88**
Deferred tax assets				
Expected credit losses	176.86	164.63	145.80	93.30
Restatement adjustments	-	-	0.44	0.02
Provision for expenses	-	-	-	8.40
Unabsorbed depreciation b/f	-	-	-	42.92
Transaction cost of Loan assets	70.13	59.33	32.08	25.18
Impact on account of leases	5.51	5.74	5.36	3.48
Total Deferred tax assets	**252.50**	**229.70**	**183.68**	**173.30**
Deferred tax liabilities (net)	**172.53**	**194.51**	**234.86**	**244.58**

19 Other non-financial liabilities (₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Statutory dues	24.72	60.27	15.89	13.07
Total	**24.72**	**60.27**	**15.89**	**13.07**

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Notes to restated financial information

20 Equity share capital

(₹ In Million)

Particulars	As at 30 June 2022		As at 31 March 2022		As at 31 March 2021		As at 31 March 2020	
	No of shares	₹ in Million	No of shares	Amount	No of shares	Amount	No of shares	Amount
Authorized								
Equity Shares of ₹ 10 each	98,50,00,000	9,850.00	98,50,00,000	9,850.00	98,50,00,000	9,850.00	98,50,00,000	9,850.00
Compulsory Convertible Preference Shares of ₹ 10 each	1,50,00,000	150.00	1,50,00,000	150.00	1,50,00,000	150.00	1,50,00,000	150.00
	1,00,00,00,000	**10,000.00**	**1,00,00,00,000**	**10,000.00**	**1,00,00,00,000**	**10,000.00**	**1,00,00,00,000**	**10,000.00**
Issued, subscribed and fully paid-up (A)								
Equity Shares of ₹ 10 each, fully paid up	87,45,84,395	8,745.84	81,20,84,395	8,120.84	80,67,59,395	8,067.60	75,24,05,219	7,524.06
Equity Shares of ₹ 10 each, ₹ 2.50 paid up	73,50,000	18.38	73,50,000	18.38	-	-	-	
Equity Shares of ₹ 10 each, ₹ 0.50 paid up	1,50,89,287	7.54	1,50,89,287	7.54	1,50,89,287	7.54	1,50,89,287	7.54
	89,70,23,682	**8,771.76**	**83,45,23,682**	**8,146.76**	**82,18,48,682**	**8,075.14**	**76,74,94,506**	**7,531.60**
Treasury shares held through ESOP trust (B)								
Equity Shares of ₹ 10 each, fully paid up	(74,52,000)	(74.52)	(78,75,500)	(78.76)	(1,08,40,000)	(108.40)	(1,08,40,000)	(108.40)
Equity shares [net of treasury shares] [A + B]	**88,95,71,682**	**8,697.24**	**82,66,48,182**	**8,068.00**	**81,10,08,682**	**7,966.74**	**75,66,54,506**	**7,423.20**

20.1 Reconciliation of number of shares outstanding at the beginning and end of the reporting period:

Particulars	As at 30 June 2022		As at 31 March 2022		As at 31 March 2021		As at 31 March 2020	
	No. of shares	₹ in Million	No. of shares	₹ in Million	No. of shares	₹ in Million	No. of shares	₹ in Million
Equity shares outstanding as at the beginning of the period/year	83,45,23,682	8,146.76	82,18,48,682	8,075.14	76,74,94,506	7,531.60	68,68,40,000	6,868.40
Add: Equity shares issued during the period/year	6,25,00,000	625.00	1,01,75,000	46.62	5,43,54,176	543.54	8,06,54,506	663.20
Add: Equity shares issued upon exercise of options under employee share option plan	-	-	25,00,000	25.00	-	-	-	-
Equity shares outstanding as at the end of the period/year	**89,70,23,682**	**8,771.76**	**83,45,23,682**	**8,146.76**	**82,18,48,682**	**8,075.14**	**76,74,94,506**	**7,531.60**

Reconciliation of number of treasury shares outstanding at the beginning and end of the reporting period:

Particulars	As at 30 June 2022		As at 31 March 2022		As at 31 March 2021		As at 31 March 2020	
	No. of shares	₹ in Million	No. of shares	₹ in Million	No. of shares	₹ in Million	No. of shares	₹ in Million
Equity shares outstanding as at the beginning of the period/year	78,75,500	78.76	1,08,40,000	108.40	1,08,40,000	108.40	1,08,40,000	108.40
Add: Equity shares issued during the period/year	-	-	28,25,000	28.25	-	-	-	-
Less: Equity shares transferred upon exercise of options under employee share option plan	(4,23,500)	(4.24)	(57,89,500)	(57.89)	-	-	-	-
Equity shares outstanding as at the end of the period/year	**74,52,000**	**74.52**	**78,75,500**	**78.76**	**1,08,40,000**	**108.40**	**1,08,40,000**	**108.40**

For details of shares reserved for issue under ESOP of the company and shares exercised under ESOP, refer note 41.

20.2 Terms and rights attached to equity shares:

The Company has single class equity shares having a par value of ₹ 10 per equity share. Accordingly, all equity shares rank equally with regard to dividends and share in the company's residual assets. The equity shares are entitled to receive dividend as declared from time to time subject to payment of dividend to preference shareholders if any. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held. Upon show of hands, every Member present in person and holding any equity share capital therein, shall have one vote, in respect of such capital, on every resolution placed before the company.

The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by Shareholders at the Annual General Meeting.

20.3 Details of share held by the holding Company:

Particulars	As at 30 June 2022		As at 31 March 2022		As at 31 March 2021		As at 31 March 2020	
	No. of shares	% of Holding	No. of shares	% of Holding	No. of shares	% of Holding	No. of shares	% of Holding
SBFC Holdings PTE Ltd.	65,00,40,000	72.47%	60,00,40,000	71.90%	60,00,40,000	73.01%	56,00,00,000	72.96%

20.4 Details of shareholders holding more than five percent shares in the Company:

Particulars	As at 30 June 2022		As at 31 March 2022		As at 31 March 2021		As at 31 March 2020	
	No. of shares	% of Holding	No. of shares	% of Holding	No. of shares	% of Holding	No. of shares	% of Holding
SBFC Holdings PTE Ltd.	65,00,40,000	72.47%	60,00,40,000	71.90%	60,00,40,000	73.01%	56,00,00,000	72.96%
Arpwood Partners Investment Advisors LLP	12,22,17,177	13.62%	12,22,17,177	14.65%	13,08,73,506	15.92%	13,45,73,506	17.53%

20.5 Details of shareholding of Promoters of the Company:

Particulars	As at 30 June 2022			As at 31 March 2022			As at 31 March 2021			As at 31 March 2020		
	No. of shares	% of Holding	% of Change during the period	No. of shares	% of Holding	% of Change during the year	No. of shares	% of Holding	% of Change during the year	No. of shares	% of Holding	% of Change during the year
Arpwood Partners Investment Advisors LLP	12,22,17,177	13.62%	(1.03%)	12,22,17,177	14.65%	(1.00%)	13,08,73,506	15.92%	(1.61%)	13,45,73,506	17.53%	4.53%
Eight 45 Services LLP	2,42,72,805	2.71%	(0.20%)	2,42,72,805	2.91%	0.00%	2,59,91,986	3.16%	(0.11%)	2,51,01,000	3.27%	3.27%
SBFC Holdings Pte. Ltd	65,00,40,000	72.47%	0.57%	60,00,40,000	71.90%	(1.00%)	60,00,40,000	73.01%	0.05%	56,00,00,000	72.96%	72.96%
Arpwood Capital Private Limited	2,99,95,300	3.34%	(0.25%)	2,99,95,300	3.59%	0.00%	3,21,19,790	3.91%	1.73%	1,67,00,000	2.18%	2.18%

20.6 There are no bonus shares issued or shares bought back or shares issued for consideration other than cash by the Company during five years immediately preceding the balance sheet date.

21 Other equity

(₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Statutory reserve u/s 45-IC of the RBI Act, 1934				
Balance as at the beginning of the period/ year	419.48	291.04	120.74	49.89
Add: Amount transferred from surplus balance in the Statement of Profit and Loss	-	128.44	170.30	70.85
Balance as at the end of the period/ year	**419.48**	**419.48**	**291.04**	**120.74**
Securities premium				
Balance as at the beginning of the period/ year	2,453.76	2,379.51	1,887.08	1,684.88
Add: Transfer from employee share option outstanding pursuant to stock options exercised	1.70	32.51	-	-
Add: Premium on issue of share capital	1,875.00	52.71	493.54	203.26
Less: Share issue expenses	(1.23)	(0.02)	(1.11)	(1.06)
Add/ Less: Loan to Employee Welfare Trust	1.06	(10.95)	-	-
Balance as at the end of the period/ year	**4,330.29**	**2,453.76**	**2,379.51**	**1,887.08**
Employee share option outstanding				
Balance as at the beginning of the period/ year	213.89	216.80	177.88	74.90
Add: Charge for the period/ year	21.63	29.60	38.92	102.98
Less: Transferred to securities premium pursuant to stock options exercised	(1.70)	(32.51)	-	
Balance as at the end of the period/ year	**233.82**	**213.89**	**216.80**	**177.88**
Retained Earnings				
Surplus in Statement of Profit and Loss as at the beginning of the period/ year	1,711.27	1,194.50	514.70	230.60
Add: Profit for the period/ year	320.66	645.21	850.10	354.95
Less: Transfer to statutory reserve	-	(128.44)	(170.30)	(70.85)
Balance as at the end of the period/ year	**2,031.93**	**1,711.27**	**1,194.50**	**514.70**
Remeasurement gain/ (loss) on defined benefit plans				
Balance as at the beginning of the period/ year	5.27	2.49	1.17	2.06
Add: Other comprehensive income for the period/ year	0.73	2.78	1.32	-
Less: Deletions during the period/ year	-	-	-	(0.89)
Balance as at the end of the period/ year	**6.00**	**5.27**	**2.49**	**1.17**
TOTAL	**7,021.52**	**4,803.67**	**4,084.34**	**2,701.57**

Statutory reserve u/s 45-IC of the RBI Act, 1934: As required by section 45-IC of the RBI Act 1934, the Company maintains a reserve fund and transfers there in a sum not less than twenty per cent of its net profit every year as disclosed in the statement of profit and loss and before any dividend is declared.

Employee share option outstanding: The Company has a share option scheme under which options to subscribe for the Company's shares have been granted to certain employees including key management personnel. The share-based payment reserve is used to recognize the value of equity-settled share-based payments

Securities Premium Reserve: Securities premium is used to record the premium on issue of shares. It can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013. In case of equity settled share based payment transactions, the difference between fair value on grant date and nominal value share is accounted as securities premium.

Retained Earnings: Retained earnings are the profits that the Company has earned till date, less any transfers to statutory reserve.

Remeasurement gain/ (loss) on defined benefit plans: It represents the gains/ (losses) arising on account of actuarial valuation of defined benefit obligation.

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22 Interest income (₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
On Financial Assets measured at Amortized Cost:				
Interest on loans	1,246.38	3,825.40	2,773.92	2,145.24
Interest on deposits from banks	18.29	70.46	138.12	71.68
Interest on investment in Pass Through certificates (PTC)	130.21	835.61	1,719.62	1,879.91
Total	**1,394.88**	**4,731.47**	**4,631.66**	**4,096.83**

23 Fees and commission income (₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Loan management services fee income	27.03	136.45	171.26	123.55
Other fee income [Refer Note 23.1]	54.20	135.94	70.27	50.98
Total	**81.23**	**272.39**	**241.53**	**174.53**

23.1 Fee Income includes Processing Fee on loan against Gold (not subject to EIR), Initial Money Deposit fees and Co-origination fees.

24 Net gain on fair value changes (₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
On financial instruments designated at fair value through profit or loss:				
Mutual Funds				
(A) Total net gain on fair value changes	32.73	157.22	91.06	114.92
(B) Fair value changes:				
- Realized	20.29	100.39	53.65	114.92
- Unrealized	12.44	56.83	37.41	-
Total net gain on fair value changes	**32.73**	**157.22**	**91.06**	**114.92**

25 Net gain on derecognition of financial instruments under amortised cost category (₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Income on sale of investment in Pass through certificates (PTC)	21.07	-	39.68	-
Total	**21.07**	**-**	**39.68**	**-**

26 Other operating income (₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Advertisement income	41.84	31.68	-	10.00
Other charges [Refer Note 26.1]	27.92	97.76	67.06	50.42
Total	**69.76**	**129.44**	**67.06**	**60.42**

26.1 Other charges includes Prepayment charges recovered from the customer amounting to ₹ 22.13 Million (31 March 2022: ₹ 57.37 Million; 31 March 2021: ₹ 42.47 Million; 31 March 2020: ₹ 40.85 Million)

27 Other income (₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest on income tax refund	-	0.44	32.77	-
Gain on lease termination (net of losses)	0.22	1.67	2.28	-
Others [Refer Note 27.1]	1.34	14.39	9.29	1.76
Total	**1.56**	**16.50**	**44.34**	**1.76**

27.1 Others include excess amount received from customers and unwinding of lease deposit.

28 Finance costs (on financial liabilities measured at amortized cost)

(₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest on debt securities	9.19	148.06	242.24	395.01
Interest on borrowings	584.62	2,041.00	2,120.39	2,022.89
Interest on lease liabilities [Refer Note 44.2]	3.33	16.81	19.68	22.13
Other interest expenses	0.09	0.30	2.25	0.34
Total	**597.23**	**2,206.17**	**2,384.56**	**2,440.37**

29 Net loss on derecognition of financial instruments under amortised cost category

(₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Loss on sale to ARC	-	130.23	-	22.08
Income on Sale of Investment in Pass Through certificates (PTC)	-	(23.31)	-	-
Total	**-**	**106.92**	**-**	**22.08**

30 Impairment on financial instruments

(₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Impairment on loans	49.66	1.62	281.79	283.05
Loans written off (net of recovery)	15.43	359.26	54.61	17.50
Total	**65.09**	**360.88**	**336.40**	**300.55**

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31 Employee benefits expense (₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Salaries and bonus	304.34	995.51	752.63	594.93
Contribution to provident fund and other funds [Refer Note 40(a)]	15.05	48.26	35.96	27.78
Gratuity expenses [Refer Note 40(b)]	2.38	9.23	7.79	4.60
Employee share based payment expenses [Refer Note 41]	21.62	29.60	38.92	102.97
Staff training and welfare expenses	3.33	12.74	6.53	6.00
Total	**346.72**	**1,095.34**	**841.83**	**736.28**

32 Other expenses (₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Travelling and conveyance	13.53	34.99	15.50	19.33
Printing and stationery	4.90	22.79	10.65	8.56
Communication Expenses	5.80	30.62	16.55	11.35
Business promotion expenses	4.87	53.41	16.51	9.92
Loss on sale/ discard of Property, plant and equipment/ Intangible assets	0.01	3.35	0.87	-
Repairs and maintenance	1.30	6.81	7.95	8.19
Office maintenance	23.77	86.62	68.68	55.28
Legal & professional expenses	34.40	114.95	60.00	56.28
Director sitting fees	0.70	4.50	4.10	3.70
Auditors' remuneration [Refer Note 32.1]	0.95	3.91	2.63	2.03
Corporate social responsibility expenditure [Refer Note 32.2]	0.17	20.35	1.39	1.39
Rent [Refer Note 44.4]	5.14	15.35	2.96	8.40
Rates and taxes	4.80	15.62	38.31	46.25
Electricity charges	4.02	13.27	9.09	11.14
Insurance charges	2.57	5.65	3.23	1.60
IT expenses	15.60	74.14	42.27	32.30
Balance written off	-	24.79	-	-
Bank charges	4.23	14.57	8.75	1.81
Seminar Expenses	4.65	-	-	-
Miscellaneous expenses	0.10	7.25	7.05	3.71
Total	**131.51**	**552.94**	**316.49**	**281.24**

Disclosures:

32.1 Payments to auditors (₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Audit fees	0.90	3.30	2.00	1.80
Tax audit	0.05	0.18	0.20	0.20
Other tax matters and certification	-	0.34	0.43	-
Reimbursement of expenses	-	0.09	-	0.03
Total	**0.95**	**3.91**	**2.63**	**2.03**

Auditors' Remuneration above is excluding Goods and Service Tax.
Figures for year ended 31 March 2022 includes ₹ 0.94 Million to erstwhile Statutory Auditor.

32.2 Corporate Social Responsibility expenditure (₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
a) Amount required to be spent by the company during the period/year	20.16	13.86	6.58	2.67
b) Amount of expenditure incurred	0.17	20.35	1.39	1.39
c) (Excess)/ shortfall at the end of the period/year	19.99	-	6.48	1.28
d) Total of previous years shortfall	-	-	-	-
e) Reason for shortfall	(Refer note 32.2.4)	-	(Refer note 32.2.3)	

f) Nature of CSR activities:
- Apprenticeship under Apprenticeship Act (30 June 2022)
- Promoting preventive health care, sanitation and making available safe drinking water (31 March 2022)
- Promoting livelihood enhancement projects as well as education and employment among children, women and the differently abled. (31 March 2022; 31 March 2021; 31 March 2020)

32.2.1 No amount has been spent by the Company for the construction/ acquisition of any new asset during the period ended 30 June 2022 and year ended 31 March 2022, 31 March 2021 and 31 March 2020.

32.2.2 There have been no related party transactions during the period ended 30 June 2022 and year ended 31 March 2022, 31 March 2021 and 31 March 2020 in respect of CSR activities.

32.2.3 During year ended 31 March 2021 and 31 March 2020, unspent amount of ₹ 6.48 Million and ₹ 1.28 Million respectively had been deposited in separate bank

32.2.4 The CSR requirement is to be complied on annual basis

33 Income Taxes

33.1 Income Tax recognized in Statement of Profit and Loss

(₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Current tax				
In respect of the current period/ year	129.91	262.12	300.24	-
Deferred tax				
In respect of the current period/ year	(21.98)	(40.37)	(9.69)	116.32
MAT Credit Entitlement written off	-	-	-	114.85
Total Income tax expense recognized in the Statement of Profit and Loss	**107.93**	**221.75**	**290.55**	**231.17**

33.2 Reconciliation of income tax expense of the period/ year:

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

(₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Profit before income tax expense	428.59	866.96	1,140.65	586.12
Income tax rate	25.17%	25.17%	25.17%	25.17%
Tax at statutory income tax rate	107.87	218.20	287.08	147.52
Tax effect of amounts which are non deductible/ not taxable in calculating taxable income				
CSR expense	0.04	5.11	0.35	0.35
Impact of change in tax rate	-	-	-	(17.45)
Items on which deferred tax asset (net) was not created	0.02	(1.56)	3.12	(14.10)
MAT credit entitlement written off	-	-	-	114.85
Income tax expense	**107.93**	**221.75**	**290.55**	**231.17**

Pursuant to section 115BAA of the Income-tax Act, 1961 the Company had intended to exercise the option permitted under section 115BAA of the Income-tax Act, 1961 to compute Income tax at the reduced rate (i.e. 25.17%) from the financial year ended 31 March 2020. However, since the Company has unabsorbed Depreciation from previous years, the current tax expense for year ended 31 March 2020 is Nil.

34 Deferred tax

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

(₹ In Million)

Deferred tax liability (net)	As at 1 April 2022	Recognized in Statement of Profit and Loss	Recognized in OCI	As at 30 June 2022
Deferred tax liability on account of:				
Depreciation and amortization	372.32	(0.90)	-	371.42
Income on sale of Investment in PTC	-	3.85	-	3.85
Fair value of investment in mutual funds	20.04	1.19	-	21.23
Unamortized borrowing cost	31.85	(3.32)	-	28.53
	424.21	**0.82**	**-**	**425.03**
Deferred tax asset on account of:				
Expected credit loss	164.63	12.23	-	176.86
Transaction cost on Loan assets	59.33	10.80	-	70.13
Impact on account of leases	5.74	(0.23)	-	5.51
	229.70	**22.80**	**-**	**252.50**
Deferred tax liability (net) and credit for the period	**194.51**	**(21.98)**	**-**	**172.53**

(₹ In Million)

Deferred tax liability (net)	As at 1 April 2021	Recognized in Statement of Profit and Loss	Recognized in OCI	As at 31 March 2022
Deferred tax liability on account of:				
Depreciation and amortization	373.04	(0.72)	-	372.32
Fair value of investment in mutual funds	9.41	10.63	-	20.04
Unamortized borrowing cost	36.09	(4.24)	-	31.85
	418.54	**5.67**	**-**	**424.21**
Deferred tax asset on account of:				
Expected credit loss	145.80	18.85	-	164.63
Restatement adjustments	0.44	(0.44)	-	-
Transaction cost on Loan assets	32.08	27.25	-	59.33
Impact on account of leases	5.36	0.38	-	5.74
	183.68	**46.04**	**-**	**229.70**
Deferred tax liability (net) and credit for the year	**234.86**	**(40.37)**	**-**	**194.51**

(₹ In Million)

Deferred tax assets/ (liability) (net)	As at 1 April 2020	Recognized in Statement of Profit and Loss	Recognized in OCI	As at 31 March 2021
Deferred tax liability on account of:				
Depreciation and amortization	374.43	(1.39)	-	373.04
Fair value of investment in mutual funds	-	9.41	-	9.41
Unamortized borrowing cost	43.45	(7.36)	-	36.09
	417.88	**0.66**	**-**	**418.54**
Deferred tax asset on account of:				
Expected credit loss	93.30	52.50	-	145.80
Restatement adjustments	0.02	0.42	-	0.44
Provision for expenses	8.40	(8.43)	-	-
Unabsorbed depreciation	42.92	(42.92)		-
Transaction cost on Loan assets	25.18	6.90	-	32.08
Impact on account of leases	3.48	1.88	-	5.36
	173.30	**10.35**	**-**	**183.68**
Deferred tax liability (net) and credit for the year	**244.58**	**(9.69)**	**-**	**234.86**

(₹ In Million)

Deferred tax assets/ (liability) (net)	As at 1 April 2019	Recognized in Statement of Profit and Loss	Recognized in OCI	As at 31 March 2020
Deferred tax liability on account of:				
Depreciation and amortization	331.12	43.31	-	374.43
Fair value of investment in mutual funds	0.48	(0.48)	-	-
Remeasurement of net defined benefit plan	-	0.30	(0.30)	-
Unamortized borrowing cost	10.94	32.51	-	43.45
	342.54	**75.64**	**(0.30)**	**417.88**
Deferred tax asset on account of:				
Expected credit loss	13.95	79.35	-	93.30
Restatement Adjustments	-	0.02	-	0.02
Provision for expenses	2.50	5.90	-	8.40
Unabsorbed depreciation	181.25	(138.33)	-	42.92
Transaction cost on Loan assets	16.12	9.06	-	25.18
MAT Credit Entitlement	114.85	(114.85)	-	-
Impact on account of leases	0.16	3.32	-	3.48
	328.83	**(155.53)**	**-**	**173.30**
Deferred tax liability (net) and credit for the year	**13.71**	**231.17**	**(0.30)**	**244.58**

35 Other comprehensive income

(₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit costs	0.98	3.72	1.76	(1.19)
Income tax relating to these items	(0.25)	(0.94)	(0.44)	0.30
Other comprehensive income for the year (Net of tax)	**0.73**	**2.78**	**1.32**	**(0.89)**

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36 Expected Credit Loss
36.1 Loan against Property
36.1.1 Credit quality of assets

(₹ In Million)

Particulars	As at 30 June 2022				As at 31 March 2022				As at 31 March 2021				As at 31 March 2020			
	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
Internal rating grade*																
Performing																
High grade	22,933.85	-	-	**22,933.85**	19,874.06	-	-	**19,874.06**	12,082.44	-	-	**12,082.44**	9,506.34	-	-	**9,506.34**
Medium grade	-	1,174.60	-	**1,174.60**	-	1,170.96	-	**1,170.96**	-	826.22	-	**826.22**	-	257.50	-	**257.50**
Non-performing																
Individually impaired	-	-	730.44	**730.44**	-	-	669.75	**669.75**	-	-	498.94	**498.94**	-	-	316.54	**316.54**
Total	**22,933.85**	**1,174.60**	**730.44**	**24,838.89**	**19,874.06**	**1,170.96**	**669.75**	**21,714.77**	**12,082.44**	**826.22**	**498.94**	**13,407.60**	**9,506.34**	**257.50**	**316.54**	**10,080.38**

36.1.2 An analysis of changes in the gross carrying amount and the corresponding Expected Credit Loss allowances in relation to lending is as follows:

(₹ In Million)

Particulars	As at 30 June 2022				As at 31 March 2022				As at 31 March 2021				As at 31 March 2020			
	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	**19,874.06**	**1,170.96**	**669.75**	**21,714.77**	**12,082.44**	**826.22**	**498.94**	**13,407.60**	**9,506.34**	**257.50**	**316.54**	**10,080.38**	**8,267.52**	**149.62**	**43.35**	**8,460.49**
New assets originated/Assets derecognized/repaid (excluding write offs)	3,215.99	(40.59)	(29.96)	**3,145.44**	8,781.60	(111.38)	(225.28)	**8,444.94**	3,292.76	85.54	(38.18)	**3,340.12**	1,636.25	(15.46)	16.60	**1,637.39**
Transfers to Stage 1	79.95	(28.12)	(51.83)	-	80.91	(40.86)	(40.05)	-	95.83	(62.50)	(33.33)	-	28.84	(28.84)	-	-
Transfers to Stage 2	(206.54)	224.62	(18.08)	-	(748.42)	754.71	(6.29)	-	(595.52)	595.52	-	-	(197.56)	197.56	-	-
Transfers to Stage 3	(25.14)	(147.00)	172.14	-	(291.04)	(229.23)	520.27	-	(212.48)	(49.24)	261.72	-	(228.71)	(45.38)	274.09	-
Amounts written off	(4.47)	(5.27)	(11.58)	**(21.32)**	(31.43)	(28.50)	(77.84)	**(137.77)**	(4.49)	(0.60)	(7.81)	**(12.90)**	-	-	(17.50)	**(17.50)**
Gross carrying amount closing balance	**22,933.85**	**1,174.60**	**730.44**	**24,838.89**	**19,874.06**	**1,170.96**	**669.75**	**21,714.77**	**12,082.44**	**826.22**	**498.94**	**13,407.60**	**9,506.34**	**257.50**	**316.54**	**10,080.38**

36.1.3 Reconciliation of Expected Credit Loss (ECL) balance is given below:

(₹ In Million)

Particulars	As at 30 June 2022				As at 31 March 2022				As at 31 March 2021				As at 31 March 2020			
	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
ECL allowance - opening balance	**132.42**	**145.29**	**214.15**	**491.86**	**82.35**	**71.38**	**168.30**	**322.03**	**63.54**	**8.40**	**94.98**	**166.92**	**56.05**	**1.99**	**12.44**	**70.48**
New assets originated/Assets derecognized/repaid (excluding write offs)	29.52	23.78	(16.24)	**37.06**	225.98	63.77	(8.60)	**281.15**	123.15	34.69	4.06	**161.90**	78.13	17.60	24.46	**120.19**
Transfers to Stage 1	0.48	(0.17)	(0.31)	-	0.89	(0.25)	(0.64)	-	0.60	(0.39)	(0.21)	-	0.17	(0.17)	-	-
Transfers to Stage 2	(3.71)	6.39	(2.68)	-	(88.42)	88.74	(0.32)	-	(43.16)	43.16	-	-	(2.78)	2.78	-	-
Transfers to Stage 3	(7.31)	(42.28)	49.59	-	(87.29)	(69.83)	157.12	-	(61.62)	(14.41)	76.03	-	(68.03)	(13.80)	81.83	-
Amounts written off (net of recovery)	(0.47)	(2.66)	(9.07)	**(12.20)**	(1.09)	(8.52)	(101.71)	**(111.32)**	(0.16)	(0.07)	(6.56)	**(6.79)**	-	-	(23.75)	**(23.75)**
ECL allowance - closing balance	**150.93**	**130.35**	**235.44**	**516.72**	**132.42**	**145.29**	**214.15**	**491.86**	**82.35**	**71.38**	**168.30**	**322.03**	**63.54**	**8.40**	**94.98**	**166.92**

Note: Provision above is excluding additional provision for COVID-19 30 June 2022: Nil (31 March 2022: Nil; 31 March 2021: ₹ 153.13 Million; 31 March 2020: ₹ 125.60 Million)

***Internal rating grades are classified on below basis**

Grade	Classification Basis	Stage
High grade	0-29 DPD	Stage 1
Medium grade	30-89 DPD	Stage 2
Individually impaired	>=90 DPD & Daily NPA	Stage 3

36.2 Loan against Gold

36.2.1 Credit quality of assets

(₹ In Million)

Particulars	As at 30 June 2022				As at 31 March 2022				As at 31 March 2021				As at 31 March 2020			
	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
Internal rating grade*																
Performing																
High grade	6,718.63	-	-	**6,718.63**	5,929.16	-	-	**5,929.16**	4,295.25	-	-	**4,295.25**	3,411.09	-	-	**3,411.09**
Medium grade	-	453.82	-	**453.82**	-	466.88	-	**466.88**	-	1,376.06	-	**1,376.06**	-	302.13	-	**302.13**
Non-performing																
Individually impaired	-	-	137.17	**137.17**	-	-	114.01	**114.01**	-	-	89.29	**89.29**	-	-	55.21	**55.21**
Total	**6,718.63**	**453.82**	**137.17**	**7,309.62**	**5,929.16**	**466.88**	**114.01**	**6,510.05**	**4,295.25**	**1,376.06**	**89.29**	**5,760.60**	**3,411.09**	**302.13**	**55.21**	**3,768.43**

36.2.2 An analysis of changes in the gross carrying amount and the corresponding Expected Credit Loss allowances in relation to lending is as follows:

(₹ In Million)

Particulars	As at 30 June 2022				As at 31 March 2022				As at 31 March 2021				As at 31 March 2020			
	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	**5,929.16**	**466.88**	**114.01**	**6,510.05**	**4,295.25**	**1,376.06**	**89.29**	**5,760.60**	**3,411.08**	**302.13**	**55.21**	**3,768.42**	**2,469.36**	**261.94**	**9.73**	**2,741.03**
New assets originated/Assets derecognized/repaid (excluding write offs)	1,053.02	(206.29)	(45.84)	**800.89**	1,715.09	(951.19)	(11.06)	**752.84**	911.62	1,049.63	30.93	**1,992.18**	969.40	20.30	37.70	**1,027.40**
Transfers to Stage 1	66.87	(66.87)	-	-	0.02	(0.02)		-	0.13	(0.13)		-	0.10	(0.10)	-	-
Transfers to Stage 2	(284.29)	287.15	(2.86)	-	(52.40)	52.44	(0.04)	-	(24.66)	25.03	(0.37)	-	(21.30)	21.30	-	-
Transfers to Stage 3	(45.97)	(27.04)	73.01	-	(25.98)	(10.10)	36.08	-	(2.92)	(0.60)	3.52	-	(6.47)	(1.31)	7.78	-
Amounts written off	(0.16)	(0.01)	(1.15)	**(1.32)**	(2.82)	(0.31)	(0.26)	**(3.39)**	-	-	-	-	-	-	-	-
Gross carrying amount closing balance	**6,718.63**	**453.82**	**137.17**	**7,309.62**	**5,929.16**	**466.88**	**114.01**	**6,510.05**	**4,295.25**	**1,376.06**	**89.29**	**5,760.60**	**3,411.09**	**302.13**	**55.21**	**3,768.43**

36.2.3 Reconciliation of Expected Credit Loss (ECL) balance is given below:

(₹ In Million)

Particulars	As at 30 June 2022				As at 31 March 2022				As at March 31, 2021				As at March 31, 2019			
	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
ECL allowance - opening balance	**11.94**	**1.50**	**52.95**	**66.39**	**9.02**	**3.13**	**33.22**	**45.37**	**7.69**	**0.66**	**5.47**	**13.82**	**4.96**	**0.58**	**0.97**	**6.51**
New assets originated/Assets derecognized/repaid (excluding write offs)	8.41	2.28	(11.27)	**(0.58)**	15.36	3.18	2.69	**21.23**	1.68	2.49	27.38	**31.55**	3.42	0.22	3.67	**7.31**
Transfers to Stage 1	0.13	(0.13)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 2	(0.87)	0.88	(0.01)	-	(0.47)	0.47	-	-	(0.06)	0.06	-	-	(0.05)	0.05	-	-
Transfers to Stage 3	(5.94)	(3.28)	9.22	-	(11.95)	(5.28)	17.23	-	(0.29)	(0.08)	0.37	-	(0.64)	(0.19)	0.83	-
Amounts written off (net of recovery)	-	-	(1.14)	**(1.14)**	(0.02)	-	(0.19)	**(0.21)**	-	-	-	-	-	-	-	-
ECL allowance - closing balance	**13.67**	**1.25**	**49.75**	**64.67**	**11.94**	**1.50**	**52.95**	**66.39**	**9.02**	**3.13**	**33.22**	**45.37**	**7.69**	**0.66**	**5.47**	**13.82**

***Internal rating grades are classified on below basis**

Grade	Classification Basis	Stage
High grade	0-29 DPD	Stage 1
Medium grade	30-89 DPD	Stage 2
Individually impaired	>=90 DPD & Daily NPA	Stage 3

36.3 Unsecured loan

36.3.1 Credit quality of assets

(₹ In Million)

Particulars	As at 30 June 2022				As at 31 March 2022				As at 31 March 2021				As at 31 March 2020			
	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
Internal rating grade*																
Performing																
High grade	2,010.87	-	-	**2,010.87**	2,090.17	-	-	**2,090.17**	1,932.42	-	-	**1,932.42**	1,975.47	-	-	**1,975.47**
Medium grade	-	92.38	-	**92.38**	-	69.87	-	**69.87**	-	123.44	-	**123.44**	-	16.08	-	**16.08**
Non-performing				-				-				-				-
Individually impaired	-	-	117.25	**117.25**	-	-	102.01	**102.01**	-	-	130.37	**130.37**	-	-	11.90	**11.90**
Total	**2,010.87**	**92.38**	**117.25**	**2,220.50**	**2,090.17**	**69.87**	**102.01**	**2,262.05**	**1,932.42**	**123.44**	**130.37**	**2,186.23**	**1,975.47**	**16.08**	**11.90**	**2,003.45**

36.3.2 An analysis of changes in the gross carrying amount and the corresponding Expected Credit Loss allowances in relation to lending is as follows:

(₹ In Million)

Particulars	As at 30 June 2022				As at 31 March 2022				As at 31 March 2021				As at 31 March 2020			
	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	**2,090.17**	**69.87**	**102.01**	**2,262.05**	**1,932.42**	**123.44**	**130.37**	**2,186.23**	**1,975.47**	**16.08**	**11.90**	**2,003.45**	**422.43**	**-**	**-**	**422.43**
New assets originated/Assets derecognized/repaid (excluding write offs)	(25.45)	(6.83)	(16.48)	**(48.76)**	318.20	(10.22)	(14.06)	**293.92**	216.85	8.58	(0.94)	**224.49**	1,566.62	11.10	3.30	**1,581.02**
Transfers to Stage 1	16.35	(7.78)	(8.57)	-	8.78	(6.59)	(2.19)	-	1.17	(1.17)	-	-	-	-	-	-
Transfers to Stage 2	(61.63)	62.74	(1.11)	-	(45.20)	46.78	(1.58)	-	(113.61)	113.61	-	-	(4.98)	4.98	-	-
Transfers to Stage 3	(8.10)	(25.73)	33.83	-	(60.72)	(16.06)	76.78	-	(120.77)	(8.74)	129.51	-	(8.60)	-	8.60	-
Amounts written off (net of recovery)	(0.47)	0.11	7.57	**7.21**	(63.31)	(67.48)	(87.31)	**(218.10)**	(26.69)	(4.92)	(10.10)	**(41.71)**	-	-	-	-
Gross carrying amount closing balance	**2,010.87**	**92.38**	**117.25**	**2,220.50**	**2,090.17**	**69.87**	**102.01**	**2,262.05**	**1,932.42**	**123.44**	**130.37**	**2,186.23**	**1,975.47**	**16.08**	**11.90**	**2,003.45**

36.3.3 Reconciliation of Expected Credit Loss (ECL) balance is given below:

(₹ In Million)

Particulars	As at 30 June 2022				As at 31 March 2022				As at 31 March 2021				As at 31 March 2020			
	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
ECL allowance - opening balance	**29.92**	**6.45**	**68.13**	**104.50**	**26.21**	**12.89**	**53.44**	**92.54**	**30.13**	**0.43**	**9.49**	**40.05**	**10.67**	**-**	**-**	**10.67**
New assets originated/Assets derecognized/repaid (excluding write offs)	8.87	11.95	7.10	**27.92**	43.72	7.71	10.44	**61.87**	56.82	4.87	0.27	**61.96**	26.63	0.30	2.45	**29.38**
Transfers to Stage 1	0.22	(0.11)	(0.11)	-	0.11	(0.09)	(0.02)	-	0.01	(0.01)	-	-	-	-	-	-
Transfers to Stage 2	(4.79)	4.93	(0.14)	-	(3.73)	3.86	(0.13)	-	(11.60)	11.60	-	-	(0.13)	0.13	-	-
Transfers to Stage 3	(5.13)	(15.02)	20.15	-	(35.56)	(10.28)	45.84	-	(48.70)	(3.86)	52.56	-	(7.04)	-	7.04	-
Amounts written off	(0.18)	(0.02)	(0.56)	**(0.76)**	(0.83)	(7.64)	(41.44)	**(49.91)**	(0.45)	(0.14)	(8.88)	**(9.47)**	-	-	-	-
ECL allowance - closing balance	**28.91**	**8.18**	**94.57**	**131.66**	**29.92**	**6.45**	**68.13**	**104.50**	**26.21**	**12.89**	**53.44**	**92.54**	**30.13**	**0.43**	**9.49**	**40.05**

Note: Provision above is excluding additional provision for COVID-19 30 June 2022: Nil (31 March 2022: Nil; 31 March 2021: ₹ 39.42 Million; 31 March 2020: ₹ 24.40 Million)

***Internal rating grades are classified on below basis**

Grade	Classification Basis	Stage
High grade	0-29 DPD	Stage 1
Medium grade	30-89 DPD	Stage 2
Individually impaired	>=90 DPD & Daily NPA	Stage 3

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
Notes to restated financial information

37 Change in liabilities arising from financing activities

(₹ In Million)

Particulars	As at 1 April 2022	Cash Flow	Interest Accrued	Amortization of Transaction Costs	Other Non-Cash Changes	As at 30 June 2022
Debt securities	454.03	-	9.19	-	-	463.22
Lease liabilities	141.08	(16.48)	-	-	8.40	133.00
Borrowings (other than debt securities)	28,945.04	(1,256.81)	7.29	14.71	-	27,710.23
Total liabilities from financing activities	**29,540.15**	**(1,273.29)**	**16.48**	**14.71**	**8.40**	**28,306.45**

Particulars	As at 1 April 2021	Cash Flow	Interest Accrued	Amortization of Transaction Costs	Other Non-Cash Changes	As at 31 March 2022
Debt securities	1,584.47	(1,070.00)	(60.44)	-	-	454.03
Lease liabilities	195.46	(58.52)			4.14	141.08
Borrowings (other than debt securities)	26,097.27	2,799.05	(4.08)	52.80	-	28,945.04
Total liabilities from financing activities	**27,877.20**	**1,670.53**	**(64.52)**	**52.80**	**4.14**	**29,540.15**

Particulars	As at 1 April 2020	Cash Flow	Interest Accrued	Amortization of Transaction Costs	Other Non-Cash Changes	As at 31 March 2021
Debt securities	3,397.81	(1,750.00)	(70.47)	7.13	-	1,584.47
Lease liabilities	216.11	(44.70)	-	-	24.05	195.46
Borrowings (other than debt securities)	27,158.26	(1,112.72)	7.52	44.21	-	26,097.27
Total liabilities from financing activities	**30,772.18**	**(2,907.42)**	**(62.95)**	**51.34**	**24.05**	**27,877.20**

Particulars	As at 1 April 2019	Cash Flow	Interest Accrued	Amortization of Transaction Costs	Other Non-Cash Changes	As at 31 March 2020
Debt securities	4,164.24	(750.00)	(35.64)	19.21	-	3,397.81
Lease liabilities	243.23	(39.37)	-	-	12.25	216.11
Borrowings (other than debt securities)	4,452.98	22,667.12	0.42	37.74	-	27,158.26
Total liabilities from financing activities	**8,860.45**	**21,877.75**	**(35.22)**	**56.95**	**12.25**	**30,772.18**

38 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled. They have been classified to mature and/or be repaid within 12 months or after 12 months. With regard to loans and advances to customers, the Company uses the same basis of expected repayment as used for estimating the Effective Interest Rate (EIR).

(₹ In Million)

PARTICULARS	As at 30 June 2022			As at 31 March 2022			As at 31 March 2021			As at 31 March 2020		
ASSETS	**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**
Financial Assets												
Cash and cash equivalents	936.45	-	**936.45**	1,514.76	-	**1,514.76**	1,382.72	-	**1,382.72**	2,250.75	-	**2,250.75**
Bank Balance other than (a) above	1,709.44	136.70	**1,846.14**	1,703.71	134.46	**1,838.17**	1,903.33	127.73	**2,031.06**	1,242.39	665.97	**1,908.36**
Trade receivables	101.40	-	**101.40**	82.68	-	**82.68**	38.91	-	**38.91**	34.15	-	**34.15**
Loans	9,330.14	24,325.82	**33,655.96**	8,423.82	21,400.30	**29,824.12**	7,067.38	13,634.56	**20,701.94**	4,754.24	10,727.33	**15,481.57**
Investments	3,177.56	3,471.97	**6,649.53**	5,986.47	2,494.66	**8,481.13**	6,953.47	7,889.02	**14,842.49**	1,880.75	16,910.02	**18,790.77**
Other financial asset	15.31	31.47	**46.78**	7.59	26.58	**34.17**	37.67	20.51	**58.18**	-	23.47	**23.47**
Non-Financial assets												
Current tax assets (net)	-	342.60	**342.60**	-	341.92	**341.92**	-	206.42	**206.42**	-	613.44	**613.44**
Property, plant and equipment	-	360.05	**360.05**	-	357.06	**357.06**	-	390.00	**390.00**	-	324.16	**324.16**
Intangible assets under development	-	-	**-**	-	-	**-**	-	3.33	**3.33**	-	-	**-**
Goodwill	-	2,603.92	**2,603.92**	-	2,603.92	**2,603.92**	-	2,603.92	**2,603.92**	-	2,603.92	**2,603.92**
Other intangible assets	-	30.66	**30.66**	-	32.87	**32.87**	-	17.21	**17.21**	-	10.23	**10.23**
Other non-financial assets	53.86	2.97	**56.83**	(17.29)	56.83	**39.54**	(3.82)	39.54	**35.72**	3.31	35.72	**39.03**
Total Assets	**15,324.16**	**31,306.16**	**46,630.32**	**17,701.74**	**27,448.60**	**45,150.34**	**17,379.66**	**24,932.24**	**42,311.90**	**10,165.59**	**31,914.26**	**42,079.85**
LIABILITIES												
Financial Liabilities												
Trade payables												
(i) total outstanding dues of micro enterprises and small enterprises	0.19	-	**0.19**	-	-	**-**	-	-	**-**	-	-	**-**
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	68.84		**68.84**	80.73	-	**80.73**	52.70	-	**52.70**	54.35	-	**54.35**
Other payables												
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	59.72	-	**59.72**	40.45	-	**40.45**	6.30	-	**6.30**	7.00	-	**7.00**
Debt securities	-	463.22	**463.22**	-	454.03	**454.03**	1,584.47	-	**1,584.47**	3,397.81	-	**3,397.81**
Borrowings (other than debt securities)	7,099.96	20,610.27	**27,710.23**	7,064.54	21,880.50	**28,945.04**	5,359.24	20,738.03	**26,097.27**	4,252.08	22,906.18	**27,158.26**
Other financial liabilities	2,306.77	82.73	**2,389.50**	2,415.62	85.55	**2,501.17**	2,127.70	139.38	**2,267.08**	906.71	173.30	**1,080.01**
Non-Financial Liabilities												
Current tax liabilities (net)	21.21		**21.21**	-	-	**-**	-	-	**-**	-	-	**-**
Provisions	1.40	-	**1.40**	2.47	-	**2.47**	2.25	-	**2.25**	-	-	**-**
Deferred tax liabilities (net)	172.53	-	**172.53**	194.51	-	**194.51**	234.86	-	**234.86**	244.58	-	**244.58**
Other non-financial liabilities	24.72	-	**24.72**	60.27	-	**60.27**	15.89	-	**15.89**	13.07	-	**13.07**
Total liabilities	**9,755.34**	**21,156.22**	**30,911.56**	**9,858.59**	**22,420.08**	**32,278.67**	**9,383.41**	**20,877.41**	**30,260.82**	**8,875.60**	**23,079.48**	**31,955.08**
Net	**5,568.82**	**10,149.94**	**15,718.76**	**7,843.15**	**5,028.52**	**12,871.67**	**7,996.25**	**4,054.83**	**12,051.08**	**1,289.99**	**8,834.78**	**10,124.77**

Capital Management

The primary objectives of the Company's capital management policy are 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 maximize 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. Capital Management Policy, objectives and processes are under constant review by the Board. For details of Capital to Risk Assets Ratio (CRAR) [Refer Note 53.1]

39 Fair value measurements

Financial instruments by category

(₹ In Million)

Particulars	As at 30 June 2022			As at 31 March 2022			As at 31 March 2021			As at 31 March 2020		
	Fair value through Profit or Loss	Amortized cost	Total	Fair value through Profit or Loss	Amortized cost	Total	Fair value through Profit or Loss	Amortized cost	Total	Fair value through Profit or Loss	Amortized cost	Total
Financial Assets												
Investments												
- Mutual funds	2,097.21	-	**2,097.21**	3,083.18	-	**3,083.18**	3,954.10	-	**3,954.10**	-	-	**-**
- Pass-through certificates	-	4,552.32	**4,552.32**	-	5,397.95	**5,397.95**	-	10,888.39	**10,888.39**	-	18,790.77	**18,790.77**
Trade receivables	-	101.40	**101.40**	-	82.68	**82.68**	-	38.91	**38.91**	-	34.15	**34.15**
Loans	-	33,655.96	**####**	-	29,824.12	**29,824.12**	-	20,701.94	**20,701.94**	-	15,481.57	**15,481.57**
Cash and cash equivalents	-	936.45	**936.45**	-	1,514.76	**1,514.76**	-	1,382.72	**1,382.72**	-	2,250.75	**2,250.75**
Bank Balances other than cash and cash equivalents	-	1,846.14	**1,846.14**	-	1,838.17	**1,838.17**	-	2,031.06	**2,031.06**	-	1,908.36	**1,908.36**
Other financial assets	-	46.78	**46.78**	-	34.17	**34.17**	-	58.18	**58.18**	-	23.47	**23.47**
Total Financial Assets	**2,097.21**	**41,139.05**	**43,236.26**	**3,083.18**	**38,691.85**	**41,775.03**	**3,954.10**	**35,101.20**	**39,055.30**	**-**	**38,489.07**	**38,489.07**
Financial Liabilities												
Borrowings (other than debt securities)	-	27,710.23	**27,710.23**	-	28,945.04	**28,945.04**	-	26,097.27	**26,097.27**	-	27,158.26	**27,158.26**
Debt securities	-	463.22	**463.22**	-	454.03	**454.03**	-	1,584.47	**1,584.47**	-	3,397.81	**3,397.81**
Trade payables	-	69.03	**69.03**	-	80.73	**80.73**	-	52.70	**52.70**	-	54.35	**54.35**
Other payables	-	59.72	**59.72**	-	40.45	**40.45**	-	6.30	**6.30**	-	7.00	**7.00**
Other financial liabilities	-	2,389.50	**2,389.50**	-	2,501.17	**2,501.17**	-	2,267.08	**2,267.08**	-	1,080.01	**1,080.01**
Total Financial Liabilities	**-**	**30,691.70**	**30,691.70**	**-**	**32,021.42**	**32,021.42**	**-**	**30,007.82**	**30,007.82**	**-**	**31,697.43**	**31,697.43**

39.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognized and measured at fair value and (b) measured at amortized cost and for which fair values are disclosed 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 standard. An explanation of each level follows underneath the table.

(₹ In Million)

Financial assets and liabilities measured at fair value - recurring fair value measurements	Note No.	Carrying Amount	Level 1	Level 2	Level 3	Total
As at 30 June 2022						
Financial assets						
Financial Investments at Fair Value Through Profit or Loss						
Mutual funds	7	**2,097.21**	2,097.21	-	-	**2,097.21**
Financial Assets at Amortized Cost						
Investment in Pass-through Certificates	7	**4,552.32**	-	-	4,552.32	**4,552.32**
Cash and cash equivalents	3	**936.45**	936.45	-	-	**936.45**
Bank Balances other than cash and cash equivalents	4	**1,846.14**	1,846.14	-	-	**1,846.14**
Trade receivables	5	**101.40**	-	-	101.40	**101.40**
Loans	6	**33,655.96**	-	-	34,416.20	**34,416.20**
Other financial assets	8	**46.78**	-	-	46.78	**46.78**
Total financial assets		**43,236.26**	**4,879.80**	**-**	**39,116.70**	**43,996.50**
Financial liabilities						
Financial Liabilities at Amortized Cost						
Trade payables	12	**69.03**	-	-	69.03	69.03
Other payables	12	**59.72**	-	-	59.72	59.72
Other financial liabilities	15	**2,389.50**	-	-	2,389.50	2,389.50
Debt securities	13	**463.22**	-	-	463.22	463.22
Borrowings (other than debt securities)	14	**27,710.23**	-	-	27,710.23	27,710.23
Total financial liabilities		**30,691.70**	**-**	**-**	**30,691.70**	**30,691.70**

(₹ In Million)

Financial assets and liabilities measured at fair value - recurring fair value measurements	Note No.	Carrying Amount	Level 1	Level 2	Level 3	Total
As at 31 March 2022						
Financial assets						
Financial Investments at Fair Value Through Profit or Loss						
Mutual funds	7	**3,083.18**	3,083.18	-	-	**3,083.18**
Financial Assets at Amortized Cost						
Investment in Pass-through Certificates	7	**5,397.95**	-	-	5,397.95	**5,397.95**
Cash and cash equivalents	3	**1,514.76**	1,514.76	-	-	**1,514.76**
Bank Balances other than cash and cash equivalents	4	**1,838.17**	1,838.17	-	-	**1,838.17**
Trade receivables	5	**82.68**	-	-	82.68	**82.68**
Loans	6	**29,824.12**	-	-	30,593.75	**30,593.75**
Other financial assets	8	**34.17**	-	-	34.17	**34.17**
Total financial assets		**41,775.03**	**6,436.11**	**-**	**36,108.55**	**42,544.66**
Financial liabilities						
Financial Liabilities at Amortized Cost						
Trade payables	12	**80.73**	-	-	80.73	80.73
Other payables	12	**40.45**	-	-	40.45	40.45
Other financial liabilities	15	**2,501.17**	-	-	2,501.17	2,501.17
Debt securities	13	**454.03**	-	-	454.03	454.03
Borrowings (other than debt securities)	14	**28,945.04**	-	-	28,945.04	28,945.04
Total financial liabilities		**32,021.42**	**-**	**-**	**32,021.42**	**32,021.42**

(₹ In Million)

Financial assets and liabilities measured at fair value - recurring fair value measurements	Note No.	Carrying Amount	Level 1	Level 2	Level 3	Total
As at 31 March 2021						
Financial assets						
Financial Investments at Fair Value Through Profit or Loss						
Mutual funds	7	**3,954.10**	3,954.10	-	-	**3,954.10**
Financial Assets at Amortized Cost						
Investment in Pass-through Certificates	7	**10,888.39**	-	-	10,888.39	**10,888.39**
Cash and cash equivalents	3	**1,382.72**	1,382.72	-	-	**1,382.72**
Bank Balances other than cash and cash equivalents	4	**2,031.06**	2,031.06	-	-	**2,031.06**
Trade receivables	5	**38.91**	-	-	38.91	**38.91**
Loans	6	**20,701.94**	-	-	21,493.08	**21,493.08**
Other financial assets	8	**58.18**	-	-	58.18	**58.18**
Total financial assets		**39,055.30**	**7,367.88**	**-**	**32,478.56**	**39,846.44**
Financial liabilities						
Financial Liabilities at Amortized Cost						
Trade payables	12	**52.70**	-	-	52.70	**52.70**
Other payables	12	**6.30**	-	-	6.30	**6.30**
Other financial liabilities	15	**2,267.08**	-	-	2,267.08	**2,267.08**
Debt securities	13	**1,584.47**	-	-	1,584.47	**1,584.47**
Borrowings (other than debt securities)	14	**26,097.27**	-	-	26,097.27	**26,097.27**
Total financial liabilities		**30,007.82**	**-**	**-**	**30,007.82**	**30,007.82**

(₹ In Million)

Financial assets and liabilities measured at fair value - recurring fair value measurements	Note No.	Carrying Amount	Level 1	Level 2	Level 3	Total
As at 31 March 2020						
Financial assets						
Financial Investments at Fair Value Through						
Mutual funds	7	-	-	-	-	-
Financial Assets at Amortized Cost						
Investment in Pass-through Certificates	7	**18,790.77**	-	-	18,790.77	**18,790.77**
Cash and cash equivalents	3	**2,250.75**	2,250.75	-	-	**2,250.75**
Bank Balances other than cash and cash equivalents	4	**1,908.36**	1,908.36	-	-	**1,908.36**
Trade receivables	5	**34.15**	-	-	34.15	**34.15**
Loans	6	**15,481.57**	-	-	15,692.30	**15,692.30**
Other financial assets	8	**23.47**	-	-	23.47	**23.47**
Total financial assets		**38,489.07**	**4,159.11**	**-**	**34,540.69**	**38,699.80**
Financial liabilities						
Financial Liabilities at Amortized Cost						
Trade payables	15	**54.35**	-	-	54.35	**54.35**
Other payables	15	**7.00**	-	-	7.00	**7.00**
Other financial liabilities	18	**1,080.01**	-	-	1,080.01	**1,080.01**
Debt securities	16	**3,397.81**	-	-	3,397.81	**3,397.81**
Borrowings (other than debt securities)	17	**27,158.26**	-	-	27,158.26	**27,158.26**
Total financial liabilities		**31,697.43**	**-**	**-**	**31,697.43**	**31,697.43**

39.2 Valuation technique used to determine fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3, as described below.

Quoted prices in an active market (Level 1): This level of hierarchy includes financial assets that are measured by reference to quoted prices (adjusted/unadjusted) for identical assets. This category consists of quoted equity shares, mutual fund units.

Valuation techniques with observable inputs (Level 2): This level of hierarchy includes financial assets, measured using inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e.; as prices) or indirectly (i.e.; derived from prices). This category includes venture fund units and security receipts.

Valuation techniques with significant unobservable inputs (Level 3): This level of hierarchy includes financial assets measured using inputs that are not based on observable market data. Fair values are determined in whole or in part, using a valuation model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. This category includes unlisted equity shares, preference shares and debentures.

There has been no transfer between level 1, level 2 and level 3 for the period/year ended 30 June 2022, 31 March 2022, 31 March 2021, 31 March 2020.

The carrying amounts of trade receivables, trade payables and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature.

The fair value of Loan approximates the carrying amount.

For financial assets and liabilities measured at fair value, the carrying amounts approximates the fair values.

40 Employee Benefits

(a) Defined Contribution plans

Provident Fund

The Company makes Provident Fund contributions to defined contribution retirement benefit plans for eligible employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions as specified under the law are paid to the Employee Provident Fund Organization (Government).

The Company recognized expense as contribution to provident fund amounting to ₹ 13.02 Million (31 March 2022: ₹ 41.34 Million; 31 March 2021: ₹ 31.65 Million; 31 March 2020: ₹ 24.32 Million) 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 Fund

Characteristics of defined benefit plan

The Company has a defined benefit gratuity plan in India (funded). The Company's defined benefit gratuity plan is a final salary plan for employees, which requires contributions to be made to SBFC Finance Private Limited employees group gratuity cash accumulation scheme.

Risks associated with defined benefit plan

Gratuity is a defined benefit plan and Company is exposed to the following risks:

A. 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 than the Gratuity Benefits will be paid earlier than expected. Since there is no condition of vesting on the death benefit, the acceleration of cashflow will lead to an actuarial loss or gain depending on the relative values of the assumed salary growth and discount rate.

Variability in withdrawal rates: If actual withdrawal rates are higher than assumed withdrawal rate assumption than 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.

B. 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.

C. 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 cashflows.

D. 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 & vice versa. This assumption depends on the yields on the corporate/ government bonds and hence the valuation of liability is exposed to fluctuations in the yields as at the valuation date.

E. 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 Payment of Gratuity Act 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.

During the period ended 30 June 2022, 31 March 2022, 31 March 2021 and 31 March 2020, there were no plan amendments, curtailments and settlements.

The Life Insurance Corporation is managing the Gratuity Plan and the contributions to it is done as guided by rule 103 of Income Tax Rules, 1962.

Other Post Retirement Benefit Plan

The details of the Company's post-retirement benefit plans for its employees including whole-time directors are given below which is as certified by the actuary and relied upon by the auditors.

(c) Code on Social Security

The Indian parliament has approved Code on Social Security, 2020 ("the Code") which would impact the contributions by the Company towards Provident Fund and Gratuity. The Ministry of Labour and Employment has released draft rules for the Code on Social Security, 2020 on 13 November 2020 and has invited suggestions from stakeholders which are under active consideration by the Ministry. The Company will assess the impact and its evaluation once the subject rules are notified and will give appropriate impact in its financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

(₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Change in the Benefit Obligations:				
Liability at the beginning of the period/ year	24.59	20.14	14.94	9.14
Current service cost	2.42	9.40	8.11	5.27
Interest cost	0.40	1.28	0.96	0.68
Benefits paid	(0.59)	(1.92)	(1.44)	(0.65)
Actuarial gains - due to change in financials assumptions	(1.29)	(0.31)	0.15	1.19
Actuarial gains - due to change in demographic assumptions	0.00	(3.05)	-	-
Actuarial losses - due to experience	0.16	(0.95)	(2.58)	(0.69)
Liability at the end of the period/ year	**25.69**	**24.59**	**20.14**	**14.94**
The Liability as at 30 June 2022 ₹ 25.69 Million (31 March 2022: ₹ 24.59 Million: 31 March 2021: ₹ 20.14 Million: 31 March 2020: ₹ 14.94 Million) in respect of funded plan.				
Fair value of plan assets:				
Fair value of plan assets at the beginning of the year	22.12	17.89	15.69	15.25
Interest income	0.44	1.45	1.28	1.36
Expected return on plan assets	(0.15)	(0.59)	(0.67)	(0.69)
Contributions	2.47	5.29	3.03	0.42
Benefits paid	(0.59)	(1.92)	(1.44)	(0.65)
Fair value of plan assets at the end of the period/ year	**24.29**	**22.12**	**17.89**	**15.69**
Actual return on plan assets:				
Expected return on plan assets	-	-	-	-
Actuarial loss on plan assets	-	-	-	-
Actual return on plan assets	(0.15)	(0.59)	(0.67)	(0.69)
Reconciliation of the Liability Recognized in the Balance Sheet:				
Opening net Liability/ (Asset)	2.47	2.25	(0.75)	(6.11)
Transfer in obligation				
Expense recognized in Profit and Loss	2.38	9.23	7.79	4.59
Expense recognized in Other Comprehensive Income	(0.98)	(3.72)	(1.76)	1.19
Contribution by the Company	(2.47)	(5.29)	(3.03)	(0.42)
Benefits paid by the Company / Insurance Companies				-
Amount recognized in the Balance Sheet under "Liabilities- Provisions" as on 30 June 2022: ₹ 1.40 Million (31 March 2022: ₹ 2.49 Million, 31 March 2021: ₹ 2.25 Million; 31 March 2020: Nil). and under "Assets- Other Non Financial Assets" Nil (31 March 2022: Nil; 31 March 2021: Nil; 31 March 2020: ₹ 0.75 Million).	**1.40**	**2.47**	**2.25**	**(0.75)**

(₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Expense Recognized in the Statement of Profit and Loss:				
Current service cost	2.42	9.40	8.11	5.28
Interest cost	(0.04)	(0.17)	(0.32)	(0.68)
Expense recognized in the Statement of Profit and Loss	**2.38**	**9.23**	**7.79**	**4.60**

(₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Expense Recognized in the Statement of Other Comprehensive Income:				
Due to change in financial assumptions	(1.29)	(0.31)	0.15	1.19
Due to change in demographic assumptions	0.00	(3.05)	-	-
Due to experience adjustments	0.16	(0.95)	(2.58)	(0.69)
Return on plan assets, excluding interest income	0.15	0.59	0.67	0.69
Net (Income)/ Expense for the year recognized in Statement of Other Comprehensive Income	**(0.98)**	**(3.72)**	**(1.76)**	**1.19**

Amount Recognized in the Balance Sheet:

(₹ In Million)

Particulars	30 June 2022	31 March 2022	31 March 2021	31 March 2020
Liability at the end of the year	25.69	24.59	20.14	14.94
Fair Value of Plan Assets at the end of the period/ year	24.29	22.12	17.89	15.69
Amount recognized in the Balance Sheet	1.40	2.47	2.25	(0.75)
Experience Adjustment :				
On Plan Liabilities	-	-	-	-
On Plan Assets	-	-	-	-
Estimated contribution for next year	1.40	2.47	2.25	8.11

Investment Pattern:

% Invested

Particulars	30 June 2022	31 March 2022	31 March 2021	31 March 2020
Policy of Insurance	100%	100%	100%	100%
Total	**100%**	**100%**	**100%**	**100%**

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at 30 June 2022: 7.50% (31 March 2022: 6.70%; 31 March 2021: 6.50%; 31 March 2020: 6.60%).

Principal Assumptions:

(% p.a.)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Discount rate	7.50%	6.70%	6.50%	6.60%
Return on plan assets	7.50%	6.70%	6.50%	6.60%
Salary escalation	7.50%	7.50%	7.50%	7.50%
Withdrawal Rate (as per age band)				
25 & Below	20.00%	20.00%	12.00%	12.00%
25 to 35	20.00%	20.00%	12.00%	12.00%
35 to 45	20.00%	20.00%	12.00%	12.00%
45 to 55	10.00%	10.00%	12.00%	12.00%
55 & Above	5.00%	5.00%	12.00%	12.00%

The estimate of future salary increase, considered in the actuarial valuation takes account of inflation, seniority, promotion and other relevant factors.

Sensitivity Analysis:

(₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Projected Benefit Obligation on Current Assumptions				
Delta Effect of +0.50% Change in Rate of Discounting	24.94	23.84	19.39	14.37
Delta Effect of -0.50% Change in Rate of Discounting	26.49	25.40	20.94	15.53
Delta Effect of +0.50% Change in Rate of Salary Increase	26.29	25.19	20.77	15.41
Delta Effect of -0.50% Change in Rate of Salary Increase	25.10	24.02	19.52	14.48
Delta Effect of +10% Change in Withdrawal Rate	25.14	23.97	19.69	14.60
Delta Effect of -10% Change in Withdrawal Rate	26.25	25.25	20.60	15.28

The sensitivity analysis have been performed by varying a single parameter while keeping all other parameters unchanged.
The sensitivity analysis presented above fails to focus on the inter-relationship between underlying parameters. Hence the results may vary if two or more variables are changed simultaneously.

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

Maturity Analysis of the Benefit Payments from the Fund:

(₹ In Million)

Projected Benefits Payable in Future Years From the Date of Reporting	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
1st Following Year	1.75	1.23	0.85	0.81
2nd Following Year	3.05	2.61	1.04	0.87
3rd Following Year	3.31	2.89	1.88	0.98
4th Following Year	3.20	3.85	2.18	1.58
5th Following Year	3.27	2.96	2.85	1.78
Sum of Years 6 to 10	14.92	12.35	10.66	8.33

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41 Employee Stock Option

In accordance with resolution approved by the shareholders, the Company has reserved shares, for issue to employees through ESOP Scheme. On the approval of Nomination and Remuneration Committee (NRC), each ESOP scheme is issued. The NRC has approved below stock option schemes. Under the term of the schemes, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

Employee Stock Option Plans

A summary of the general terms of grants under stock options plans are as under: -

Particulars	**SBFC Stock Option Policy I 2018**	**SBFC Stock Option Policy II 2018**		**SBFC STOCK OPTION POLICY 2021 - I**		**SBFC STOCK OPTION POLICY 2021 - II**		**SBFC STOCK OPTION POLICY 2021 - III SPECIAL GRANT**		**SBFC STOCK OPTION POLICY 2021 - IV**		**SBFC STOCK OPTION POLICY 2021 - V**	
Number of options under the Plan	1,08,40,000	4,05,60,000		30,00,000		63,75,000		29,75,000		1,42,91,666		1,05,00,000	
Exercise Price	12.50	12.50		19.00		40.00		40.00		21.45		40.00	
Fair Value of options as at Grant Date (in ₹)	(Refer fair value table below)	4.58		6.60		11-Jan-22 : 2.60 , 21-Apr-22 : 13.27		11-Jan-22 : 3.80 , 21-Apr-22 : 16.40		7.60		3.80	
Maximum Term of Options Granted	Refer Note 41.1	Refer Note 41.3		Refer Note 41.1		Refer Note 41.2		Refer Note 41.2		Refer Note 41.2		Refer Note 41.2	
Method of Settlement	Equity settled	Equity settled		Equity settled		Equity settled		Equity settled		Equity settled		Equity settled	
Grant Date	1 Oct 18 to 26 May 21	01-Oct-18		30-Oct-21		11-Jan-22 & 21-Apr-22		11-Jan-22 & 21-Apr-22		23-Dec-21		23-Dec-21	
Vesting requirements (No of months from Grant Date & Vesting schedule)	**(Refer vesting schedule below)**	**Months**	**Vesting Schedule**	**Months**	**Vesting Schedule**	**Months**	**Vesting Schedule**	**Months**	**Vesting Schedule**	**Months**	**Vesting Schedule**	**Months**	**Vesting Schedule**
		12	50%	12	25.0%	12	25.00%	24	25.00%	24	25.00%	24	25.00%
		24	25%	15	5.0%	15	6.25%	27	6.25%	27	9.38%	27	9.38%
		30	25%	18	5.0%	18	6.25%	30	6.25%	30	9.38%	30	9.38%
				21	7.5%	21	6.25%	33	6.25%	33	9.38%	33	9.38%
				24	7.5%	24	6.25%	36	6.25%	36	9.38%	36	9.38%
				27	10.0%	27	6.25%	39	6.25%	39	9.38%	39	9.38%
				30	10.0%	30	6.25%	42	6.25%	42	9.38%	42	9.38%
				33	15.0%	33	6.25%	45	6.25%	45	9.38%	45	9.38%
				36	15.0%	36	6.25%	48	6.25%	48	9.38%	48	9.38%
						39	6.25%	51	6.25%				
						42	6.25%	54	6.25%				
						45	6.25%	57	6.25%				
						48	6.25%	60	6.25%				

Fair value as at Grant Date for SBFC Stock Option Policy I 2018:

Grant Date	**01-Oct-18**	**01-Oct-18**	**24-Dec-18**	**24-Dec-18**	**15-Mar-19**	**29-May-19**	**15-Feb-20**	**30-Mar-20**	**23-Dec-20**	**26-May-21**
Fair Value of options as at Grant Date (in ₹)	3.61	3.55	3.31	3.24	3.13	4.07	4.30	4.52	3.95	8.90

Vesting schedule for SBFC Stock Option Policy I 2018:

Grant Date	**01-Oct-18**	**01-Oct-18**	**24-Dec-18**	**24-Dec-18**	**15-Mar-19**	**29-May-19**	**15-Feb-20**	**30-Mar-20**	**23-Dec-20**	**26-May-21**
12 months	17.5%	25.0%	17.5%	25.0%	25.0%	25.0%	17.5%	25.0%	25.0%	25.0%
15 months	7.5%	5.0%	7.5%	5.0%	5.0%	5.0%	7.5%	5.0%	5.0%	5.0%
18 months	7.5%	5.0%	7.5%	5.0%	5.0%	5.0%	7.5%	5.0%	5.0%	5.0%
21 months	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
24 months	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
27 months	7.5%	10.0%	7.5%	10.0%	10.0%	10.0%	7.5%	10.0%	10.0%	10.0%
30 months	7.5%	10.0%	7.5%	10.0%	10.0%	10.0%	7.5%	10.0%	10.0%	10.0%
33 months	7.5%	15.0%	7.5%	15.0%	15.0%	15.0%	7.5%	15.0%	15.0%	15.0%
36 months	10.0%	15.0%	10.0%	15.0%	15.0%	15.0%	10.0%	15.0%	15.0%	15.0%
39 months	10.0%	-	10.0%	0.0%	0.0%	0.0%	10.0%	-	-	-
42 months	10.0%	-	10.0%	0.0%	0.0%	0.0%	10.0%	-	-	-

41.1 If Vesting prior to IPO then upto 6 months from date of IPO, If Vesting after IPO then upto 6 months from date of Vesting

41.2 If Vesting prior to IPO then within 12 (Twelve) months from the date of the IPO, If Vesting after IPO then within 12 (Twelve) months from the date of the vesting

41.3 If Vesting prior to IPO then 24 months from date of IPO, If Vesting after IPO then 6 months from date of Vesting,

41.4 Method used for accounting for shared based payment plan:

The Company uses fair value to account for the compensation cost of stock options to employees of the Company.

41.5 Fair value methodology:

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company had considered the volatility of the Company's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model for the stock options granted by the Company are:

Particulars	SBFC Stock Option Policy I 2018	SBFC Stock Option Policy II 2018	SBFC STOCK OPTION POLICY 2021 - I	SBFC STOCK OPTION POLICY 2021 - II	SBFC STOCK OPTION POLICY 2021 - III	SBFC STOCK OPTION POLICY 2021 - IV	SBFC STOCK OPTION POLICY 2021 - V
Dividend yield	(Refer table below)	-	-	-	-	-	-
Expected volatility		20.00%	49.18%	46.90%	47.99%	48.77%	48.77%
Risk free interest rate		8.00%	4.55%	5.07%	5.44%	5.07%	5.07%
Expected life of the option		5 years	3 years 6 months	5 years	6 years	4 years 6 months	4 years 6 months

Fair value methodology for SBFC Stock Option Policy I 2018:

Grant Date	01-Oct-18	01-Oct-18	24-Dec-18	24-Dec-18	15-Mar-19	29-May-19	15-Feb-20	30-Mar-20	23-Dec-20	26-May-21
Dividend yield	-	-	-	-	-	-	-	-	-	-
Expected volatility	20.00%	20.00%	20.00%	20.00%	20.00%	36.45%	37.43%	43.92%	49.24%	52.61%
Risk free interest rate	8%	7.87%	7.08%	7.07%	7.06%	6.34%	5.43%	5.11%	4.33%	4.50%
Expected life of the option	4 years	3 years 6 months	4 years	3 years 6 months	3 years 6 months	3 years 6 months	4 years	3 years 6 months	3 years 9 months	3 years 6 months

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41.6 Option Movement during the period ended 30 June 2022

Particulars	SBFC Stock Option Policy I 2018	SBFC Stock Option Policy II 2018	SBFC STOCK OPTION POLICY 2021 - I	SBFC STOCK OPTION POLICY 2021 - II	SBFC STOCK OPTION POLICY 2021 - III - Special Grant	SBFC STOCK OPTION POLICY 2021 - IV	SBFC STOCK OPTION POLICY 2021 - V	Weighted average exercise price (₹)
Exercise Price per Share	12.50	12.50	19.00	40.00	40.00	21.45	40.00	
No. of options outstanding at 01 April 2022	**48,52,500**	**3,80,60,000**	**29,30,000**	**56,51,000**	**27,76,000**	**1,42,91,666**	**1,05,00,000**	20.94
Options granted during the period	-	-	-	9,14,000	1,99,000	-	-	40.00
Options exercised during the period	(4,23,500)	-	-	-	-	-	-	12.50
Options forfeited/ lapsed during the period	(80,000)	-	(85,000)	(3,94,000)	(2,16,000)	-	-	34.86
Number of options outstanding at 30 June 2022	**43,49,000**	**3,80,60,000**	**28,45,000**	**61,71,000**	**27,59,000**	**1,42,91,666**	**1,05,00,000**	21.12

Option Movement during the year ended 31 March 2022

Particulars	SBFC Stock Option Policy I 2018	SBFC Stock Option Policy II 2018	SBFC STOCK OPTION POLICY 2021 - I	SBFC STOCK OPTION POLICY 2021 - II	SBFC STOCK OPTION POLICY 2021 - III - Special Grant	SBFC STOCK OPTION POLICY 2021 - IV	SBFC STOCK OPTION POLICY 2021 - V	Weighted average exercise price (₹)
Exercise Price per Share	12.50	12.50	19.00	40.00	40.00	21.45	40.00	
No. of options outstanding at 01 April 2021	**1,06,50,500**	**4,05,60,000**	-	-	-	-	-	12.50
Options granted during the year	2,00,000	-	30,00,000	60,55,000	29,75,000	1,42,91,666	1,05,00,000	30.99
Options exercised during the year	(57,89,500)	(25,00,000)	-	-	-	-	-	12.50
Options forfeited/ lapsed during the year	(2,08,500)	-	(70,000)	(4,04,000)	(1,99,000)	-	-	31.83
Number of options outstanding at 31 March 2022	**48,52,500**	**3,80,60,000**	**29,30,000**	**56,51,000**	**27,76,000**	**1,42,91,666**	**1,05,00,000**	20.94

Option Movement during the year ended 31 March 2021

Particulars	SBFC Stock Option Policy I 2018	SBFC Stock Option Policy II 2018	Weighted average exercise price (₹)
Exercise Price per Share	12.50	12.50	
No. of options outstanding at 01 April 2020	**1,00,95,000**	**4,05,60,000**	12.50
Options granted during the year	11,90,000	-	12.50
Options exercised during the year	-	-	-
Options forfeited/ lapsed during the year	(6,34,500)	-	12.50
Number of options outstanding at 31 March 2021	**1,06,50,500**	**4,05,60,000**	12.50

Option Movement during the year ended 31 March 2020

Particulars	SBFC Stock Option Policy I 2018	SBFC Stock Option Policy II 2018	Weighted average exercise price (₹)
Exercise Price per Share	12.50	12.50	
No. of options outstanding at 01 April 2019	**98,65,000**	**4,05,60,000**	12.50
Options granted during the year	16,60,000	-	12.50
Options exercised during the year	-	-	-
Options forfeited/ lapsed during the year	(14,30,000)	-	12.50
Number of options outstanding at 31 March 2020	**1,00,95,000**	**4,05,60,000**	12.50

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
Notes to restated financial information

41.7 The following table summarizes information about stock option plans:-

Policy Name	Exercise Price (₹)	Period ended 30 June 2022		Year ended 31 March 2022		As at 31 March 2021		As at 31 March 2020	
		Numbers	Weighted Average Remaining Life (Months)*	Numbers	Weighted Average Remaining Life (Months)*	Numbers	Weighted Average Remaining Life (Months)*	Numbers	Weighted Average Remaining Life (Months)*
SBFC Stock Option Policy I 2018	12.50	43,49,000	6.88	48,52,500	7.82	1,06,50,500	9.27	1,00,95,000	10.36
SBFC Stock Option Policy II 2018	12.50	3,80,60,000	-	3,80,60,000	-	4,05,60,000	-	4,05,60,000	5.43
SBFC STOCK OPTION POLICY 2021 - I	19.00	28,45,000	9.94	29,30,000	10.81	-	-	-	-
SBFC STOCK OPTION POLICY 2021 - II	40.00	61,71,000	12.44	56,51,000	13.12	-	-	-	-
SBFC STOCK OPTION POLICY 2021 - III	40.00	27,59,000	12.89	27,76,000	13.12	-	-	-	-
SBFC STOCK OPTION POLICY 2021 - IV	21.45	1,42,91,666	14.90	1,42,91,666	16.28	-	-	-	-
SBFC STOCK OPTION POLICY 2021 - V	40.00	1,05,00,000	14.90	1,05,00,000	16.28	-	-	-	-

Notes:-

*Weighted Average Remaining life represents the life for vesting. Exercise period life is in addition to the vesting life.

Since the Company is Debt listed entity, weighted average share price at date of exercise is not available.

During the year 2018-19 & 2021-22, the Company has provided loan to the Employee welfare trust for purchase of shares issued by the Company. These shares will be vested to the employee and will be settled through issue of own equity instrument.

The charge under employee benefit expense for the period ended 30 June 2022 amounted to ₹ 21.62 Million (31 March 2022: ₹ 29.60 Million; 31 March 2021: ₹ 38.92 Million; 31 March 2020: ₹ 102.97 Million)

42 Segment Information

The Company operates mainly in the business segment of fund based financing activity. All other activities revolve around the main business. Further, all activities are carried out within India. As such, there are no separate reportable segments as per the provisions of Ind AS 108 on 'Operating Segments'.

43 Related party disclosures

(a) Compensation of key management personnel of the Company

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Company and its employees. The Company includes the members of the Board of Directors which include independent directors (and its sub-committees) and Executive Committee to be key management personnel for the purposes of Ind AS 24 Related Party Disclosures.

(b) Key management personnel of the Company:

Sr No	Name of Key Management Personnel	Designation
1	Mr. Aseem Dhru	Managing Director, Chief Executive Officer & Ultimate Beneficiary Owner*
2	Mr. Rajeev Gupta	Director
3	Mr. Amol Krishna Jain	Director
4	Mr. Narayan Barasia	Chief Financial Officer
5	Mr. Jay Mistry	Company Secretary (w.e.f. 5 June 2021)
6	Mrs. Swati Amey Morajkar	Company Secretary (upto 3 May 2021)
7	Mr. John Mescall	Nominee Director (w.e.f. 29 May 2019)
8	Mr. Jonathan Tadeusz Tatur	Nominee Director (w.e.f. 17 December 2019)
9	Mr. Arjun Sakhuja	Nominee Director (w.e.f. 5 February 2020)
10	Mr. Neeraj Swaroop	Independent Director
11	Mr. Amitabh Mohanty	Additional Independent Director (w.e.f. 24 September 2019 upto 17 September 2020)
12	Mr. Rajesh Mannalal Agrawal	Independent Director (w.e.f. 11 November 2020)
13	Mr. Sridhar Srinivasan	Independent Director (upto 11 June 2019)

(c) Related parties where control exists:

1	Holding Company	SBFC Holdings Pte. Limited (from 29 May 2019)
		Lyra Partners Ltd. (from 17 May 2017 to 28 May 2019)
2	Entities in which KMP Exercise Significant Influence	Arpwood Partners Investment Advisors LLP
		Arpwood Capital Private Limited
		Arpwood Consultants LLP
		Eight45 Services LLP (from 25 June 2020)
3	Post-employment benefit plan	SBFC Finance Private Limited Employees GGCA Scheme
4	Controlled Employee Welfare trust	SBFC Employee Welfare Trust

* There is no Individual Ultimate Beneficiary Owner u/s 90 of Companies Act, 2013 hence MD & CEO has been identified as Ultimate Individual Beneficial Owner as per Rule 9 of the Prevention of Money Laundering Rules, 2005, being the senior managing official.

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
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(d) Related party transactions (₹ In Million)

Particulars	30-Jun-22	31-Mar-22	31-Mar-21	31-Mar-20
Key Management Personnel				
Sitting Fees:				
Mr. Neeraj Swaroop	0.50	2.90	2.70	2.60
Mr. Amitabh Mohanty	-	-	0.60	0.90
Mr. Rajesh Mannalal Agrawal	0.20	1.60	0.80	-
Mr. Sridhar Srinivasan	-	-	-	0.20
Remuneration to KMPs:				
Mr. Aseem Dhru	19.49	33.65	45.94	31.73
Mr. Narayan Barasia	4.43	20.38	17.98	17.48
Mr. Jay Mistry	0.49	1.48	-	-
Mrs. Swati Amey Morajkar	-	0.08	1.02	0.83
Employee Share Based Payment:				
Mr. Aseem Dhru	7.29	7.99	20.12	59.86
Mr. Narayan Barasia	1.70	3.27	3.35	1.68
Mr. Jay Mistry	0.02	0.02	-	-
ESOP Exercise through ESOP trust:				
Mr. Narayan Barasia	-	14.00	-	-
Issue of Equity Share Capital:				
Mr. Narayan Barasia	-	2.82	-	-
Mr. Aseem Dhru	-	22.52	-	60.43
Controlled Employee Welfare trust				
Loan given:				
Trustee of Employee welfare Trust	-	53.68	-	-
Loan repaid:				
Trustee of Employee welfare Trust	5.29	72.37	-	-
Post-employment benefit plan				
Gratuity:				
SBFC Finance Private Limited Employees GGCA Scheme	2.47	5.29	3.03	0.42
Holding Company				
Issue of Equity Share Capital:				
SBFC Holdings Pte Limited	2,000.00	-	763.96	-
Lyra Partners Limited	-	-	-	-
Entities in which KMP Exercise Significant Influence				
Issue of Equity Share Capital:				
Arpwood Partners Investment Advisors LLP	-	-	-	572.14
Arpwood Capital Private Limited	-	-	223.61	218.77
Eight45 Services LLP	-	-	17.00	-

Related party balances (₹ In Million)

Particulars	As at	As at	As at	As at
	30-Jun-22	31-Mar-22	31-Mar-21	31-Mar-20
Loan given				
Trustee of Employee welfare trust	111.51	116.81	135.50	135.50

44 Leases

44.1 The changes in the carrying value of right of use assets are as follows:

(₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Balance as at beginning of the period/ year	124.36	185.67	213.31	255.67
Addition during the period/ year	10.59	19.30	53.43	13.25
Deletion/ Termination during the period/ year	(2.53)	(26.40)	(44.85)	(1.25)
Depreciation charge for the period/ year	(16.63)	(64.77)	(56.60)	(54.71)
Depreciation on deletion/ termination	0.94	10.56	20.38	0.35
Balance as at end of the period/ year	**116.73**	**124.36**	**185.67**	**213.31**

44.2 The following is the movement in lease liabilities:

(₹ In Million)

Particulars	For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Balance as at beginning of the period/ year	**141.08**	**195.46**	**216.11**	**243.25**
Addition during the period/ year	10.21	16.08	48.89	12.23
Deletion/ Termination during the period/ year	(1.81)	(11.94)	(24.84)	-
Finance cost accrued during the period/ year	3.33	16.81	19.68	22.13
Payment made during the period/ year	(19.81)	(75.33)	(64.38)	(61.50)
Balance as at end of the period/ year	**133.00**	**141.08**	**195.46**	**216.11**

44.3 Contractual maturities of lease liabilities on an undiscounted basis:

Maturity Profile of Lease liabilities:

(₹ In Million)

Lease Liabilities	Less than 1 year	1 year to 3 years	3 years to 5 years	5 years and above	Total
30-Jun-22	62.90	55.83	31.61	4.14	**154.48**
31-Mar-22	67.58	58.45	31.68	6.18	**163.89**
31-Mar-21	72.99	105.75	36.07	25.48	**240.29**
31-Mar-20	50.20	97.43	52.65	43.82	**244.10**

44.4 Impact of Ind AS 116 in the Statement of Profit and Loss:

(i) Rental expense recorded for short-term leases for the period ended 30 June 2022 was ₹ 5.14 Million (31 March 2022: ₹ 15.35 Million, 31 March 2021: ₹ 2.96 Million, 31 March 2020: ₹ 8.40 Million)

(ii) In FY 2020-21, the Company had received Rent waivers during COVID-19 pandemic amounting to ₹ 5.27 Million

(iii) The aggregate depreciation on Right to use assets has been included under depreciation and amortisation expense in the Statement of Profit and Loss.

(iv) The aggregate interest on Lease liabilities has been included under Finance costs in the Statement of Profit and Loss.

45 **In accordance with Ind AS 33- Earnings per Share, the computation of earnings per share is set out below:**

Particulars			For the period ended 30 June 2022	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Net Profit after tax as per Statement of Profit and Loss	(A)	₹ in Million	320.66	645.21	850.10	354.95
Weighted average number of equity shares for calculating Basic EPS	(B)	Nos.	86,48,84,090	79,81,06,200	78,33,58,435	73,09,04,000
Add: Equity shares for no consideration arising on grant of stock options under ESOP		Nos.	3,72,77,573	1,82,39,878	1,76,60,644	23,20,076
Weighted average number of equity shares for calculating Diluted EPS	(C)	Nos.	90,21,61,663	81,63,46,078	80,10,19,080	73,32,24,076
Basic earnings per equity share (in ₹) (Face value of ₹ 10 per share)	(A)/(B)	₹ per share	0.37	0.81	1.09	0.49
Diluted earnings per equity share (in ₹) (Face value of ₹ 10 per share)	(A)/(C)	₹ per share	0.36	0.79	1.06	0.48

Note: EPS for June 2022 is not annualized.

46 The Company believes that no impairment of assets arises for the below mentioned periods as per the recommendations of Ind AS 36 "Impairment of Assets".
The Company has carried impairment testing by discounting the projected future cash flows and has enough head room against the carrying amount of ₹ 2,603.92 Million Considering the head room that the Company has, there is no need for impairment. Therefore, there is no Impairment of Goodwill in the books as on 30 June 2022, 31 March 2022, 31 March 2021 and 31 March 2020.

47 **Contingent Liabilities and other commitments to the extent not provided for:**

(₹ In Million)

Particulars	As on 30 June 2022	As on 31 March 2022	As on 31 March 2021	As on 31 March 2020
(a) Contingent liabilities				
Claims against the Company not acknowledged as Debts	3.32	10.47	-	-
(b) Capital commitments				
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	0.75	0.20	4.48	50.63
Commitments related to loans sanctioned but undrawn	-	-	-	-
Other Commitments	-	-	-	-

47.1 The Company’s pending litigations comprise of claims against the Company by the customers and proceedings pending with other authorities. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in the financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

48.1.1 Risk Disclosures

Company's risk is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk, interest rate risk and price risk.

It is the Company's policy to ensure that a robust risk awareness is embedded in its organizational risk culture.

48.1.2 Credit risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties.

48.1.2.1 Impairment assessment

48.1.2.1.1 ***Exposure at Default***

EAD is taken as the gross exposure under a facility upon default of an obligor. The amortized principal and the interest accrued is considered as EAD for the purpose of ECL computation.

The advances have been bifurcated into following three stages:

Stage 1 – Advances with low credit risk and where there is no significant increase in credit risk. Hence, the advances up to 0-29 days are classified as Stage 1

Stage 2 – Advances with significant increase in credit risk. Hence the advances up to 30 to 89 days are classified as Stage 2

Stage 3 – Advances that have defaulted / Credit impaired advances. Hence the advances with 90 days past due are classified as Stage 3

48.1.2.1.2 ***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 lifetime ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers an exposure to have significant increase in credit risk if contractual payments are more than 30 days past due and when the accounts have been restructured under the RBI 'Resolution Framework - 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses' Guidelines.

48.1.2.1.3 ***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 borrower becomes 90 days past due on its contractual payments. These assets continue to be classified as Stage 3 till the entire overdues are received.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

a) Significant financial difficulty of the borrower or issuer;

b) A breach of contract such as a default or past due event;

c) The restructuring of a loan or advance by the company on terms that the company would not consider otherwise.

48.1.2.1.4 ***PD estimation process***

The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

Probability of Default computation :-

a) The Company has applied 12 months PD to Stage 1 Advances

b) The Lifetime PD is computed using basic exponentiation technique after considering the residual maturity of the respective loan.

c) PD of 100% is considered for Stage 3 assets.

In cases where data for estimation of PD is not available, the company has used industry benchmarks for computation of PD.

48.1.2.1.5 ***Loss given default***

The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that would be expected to receive, including from realization of any prime/ collateral security. For LGD computation, the rates used from the foundation internal rating based approach and dynamic loan loss provisioning model is also taken into account. In cases where data for estimation of LGD is not available, the company has used industry benchmarks.

48.1.2.2 Analysis of risk concentration - Refer Note 53.13.3

48.1.2.3 Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Company has Guidelines in place covering the acceptability and valuation of each type of collateral. The Company also adheres to the RBI guidelines in respect of maintenance of adequate Loan to Value Ratios.

The main types of collateral for loans are Registered / equitable mortgage of property, Hypothecation of assets including Gold.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement.

In case of defaults by customers, where the Company is unable to recover the dues, the Company through a legal process enforces the security and recover the dues.

Expected Credit Loss

The COVID -19 pandemic continues to spread across the globe and India, which has contributed to a significant volatility in global and Indian financial markets and a significant decrease in global and local economic activities. The financial statements, includes the potential impact of the COVID-19 pandemic on the Company's financial statements which are dependent on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the second wave of COVID-19 pandemic and any action to contain its spread or mitigate its impact whether Government mandated or elected by the Company and its subsequent impact on the recoverability's on the Company's assets. The Company has, based on current available information and based on the policy approved by the board, determined the provision for impairment of financial assets including the additional overlay for uncertainty over the potential macro-economic impact of the pandemic.

Based on the current indicators of future economic conditions, the Company considers this provision to be adequate and expects to recover the carrying amount of these financial assets. Given the uncertainty over the potential macro-economic condition, the impact of the global health pandemic may be different from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

The Company holds a management overlay of ₹ 192.55 Million as at 31 March 2021 (₹ 149.90 Million as at 31 March 2020) in addition to expected credit loss provision for loans aggregating to ₹ 459.94 Million as on 31 March 2021 (₹ 220.79 Million as at 31 March 2020).

48.1.2.4 Payment of Ex-gratia benefit

The Government of India, Ministry of Finance, vide its notification dated 23 October 2020, had announced COVID-19 Relief scheme for grant of ex-gratia payment of difference between compound interest and simple interest ("differential amount") 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. During the year, the company has charged differential amount of ₹ 33.21 Million from 28,965 customers out of which ₹ 28.87 Million was credited to 21,216 customers to their individual accounts and balance not credited as on 31 March 2021 ₹ 4.34 Million of 7,749 individual customers where loan has been closed and the amount was parked under Trade Payables in the Financial Statements. During the current year, ₹ 4.34 Million has been credited/ adjusted to respective customer accounts.

48.1.2.5 Interest on Interest

In accordance with the instructions in the Circular RBI/2021-22/17 DOR.STR.REC.4/21.04.046/2021-22 dated 7 April 2021, the Company shall refund/ adjust "interest on interest" to all borrowers during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the methodology for calculation of the amount of such 'interest on interest' has been finalized by the Indian Banks Association (IBA) in consultation with other industry participants/ bodies on 19 April 2021. The Company has adjusted ₹ 1.90 Million pertaining to 235 individual customers in the Financial Statements as at 31 March 2021 and had subsequently credited the amount to individual customer accounts.

48.1.3 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Company on acceptable terms. To limit this risk, management has arranged for diversified funding sources and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

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

Analysis of financial assets and liabilities by remaining contractual maturities is provided in **Note 38**

Maturity Profile of financial liabilities: (₹ In Million)

The table below summarises the maturity profile of the Company's financial liabilities on discounted basis

30 June 2022	**Less than 1 year**	**1 year to 3 years**	**3 years to 5 years**	**5 years and above**	**Total**
Trade Payables	69.03	-	-	-	**69.03**
Other Payables	59.72	-	-	-	**59.72**
Debt securities	33.22	430.00	-	-	**463.22**
Borrowings other than debt securities	7,058.07	12,613.74	7,328.76	242.83	**27,243.40**
Borrowings under securitization	41.89	94.52	98.22	232.20	**466.83**
Other financial liabilities*	2,256.50	-	-	-	**2,256.50**
Total	**9,518.43**	**13,138.26**	**7,426.98**	**475.03**	**30,558.70**

31 March 2022	**Less than 1 year**	**1 year to 3 years**	**3 years to 5 years**	**5 years and above**	**Total**
Trade Payables	80.73	-	-	-	**80.73**
Other Payables	40.45	-	-	-	**40.45**
Debt securities	24.03	430.00	-	-	**454.03**
Borrowings other than debt securities	7,022.99	12,901.70	7,414.16	1,093.40	**28,432.25**
Borrowings under securitization	41.55	94.20	99.17	277.87	**512.79**
Other financial liabilities*	2,360.09	-	-	-	**2,360.09**
Total	**9,569.84**	**13,425.90**	**7,513.33**	**1,371.27**	**31,880.34**

31 March 2021	**Less than 1 year**	**1 year to 3 years**	**3 years to 5 years**	**5 years and above**	**Total**
Trade Payables	52.70	-	-	-	**52.70**
Other Payables	6.30	-	-	-	**6.30**
Debt securities	1,584.47	-	-	-	**1,584.47**
Borrowings other than debt securities	5,320.60	9,044.80	6,845.63	4,213.26	**25,424.29**
Borrowings under securitization	38.64	84.59	98.96	450.79	**672.98**
Other financial liabilities*	2,071.62	-	-	-	**2,071.62**
Total	**9,074.33**	**9,129.39**	**6,944.59**	**4,664.05**	**29,812.36**

31 March 2020	**Less than 1 year**	**1 year to 3 years**	**3 years to 5 years**	**5 years and above**	**Total**
Trade Payables	54.35	-	-	-	**54.35**
Other Payables	7.00	-	-	-	**7.00**
Debt securities	3,397.81	-	-	-	**3,397.81**
Borrowings other than debt securities	3,453.78	7,830.27	6,720.92	7,585.20	**25,590.17**
Borrowings under securitization	798.30	83.25	104.50	582.04	**1,568.09**
Other financial liabilities*	863.90	-	-	-	**863.90**
Total	**8,575.14**	**7,913.52**	**6,825.42**	**8,167.24**	**31,481.32**

* Excluding lease liabilities. Refer note 44.3 for Contractual maturities of lease liabilities on an undiscounted basis.

48.1.4 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The core business of the company is providing loan against property, loan against gold and personal loans. The company borrows through various financial instruments to finance its core lending activity. These activities expose the company to interest rate risk.

Interest rate risk is measured through earnings at risk from an earnings perspective and through duration of equity from an economic value perspective. Further, exposure to fluctuations in interest rates is also measured by way of gap analysis, providing a static view of the maturity and re-pricing characteristic of Balance sheet positions. An interest rate sensitivity gap report is prepared by classifying all rate sensitive assets and rate sensitive liabilities into various time period categories according to contracted/ behavioural maturities or anticipated re-pricing date. The difference in the amount of rate sensitive assets and rate sensitive liabilities maturing or being re-priced in any time period category, gives an indication of the extent of exposure to the risk of potential changes in the margins on new or re-priced assets and liabilities. The interest rate risk is monitored on a quarterly basis.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being considered as constant) of the Company’s statement of profit and loss and equity.

(₹ In Million)

For the period/ year ended	Increase / (decrease) in basis points	Increase in profit or loss	Decrease in profit or loss	Increase in equity	Decrease in equity
for the period ended 30 June 2022					
Borrowings (₹)	25/ (25)	(17.42)	17.42	(13.04)	13.04
	50/ (50)	(34.83)	34.83	(26.06)	26.06
Loans (₹)	25/ (25)	13.84	(13.84)	10.36	(10.36)
	50/ (50)	27.68	(27.68)	20.71	(20.71)
Investments in PTC (₹)	25/ (25)	3.04	(3.04)	2.27	(2.27)
	50/ (50)	6.07	(6.07)	4.54	(4.54)
for the year ended 31 March 2022					
Borrowings (₹)	25/ (25)	(63.78)	63.78	(47.73)	47.73
	50/ (50)	(127.55)	127.55	(95.45)	95.45
Loans (₹)	25/ (25)	39.39	(39.39)	29.48	(29.48)
	50/ (50)	78.78	(78.78)	58.95	(58.95)
Investments in PTC (₹)	25/ (25)	19.43	(19.43)	14.54	(14.54)
	50/ (50)	38.86	(38.86)	29.08	(29.08)
for the year ended 31 March 2021					
Borrowings (₹)	25/ (25)	(73.03)	73.03	(54.65)	54.65
	50/ (50)	(146.06)	146.06	(109.30)	109.30
Loans (₹)	25/ (25)	22.84	(22.84)	17.09	(17.09)
	50/ (50)	45.68	(45.68)	34.18	(34.18)
Investments in PTC (₹)	25/ (25)	39.06	(39.06)	29.23	(29.23)
	50/ (50)	78.11	(78.11)	58.45	(58.45)
for the year ended 31 March 2020					
Borrowings (₹)	25/ (25)	(55.99)	55.99	(41.90)	41.90
	50/ (50)	(111.97)	111.97	(83.79)	83.79
Loans (₹)	25/ (25)	18.93	(18.93)	14.17	(14.17)
	50/ (50)	37.86	(37.86)	28.33	(28.33)
Investments in PTC (₹)	25/ (25)	42.47	(42.47)	31.78	(31.78)
	50/ (50)	84.93	(84.93)	63.55	(63.55)

49 Transferred financial assets that are not derecognized in their entirety

During FY 2018-19, the Company had entered into securitization arrangements to transfer the part of its portfolio of Loan against property and Gold Loans. The terms of the arrangement included over collateralization of the assets of the Company through lien on Fixed deposits. Since the company had retained significant risk in the transfer of the portfolio, the asset is retained in the books. Consequently, the amount received as sale consideration is shown as Collateralized borrowings in the financial statements.

(₹ In Million)

Securitisations	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Carrying amount of transferred assets measured at amortised cost	556.19	595.15	758.16	1,663.51
Carrying amount of associated liabilities	466.83	512.79	670.61	1,568.09
Fair value of assets	559.51	598.63	762.80	1,669.38
Fair value of associated liabilities	466.83	512.79	670.61	1,568.09

50 **Disclosures required under the RBI Resolution Framework - 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses dated 05 May 2021 with reference to disclosures stated under Format-B prescribed in the Resolution Framework – 1.0.**

(₹ In Million)

Type of Borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of Mar- 2022 (A)	Of (A), aggregate debt that slipped into NPA during the Quarter	Of (A) amount written off during the Quarter	Of (A) amount paid by the borrowers during the Quarter	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of 30 June 2022**
Personal Loans #	70.64	6.20	-	5.09	65.55
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	-	-	-	-	-
Total	**70.64**	**6.20**	**-**	**5.09**	**65.55**

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016
** The balance pertains to all accounts restructured until 30 Sep 2021
# This represents Salaried customers.

(₹ In Million)

Type of Borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of 30 September 2021 (A)	Of (A), aggregate debt that slipped into NPA during the half year	Of (A) amount written off during the half year	Of (A) amount paid by the borrowers during the half year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of 31 March 2022
Personal Loans #	92.30	13.53	18.85	1.52	70.64
Corporate persons*	-	-	-	-	-
Of which MSMEs	-	-	-	-	-
Others	-	-	-	-	-
Total	**92.30**	**13.53**	**18.85**	**1.52**	**70.64**

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016
# This represents Salaried customers.

Pursuant to the RBI circular dated 12 November 2021 - "Prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP) pertaining to Advances - Clarifications", the Company changed its NPA definition to comply with the norms/ changes for regulatory reporting, as applicable. This has resulted in classification of loans amounting to ₹ 60.53 Million as additional non-performing assets (Stage 3) as at 31 March 2022. However, the said change does not have a material impact on the financial results for the quarter/ year ended 31 March 2022. On 15 February 2022, the RBI allowed deferment pertaining to the upgradation of Non Performing accounts till 30 September 2022. However, the Company has not opted for such deferment and continues to align Stage 3 definition to revised NPA definition.

Disclosures pursuant to RBI Notification - RBI/2020-21/16 DOR.No.BP.BC/3/21.04,048/2020-21 dated 6 August 2020

Type of Borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan (₹ in Million)	(C) Of (B) aggregate amount of debt that was converted into, other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan (₹ in Million)
Personal Loans	285	53.78	-	-	3.82
Corporate persons*	-	-	-	-	-
of which MSMEs	-	-	-	-	-
Others	-	-	-	-	-
Total	**285**	**53.78**	**-**	**-**	**3.82**

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

Disclosures pursuant to RBI Notification - RBI/2020-21/16 DOR.No.BP.BC/4/21.04,048/2020-21 dated 6 August 2020 (for restructuring of accounts of Micro, Small and medium Enterprises (MSME) sector - Restructuring of Advances having exposure less than or equal to ₹ 25 Crores)

Type of Borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan
MSMEs	476	460.7

Disclosure pursuant to Reserve Bank of India Circular OR.No.BP.BC.63/21.04.048/ 2020-21 dated 17 April 2020 pertaining to Asset Classification and Provisioning in terms of COVID 19 Regulatory Package

(₹ In Million)

Sr No	Particulars	March 31, 2021	March 31, 2020
i)	Respective amounts in SMA/ overdue categories, where the moratorium/ deferment was extended*	3,864.31	6,021.77
ii)	Respective amount where asset classification benefits is extended**	-	6,021.77
iii)	Provision made on the cases where asset classification benefits has been extended***	-	-
iv)	Provisions adjusted against slippages in the respective period and the residual provisions	-	-

* Outstanding as on 31 March 2021 and 31 March 2020 respectively on account of all cases in SMA/ overdue categories where moratorium benefit was extended by the Company up to 31 August 2020.

** There are NIL accounts where asset classification benefit is extended till 31 March 2021. Post the moratorium period, the movement of aging has been at actuals.

*** The Company has made adequate provisions for impairment loss allowance assets (as per ECL model Refer Note 36) for the year ended 31 March 2021 and 31 March 2020. No specific loan level provisioning is made with respect to loan to which asset classification benefit was extended.

51 Following are the additional disclosures required as per Schedule III to the Companies Act, 2013 vide Notification dated March 24, 2021:

51.1 Relationship with Struck off Companies:

To the best of the abilities, the company has not identified any relationship with company which has been struck off by the respective Registrar of Companies and such information is available vide public notice (Form No. STK-7) u/s 248 of the Act.

(₹ In Million)

Sr No	Name of Struck off Company	Nature of transaction	As at 30 June 22	As at 31 March 22	As at 31 March 21	As at 31 March 20	Relationship with the struck off company, if any, to be disclosed
1	M/s Sri Lakshmi Sai Telecom Constructions Private	Loan given	13.77	13.77	13.77	13.77	Borrower
2	M/s Fulgent Interior Private Limited	Loan given	1.50	1.53	1.67	1.66	Borrower
3	M/s Bhatia Forex Pvt Ltd	Loan given	-	14.96	16.90	15.02	Borrower

51.2 **Registration of charges or satisfaction with Registrar of Companies (ROC):**

Brief Description of Charge	Location of Registrar	Period by which charge had to be satisfied	Reason for delay
Satisfaction of charge of Federal Bank as per satisfaction letter dated 19 January 2022 in relation to satisfaction of charge for loan facility aggregating to ₹ 500.00 Million	ROC- Mumbai	30 days	The Form CHG-4 has been filed with an inadvertent delay.
Satisfaction of charge of Federal Bank as per satisfaction letter dated 19 January 2022 in relation to satisfaction of charge for loan facility aggregating to ₹ 500.00 Million	ROC- Mumbai	30 days	The Form CHG-4 has been filed with an inadvertent delay.
Satisfaction of charge of Federal Bank as per satisfaction letter dated 19 January 2022 in relation to satisfaction of charge for loan facility aggregating to ₹ 500.00 Million	ROC- Mumbai	30 days	The Form CHG-4 has been filed with an inadvertent delay.
Satisfaction of charge of Bajaj Finance Limited as per satisfaction letter dated 22 January 2022 in relation to satisfaction of charge for loan facility aggregating to ₹ 300.00 Million	ROC- Mumbai	30 days	The Form CHG-4 has been filed with an inadvertent delay.
Satisfaction of charge of Indusind Bank as per satisfaction letter dated 23 March 2022 in relation to satisfaction of charge for loan facility aggregating to ₹ 550.00 Million	ROC- Mumbai	30 days	The Form CHG-4 has been filed with an inadvertent delay.
Satisfaction of charge of ICICI Bank as per satisfaction letter dated 26 March 2021 in relation to satisfaction of charge for loan facility aggregating to ₹ 767.29 Million	ROC- Mumbai	30 days	The Form CHG-4 has been filed with an inadvertent delay.

51.3 Liquidity Coverage Ratio is not appliable to the Company since it is Non deposit taking NBFC with asset size less than ₹ 5,000 Crore as per circular dt. 04.11.2019 RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20.

51.4 The Company has borrowings from banks and financial institutions on the basis of security of current assets and the quarterly returns filed by the Company with the banks and financial institutions are in accordance with the unaudited books of accounts of the Company for the respective quarters.

51.5 The Company has taken borrowings from banks and financial institutions and utilised them for the specific purpose for which they were taken as at the Balance sheet date. Unutilised funds as at 30 June 2022 are held by the Company in the form of debt mutual funds and short term fixed deposits till the time the utilisation is made subsequently.

51.6 **Details of Benami Property held:**

No proceedings have been initiated or pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 and rules made thereunder, as at 30 June 2022, 31 March 2022, 31 March 2021 and 31 March 2020.

51.7 **Wilful Defaulter:**

The Company is not a declared wilful defaulter by any bank or financial Institution or other lender, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India, during the period ended 30 June 2022, 31 March 2022, 31 March 2021 and 31 March 2020.

51.8 Compliance with number of layers of companies:

The Company has complied with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017.

51.9 Undisclosed Income:

There have been no transactions which have not been recorded in the books of accounts, that have been surrendered or disclosed as income during the period ended 30 June 2022, 31 March 2022, 31 March 2021 and 31 March 2020, in the tax assessments under the Income Tax Act, 1961. There have been no previously unrecorded income and related assets which were to be properly recorded in the books of account during the period ended 30 June 2022, 31 March 2022, 31 March 2021 and 31 March 2020.

51.10 Details of Crypto Currency or Virtual Currency:

The Company has not traded or invested in Crypto currency or Virtual Currency during the period ended 30 June 2022, 31 March 2022, 31 March 2021 and 31 March 2020.

51.11 Title Deeds of Immovable Properties not held in the name of the Company:

The Company does not hold any immovable property as on 30 June 2022, 31 March 2022, 31 March 2021 and 31 March 2020. All the lease agreements are duly executed in favour of the Company for properties where the Company is the lessee.

51.12 Revaluation of Property, plant and equipment and Intangible assets

There is no revaluation of Property, plant and equipment and other intangible assets during the period/ year ended 30 June 2022, 31 March 2022, 31 March 2021 and 31 March 2020.

51.13 Utilisation of Borrowed funds and share premium:

As a part of normal lending business, the company grants loans and advances on the basis of security/ guarantee provided by the Borrower/ co-borrower and makes investments. These transactions are part of Company’s normal non-banking finance business, which is conducted ensuring adherence to all regulatory requirements.

51.14 (a) Other than the transactions described above, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other persons or entities, including foreign entities (“Intermediaries”) with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries).

(b) The Company has also not received any fund from any parties (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 Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

51.15 Analytical Ratios

	30-Jun-22	31-Mar-22	31-Mar-21	31-Mar-20
Capital to Risk Weighted Assets Ratio	31.97%	26.21%	26.25%	21.89%
Tier I Capital	31.63%	25.90%	25.62%	21.36%
Tier II Capital	0.34%	0.31%	0.63%	0.53%

	% variance (30-Jun-22 v/s 31-Mar-22)	Remarks	% variance (31-Mar-22 v/s 31-Mar-21)	Remarks	% variance (31-Mar-21 v/s 31-Mar-20)	Remarks	% variance (31-Mar-20 v/s 31-Mar-19)	Remarks
Capital to Risk Weighted Assets Ratio	21.98%	Increase in CRAR due to Equity Infusion	(0.15%)	N.A.	19.92%	Increase in CRAR due to Equity Infusion	(51.15%)	Investment in PTCs
Tier I Capital	22.12%	Increase in CRAR due to Equity Infusion	1.09%	N.A.	19.94%	Increase in CRAR due to Equity Infusion	(51.74%)	Investment in PTCs
Tier II Capital	9.68%	N.A.	(50.79%)	Reversal of COVID-19 management overlay provision	18.87%	Management overlay provision.	(3.64%)	N.A.

52 Disclosure of Restructured Accounts as per Appendix 4 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

(₹ In Million)

Sl No.	Other than SME and CDR Debt Restructuring Mechanism		30-Jun-22					31-Mar-22				
	Asset Classification / Details		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on beginning of the period	**No. of borrowers**	**1,084**	**244**	**-**	**-**	**1,328**	**755**	**6**	**-**	**-**	**761**
		Amount outstanding	**962.41**	**215.20**	**-**	**-**	**1,177.61**	**494.32**	**20.16**	**-**	**-**	**514.48**
		Provision thereon	**144.57**	**66.95**	**-**	**-**	**211.52**	**73.35**	**5.96**	**-**	**-**	**79.31**
2	Fresh restructuring during the period	No. of borrowers	(27)	(10)	-	-	**(37)**	837	-	-	-	**837**
		Amount outstanding	(41.69)	(23.62)	-	-	**(65.31)**	752.39	-	-	-	**752.39**
		Provision thereon	(7.81)	(4.24)	-	-	**(12.05)**	122.69	-	-	-	**122.69**
3	Upgradations to restructured standard category during the period	No. of borrowers	23	(23)	-	-	-	3	(3)	-	-	-
		Amount outstanding	17.11	(17.70)	-	-	**(0.59)**	1.97	(1.99)	-	-	**(0.02)**
		Provision thereon	2.53	(5.42)	-	-	**(2.89)**	0.29	(0.75)	-	-	**(0.46)**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-
		Amount outstanding	-	-	-	-	-	-	-	-	-	-
		Provision thereon	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	No. of borrowers	(97)	97	-	-	-	(511)	511	-	-	-
		Amount outstanding	(85.25)	86.99	-	-	**1.74**	(286.27)	290.64	-	-	**4.37**
		Provision thereon	(13.05)	25.16	-	-	**12.11**	(51.76)	78.19	-	-	**26.43**
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	-	-	(270)	-	-	**(270)**
		Amount outstanding	-	-	-	-	-	-	(93.61)	-	-	**(93.61)**
		Provision thereon	-	-	-	-	-	-	(16.45)	-	-	**(16.45)**
7	Restructured Accounts as on end of the period	**No. of borrowers**	**983**	**308**	**-**	**-**	**1,291**	**1,084**	**244**	**-**	**-**	**1,328**
		Amount outstanding	**852.58**	**260.87**	**-**	**-**	**1,113.45**	**962.41**	**215.20**	**-**	**-**	**1,177.61**
		Provision thereon	**126.24**	**82.45**	**-**	**-**	**208.69**	**144.57**	**66.95**	**-**	**-**	**211.52**

Sl No.	Other than SME and CDR Debt Restructuring Mechanism Asset Classification Details		31-Mar-21 Standard	31-Mar-21 Sub-Standard	31-Mar-21 Doubtful	31-Mar-21 Loss	31-Mar-21 Total	31-Mar-20 Standard	31-Mar-20 Sub-Standard	31-Mar-20 Doubtful	31-Mar-20 Loss	31-Mar-20 Total
1	Restructured Accounts as on beginning of the period	**No. of borrowers**	**5**	**-**	-	-	**5**	-	-	-	-	-
		Amount outstanding	**35.47**	**-**	-	-	**35.47**	-	-	-	-	-
		Provision thereon	**5.29**	**-**	-	-	**5.29**	-	-	-	-	-
2	Fresh restructuring during the period	No. of borrowers	756	-	-	-	**756**	5	-	-	-	**5**
		Amount outstanding	477.94	-	-	-	**477.94**	35.47	-	-	-	**35.47**
		Provision thereon	71.76	-	-	-	**71.76**	5.29	-	-	-	**5.29**
3	Upgradations to restructured standard category during the period	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	-	-	-	-	**-**	-	-	-	-	**-**
		Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	-	-	-	-	**-**	-	-	-	-	**-**
		Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**
5	Downgradations of restructured accounts during the FY	No. of borrowers	(6)	6	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	(19.09)	20.16	-	-	**1.07**	-	-	-	-	**-**
		Provision thereon	(3.70)	5.96	-	-	**2.26**	-	-	-	-	**-**
6	Write-offs of restructured accounts during the FY	No. of borrowers	-	-	-	-	**-**	-	-	-	-	**-**
		Amount outstanding	-	-	-	-	**-**	-	-	-	-	**-**
		Provision thereon	-	-	-	-	**-**	-	-	-	-	**-**
7	Restructured Accounts as on end of the period	**No. of borrowers**	**755**	**6**	-	-	**761**	**5**	-	-	-	**5**
		Amount outstanding	**494.32**	**20.16**	-	-	**514.48**	**35.47**	-	-	-	**35.47**
		Provision thereon	**73.35**	**5.96**	-	-	**79.31**	**5.29**	-	-	-	**5.29**

Note:

(a) Since the disclosure of restructured advance account pertains to section “Others”, the section “Under CDR Mechanism” and “Under SME Debt Restructuring Mechanism” as per format prescribed in the guidelines are not included above.

(b) Provision has been considered as per ECL.

(₹ in Million Except %)

53 Disclosure as required in terms of Annexure XVI of Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

53.1 Disclosure on CRAR

	Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
(i)	CRAR (%)	31.97%	26.21%	26.25%	21.89%
(ii)	CRAR - Tier I Capital (%)	31.63%	25.90%	25.62%	21.36%
(iii)	CRAR - Tier II Capital (%)	0.34%	0.31%	0.63%	0.53%
(iv)	Amount of subordinated debt raised as Tier-II capital	-	-	-	-
(v)	Amount raised by issue of Perpetual Debt Instruments	-	-	-	-

53.2 Investments (₹ In Million)

Value of Investments				
(i) Gross Value of Investments				
(a) In India	6,649.53	8,481.13	14,842.49	18,790.77
(b) Outside India	-	-	-	-
(ii) Provisions for Depreciation				
(a) In India	-	-	-	-
(b) Outside India	-	-	-	-
(iii) Net Value of Investments				
(a) In India	6,649.53	8,481.13	14,842.49	18,790.77
(b) Outside India	-	-	-	-
Movement of provisions held towards depreciation on investments				
(i) Opening balance	-	-	-	-
(ii) Add : Provisions made during the period/ year	-	-	-	-
(iii) Less : Write-off / write-back of excess provisions during the period/ year	-	-	-	-
(v) Closing balance	-	-	-	-

53.3 Derivatives

53.3.1 Forward Rate Agreement / Interest Rate Swap

	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
(i) The notional principal of swap agreements	-	-	-	-
(ii) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	-	-	-	-
(iii) Collateral required by the NBFC upon entering into swaps	-	-	-	-
(iv) Concentration of credit risk arising from the swaps	-	-	-	-
(v) The fair value of the swap book	-	-	-	-

53.3.2 Exchange Traded Interest Rate (IR) Derivatives

		As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
(i)	Notional principal amount of exchange traded IR derivatives undertaken during the period/ year	-	-	-	-
(ii)	Notional principal amount of exchange traded IR derivatives o/s as at end of the period/year	-	-	-	-
(iii)	Notional principal amount of exchange traded IR derivatives o/s and not "highly effective"	-	-	-	-
(iv)	Mark-to-market value of exchange traded IR derivatives o/s and not "highly effective"	-	-	-	-

53.3.3 Disclosures on Risk Exposure in Derivatives

Qualitative Disclosures	-	-	-	-
Not applicable as there are no derivatives	-	-	-	-

	Quantitative Disclosures	As at 30 June 2022		As at 31 March 2022		As at 31 March 2021		As at 31 March 2020	
		Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)								
	For Hedging	-	-	-	-	-	-	-	-
(ii)	Marked to Market Positions								
	a) Asset (+)	-	-	-	-	-	-	-	-
	b) Liability (-)	-	-	-	-	-	-	-	-
(iii)	Credit Exposure	-	-	-	-	-	-	-	-
(iv)	Unhedged Exposures	-	-	-	-	-	-	-	-

53.4 Asset Liability Management Maturity pattern of certain items of Assets and Liabilities

(₹ In Million)

	1 to 7 days	8 to 14 days	15 to 30/ 31 days	Over 1 month and upto 2 months	Over 2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
as on 30 June 2022:											
Advances	833.49	225.96	804.70	838.03	468.60	2,303.18	3,856.18	4,090.56	4,369.07	15,866.19	**33,655.96**
Investment	2,097.21	109.65	-	82.21	82.82	254.34	551.33	2,156.03	1,315.94	-	**6,649.53**
Borrowings	106.25	208.93	39.18	343.58	1,428.50	1,573.47	3,433.27	13,138.27	7,426.98	475.02	**28,173.45**
as on 31 March 2022:											
Advances	610.13	143.61	519.42	812.04	1,241.03	1,793.22	3,308.89	3,898.03	4,014.81	13,482.94	**29,824.12**
Investment	3,083.18	313.57	-	283.07	285.57	873.15	1,147.93	2,494.66	-	-	**8,481.13**
Borrowings	64.19	208.93	34.25	310.00	1,374.06	2,031.21	3,065.93	13,425.89	7,513.33	1,371.28	**29,399.07**
as on 31 March 2021:											
Advances	484.85	6.98	28.50	277.83	269.09	1,611.14	4,249.05	2,750.81	2,587.23	8,436.46	**20,701.94**
Investment	3,954.10	300.39	-	234.75	236.83	723.25	1,504.16	5,367.25	2,521.76	-	**14,842.49**
Borrowings	99.61	158.33	7.85	83.63	1,076.96	1,338.84	4,178.49	9,129.39	6,944.59	4,664.05	**27,681.74**
as on 31 March 2020:											
Advances	311.84	57.48	123.17	156.74	167.14	818.44	3,119.43	2,278.56	2,132.92	6,315.85	**15,481.57**
Investment	-	263.00	-	140.43	141.75	433.11	902.46	4,109.48	4,997.52	7,803.02	**18,790.77**
Borrowings	-	-	68.11	121.68	210.19	4,745.22	2,504.68	7,913.52	6,825.42	8,167.25	**30,556.07**

Note: Maturity pattern of assets and liability has been compiled by management on contractual payment basis and relied upon by the auditors.

(₹ In Million)

53.5 Exposures	**As at 30 June 2022**	**As at 31 March 2022**	**As at 31 March 2021**	**As at 31 March 2020**
53.5.1 Exposure to Real Estate Sector				
Direct Exposure:				
(i) Residential Mortgages				
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	21,586.65	18,959.88	11,550.18	8,217.73
(ii) Commercial Real Estate				
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based limits	3,132.56	2,952.26	2,320.43	1,919.54
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -				
a. Residential	-	-	-	-
b. Commercial Real Estate	-	-	-	-
Indirect Exposure:				
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	4,552.32	5,397.95	10,888.39	18,790.77

53.5.2 Exposures to Capital Market

(₹ In Million)

	Particulars	**As at 30 June 2022**	**As at 31 March 2022**	**As at 31 March 2021**	**As at 31 March 2020**
(i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-	-	-
(ii)	Advances against shares/ bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-	-	-
(iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-	-	-

(iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/ convertible debentures/ units of equity oriented mutual funds 'does not fully cover the advances;	-	-	-	-
(v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-	-	-
(vi)	Loans sanctioned to corporates against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-	-	-
(vii)	Bridge loans to companies against expected equity flows/ issues;	-	-	-	-
(viii)	All exposures to Venture Capital Funds (both registered and unregistered) Total Exposure to Capital Market	-	-	-	-

53.5.3 Details of financing of parent company products

The Company does not finance parent company products

53.5.4 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC

(₹ In Million)

Single borrower limit exceeded during the period/ year	**Name of the Company**	**Outstanding Loans and Advances**
The Company has not exceeded Single Borrower Limit (SGL) / Group Borrower Limit (GBL) during the period 30 June 2022 (31 March 2022: Nil; 31 March 2021: Nil; 31 March 2020: Nil)	-	-

53.5.5 Unsecured Advances

Gross carrying amount of Unsecured Loans as on 30 June 2022 is ₹ 2,220.50 Million (31 March 2022: ₹ 2,262.05 Million ; 31 March 2021: ₹ 2,186.23 Million; 31 March 2020: ₹ 2,003.45 Million).

53.6 Registration obtained from other financial sector regulators

The company has not engaged into any business activity which are governed by other financial sector regulator. Hence, no registration was obtained.

53.7 Disclosure of Penalties imposed by RBI and other regulators

There is no instance of penalty or stricture imposed on the Company by RBI or any other regulatory on matter during the current period or previous years.

53.8 Related Party Transaction

Refer Note 43 for details in relation to Related party transactions.

53.9 Ratings assigned by credit rating agencies and migration of ratings during the year ended:

Facility	**30-Jun-22**		**31-Mar-22**		**31-Mar-21**		**31-Mar-20**	
	ICRA	**IndiaRatings**	**ICRA**	**IndiaRatings**	**ICRA**	**IndiaRatings**	**ICRA**	**IndiaRatings**
Bank Loan & Non - Convertible Debentures Rating	[ICRA]A(positive)	Ind A+/ Stable	[ICRA]A(positive)	Ind A+/ Stable	[ICRA]A(Stable)	Ind A/ Stable	[ICRA]A(Stable)	Ind A/ Stable

53.10 Remuneration to Directors

Refer Note 43 (d) for details in relation to remuneration to Directors.

53.11 Revenue Recognition (Refer *Note 2.5*)

There is no transaction in which the Revenue recognition has been postponed or pending the resolution of significant uncertainty

53.12 Indian Accounting Standard 110 -Consolidated Financial Statements (CFS)

The Company does not have any subsidiary.

53.13 Additional disclosures

53.13.1 Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of Profit and Loss:

(₹ In Million)

	Particulars	**30 June 2022**	**31 March 2022**	**31 March 2021**	**31 March 2020**
(a)	Provisions for depreciation on Investment	-	-	-	-
(b)	Provision towards NPA	43.68	81.12	145.03	96.55
(c)	Provision made towards income tax	129.91	262.12	300.24	-
(d)	Other provisions and Contingencies	-	-	-	-
(e)	Provision for gratuity	2.38	9.23	7.79	4.60
(f)	Provision for leave encashment	-	-	-	-
(g)	Provision for depreciation	32.09	117.81	95.40	81.82
(h)	Contingent provision for standard assets	6.62	(70.86)	136.76	186.50

53.13.2 Draw Down from Reserves

The Company has not drawn down any reserves during the current period or previous year.

53.13.3 Concentration of Deposits, Advances, Exposures and NPAs

(a) Concentration of Deposits (for deposit taking NBFCs)

(₹ in Million Except %)

Particulars	30 June 2022	31 March 2022	31 March 2021	31 March 2020
Total Deposits of twenty largest depositors	-	-	-	-
Percentage of Deposits of twenty largest depositors to Total Deposits of the NBFC	-	-	-	-

Note: The Company is not a deposit taking NBFC and has not obtained any deposits from public

(b) Concentration of Advances

(₹ in Million Except %)

Particulars	30 June 2022	31 March 2022	31 March 2021	31 March 2020
Total Advances to twenty largest borrowers	340.00	350.32	382.20	371.24
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	0.99%	1.15%	1.79%	2.34%

(c) Concentration of Exposures

(₹ in Million Except %)

Particulars	30 June 2022	31 March 2022	31 March 2021	31 March 2020
Total Exposure to twenty largest borrowers/ customers	340.00	350.32	382.20	371.24
Percentage of Exposures to twenty largest borrowers/ customers to Total Exposure of the NBFC on borrowers/ customers	0.99%	1.15%	1.79%	2.34%

(d) Concentration of NPAs

(₹ In Million)

Particulars	30 June 2022	31 March 2022	31 March 2021	31 March 2020
Total Exposure to top four NPA accounts	68.67	70.22	62.90	61.78

(e) Sector wise NPAs

	Sector	**Percentage of NPAs to Total Advances in that sector**			
		30 June 2022	**31 March 2022**	**31 March 2021**	**31 March 2020**
1	Agriculture & allied activities	-	-	-	-
2	MSME	2.83%	3.07%	4.10%	2.30%
3	Corporate borrowers	-	-	-	-
4	Services	2.70%	2.84%	3.24%	3.00%
5	Unsecured personal loans	5.13%	4.33%	5.75%	0.57%
6	Auto loans	100.00%	100.00%	99.00%	22.01%
7	Other loans	1.79%	1.72%	1.25%	1.38%

(g) Movement of NPAs

(₹ In Million)

	Particulars	30 June 2022	31 March 2022	31 March 2021	31 March 2020
	Net NPAs to Net Advances (%)	1.78%	1.83%	2.20%	1.74%
	Movement of NPAs (Gross)				
(a)	Opening balance	886.62	718.60	383.65	53.08
(b)	Additions during the period/ year	285.70	633.98	425.68	348.07
(c)	Reductions during the period/ year	(187.46)	(465.96)	(90.73)	(17.50)
(d)	Closing balance	**984.86**	**886.62**	**718.60**	**383.65**
	Movement of Net NPAs				
(a)	Opening balance	550.54	463.64	273.71	39.67
(b)	Additions during the period/ year	200.49	399.81	265.01	227.79
(c)	Reductions during the period/ year	(145.93)	(312.91)	(75.08)	6.25
(d)	Closing balance	**605.10**	**550.54**	**463.64**	**273.71**

	Movement of provisions for NPAs (excluding provisions on standard assets)				
(a)	Opening balance	336.08	254.96	109.94	13.41
(b)	Provisions made during the period/ year	85.21	234.17	160.67	120.28
(c)	Write-off/ write-back of excess provisions	(41.53)	(153.05)	(15.65)	(23.75)
(d)	Closing balance	**379.76**	**336.08**	**254.96**	**109.94**

53.13.4 Overseas Assets

The Company does not have any overseas assets.

53.13.5 Off Balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

The Company does not have SPVs sponsored (which are required to be consolidated as per accounting norms)

53.13.6	**Customer Complaints**	**As at 30 June 2022**	**As at 31 March 2022**	**As at 31 March 2021**	**As at 31 March 2020**
(a)	No. of complaints pending at the beginning of the period/ year	-	-	-	-
(b)	No. of complaints received during the period/ year	34	60	134	89
(c)	No. of complaints redressed during the period/ year	29	60	134	89
(d)	No. of complaints pending at the end of the period/ year*	5	-	-	-
	*Subsequently redressed				

53.13.7 Disclosure of Frauds reported during the year vide DNBS.PD.CC NO.256/03.10.042/2011-12 Dated 2 March 2012

Instances of fraud reported for the period ended upto 30 June 2022:

(₹ In Million)

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount write off
Fraud committed by employees	4	45.17	4.67	2.55

During the year ended 31 March 2022, four instances of fraud on the Company where gold loan related misappropriations/ cash embezzlements have been reported to RBI aggregating to ₹ 45.17 Million. Out of which fraud aggregating to ₹ 26.60 Million was identified in FY 2020-21 and reported to RBI on 12 April 2021. The Company has taken insurance cover for such losses and has filed insurance claims in this regard. Further, the Company is in the process of recovering these amounts by taking legal actions, where applicable.

54 Disclosure pursuant to Reserve Bank of India notification RBI/DNBR/2016-17/45 Master Direction DNBR.PD.008/03.10.119/2016-17 updated as on 03 March

(₹ In Million)

Particulars	30-Jun-22	31-Mar-22	31-Mar-21	31-Mar-20
No of loan Accounts*	639	7,565	1,015	1,093
Outstanding Loan Amount	34.77	581.73	75.53	45.33
Sale Consideration**	37.32	652.75	83.49	65.20

*There is no sister concern participation in any of the above accounts.

**the excess of sales consideration over and above the outstanding amount is repaid to respective borrower.

55 Disclosure of provisions required under IRACP and impairment allowances made under Ind AS 109 as per Appendix to RBI Circular: DOR (NBFC).CC.PD.No.

(₹ In Million)

Asset Classification as per RBI Norms as at 30 June 2022 (1)	Asset classification as per Ind AS (2)	Gross Carrying Amount as per Ind AS (3)	Loss Allowances (Provisions) as required under Ind (4)	Net Carrying Amount (5)=(3)-(4)	Provisions required as per IRACP norms (6)	Difference between Ind AS 109 provisions and (7) = (4)-(6)
Performing Assets						
Standard	Stage 1	31,663.35	193.51	31,469.84	127.74	65.77
	Stage 2	1,720.80	139.78	1,581.02	50.46	89.32
Subtotal		**33,384.15**	**333.29**	**33,050.86**	**178.20**	**155.09**
Non-Performing Assets (NPA)						
Substandard	Stage 3	777.69	265.43	512.26	90.35	175.08
Doubtful						
up to 1 year	Stage 3	109.96	49.33	60.63	34.30	15.03
1 to 3 years	Stage 3	59.02	26.81	32.21	17.77	9.04
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		**168.98**	**76.14**	**92.84**	**52.07**	**24.07**
Loss	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	38.19	38.19	-	38.19	-
Subtotal for NPA		**984.86**	**379.76**	**605.10**	**180.61**	**199.15**
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms.	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		-	-	-	-	-
Total	**Stage 1**	**31,663.35**	**193.51**	**31,469.84**	**127.74**	**65.77**
	Stage 2	**1,720.80**	**139.78**	**1,581.02**	**50.46**	**89.32**
	Stage 3	**984.86**	**379.76**	**605.10**	**180.61**	**199.15**
	Total	**34,369.01**	**713.05**	**33,655.96**	**358.81**	**354.24**

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
Notes to restated financial information

(₹ In Million)

Asset Classification as per RBI Norms as at 31 March 2022 (1)	Asset classification as per Ind AS (2)	Gross Carrying Amount as per Ind AS (3)	Loss Allowances (Provisions) as required under Ind (4)	Net Carrying Amount (5)=(3)-(4)	Provisions required as per IRACP norms (6)	Difference between Ind AS 109 provisions and (7) = (4)-(6)
Performing Assets						
Standard	Stage 1	27,892.96	173.85	27,719.11	112.47	61.38
	Stage 2	1,707.29	152.82	1,554.47	55.68	97.14
Subtotal		**29,600.25**	**326.67**	**29,273.58**	**168.15**	**158.52**
Non-Performing Assets (NPA)						
Substandard	Stage 3	737.58	242.94	494.64	85.62	157.32
Doubtful						
up to 1 year	Stage 3	70.91	37.00	33.91	24.29	12.71
1 to 3 years	Stage 3	38.04	16.05	21.99	11.45	4.60
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		**108.95**	**53.05**	**55.90**	**35.74**	**17.31**
Loss	Stage 1	0.43	0.43	-	0.43	-
	Stage 2	0.42	0.42	-	0.42	-
	Stage 3	39.24	39.24	-	39.24	-
Subtotal for NPA		**886.62**	**336.08**	**550.54**	**161.45**	**174.63**
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms.	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		-	-	-	-	-
Total	**Stage 1**	**27,893.39**	**174.28**	**27,719.11**	**112.90**	**61.38**
	Stage 2	**1,707.71**	**153.24**	**1,554.47**	**56.10**	**97.14**
	Stage 3	**885.77**	**335.23**	**550.54**	**160.60**	**174.63**
	Total	**30,486.87**	**662.75**	**29,824.12**	**329.60**	**333.15**

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
Notes to restated financial information

(₹ In Million)

Asset Classification as per RBI Norms as at 31 March 2021 (1)	Asset classification as per Ind AS (2)	Gross Carrying Amount as per Ind AS (3)	Loss Allowances (Provisions) as required under Ind (4)	Net Carrying Amount (5)=(3)-(4)	Provisions required as per IRACP norms (6)	Difference between Ind AS 109 provisions and (7) = (4)-(6)
Performing Assets						
Standard	Stage 1	18,310.11	117.58	18,192.53	73.71	43.87
	Stage 2	2,325.72	87.40	2,238.32	36.96	50.44
	Additional Provision	-	192.55	-	-	192.55
Subtotal		**20,635.83**	**397.53**	**20,430.85**	**110.67**	**286.86**
Non-Performing Assets (NPA)						
Substandard	Stage 3	494.92	148.37	346.55	49.77	98.60
Doubtful						
up to 1 year	Stage 3	179.21	72.31	106.90	36.33	35.98
1 to 3 years	Stage 3	17.84	7.68	10.16	5.36	2.32
More than 3 years	Stage 3					
Subtotal for doubtful		**197.05**	**79.99**	**117.06**	**41.69**	**38.30**
Loss	Stage 3	26.63	26.60	0.03	26.63	-
Subtotal for NPA		**718.60**	**254.96**	**463.64**	**118.09**	**136.90**
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms.	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		-	-	-	-	-
Total	**Stage 1**	**18,310.11**	**117.58**	**18,192.53**	**73.71**	**43.87**
	Stage 2	**2,325.72**	**87.40**	**2,238.32**	**36.96**	**50.44**
	Stage 3	**718.60**	**254.96**	**463.64**	**118.09**	**136.90**
	Additional Provision	**-**	**192.55**	**-**	**-**	**192.55**
	Total	**21,354.43**	**652.49**	**20,894.49**	**228.76**	**423.76**

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
Notes to restated financial information

(₹ In Million)

Asset Classification as per RBI Norms as at 31 March 2020 (1)	Asset classification as per Ind AS (2)	Gross Carrying Amount as per Ind AS (3)	Loss Allowances (Provisions) as required under Ind (4)	Net Carrying Amount (5)=(3)-(4)	Provisions required as per IRACP norms (6)	Difference between Ind AS 109 provisions and (7) = (4)-(6)
Performing Assets						
Standard	Stage 1	14,892.90	101.36	14,791.54	59.96	41.40
	Stage 2	575.71	9.49	566.22	4.08	5.41
	Additional Provision	-	149.90	-	-	149.90
Subtotal		**15,468.61**	**260.75**	**15,357.76**	**64.04**	**196.71**
Non-Performing Assets (NPA)						
Substandard	Stage 3	350.01	99.32	250.69	35.13	64.19
Doubtful				-		
up to 1 year	Stage 3	33.53	10.58	22.95	6.73	3.85
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	0.11	0.04	0.07	0.03	0.01
Subtotal for doubtful		**33.64**	**10.62**	**23.02**	**6.76**	**3.86**
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		**383.65**	**109.94**	**273.71**	**41.89**	**68.05**
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms.	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		-	-	-	-	-
Total	**Stage 1**	**14,892.90**	**101.36**	**14,791.54**	**59.96**	**41.40**
	Stage 2	**575.71**	**9.49**	**566.22**	**4.08**	**5.41**
	Stage 3	**383.65**	**109.94**	**273.71**	**41.89**	**68.05**
	Additional Provision	**-**	**149.90**	**-**	**-**	**149.90**
	Total	**15,852.26**	**370.69**	**15,631.47**	**105.93**	**264.76**

56 Balances of certain trade receivables, advances given and trade payables are subject to confirmation/ reconciliation, if any. The management does not expect any material difference affecting the financial statements on such reconciliation/ adjustments.

57 Previous Year Figures
Previous year's figures have been regrouped and reclassified wherever necessary to conform to current period classification.

58 Statement of Adjustments to Audited financial statements
Summarized below the restatement adjustment made to the audited financial statements for the year ended 31 March 2020, 31 March 2021 and 31 March 2022 and their impact on equity and the profit of the Company:

I. Adjustments to total equity as per audited financial statements with total equity as per restated financial information

(₹ In Million)

Reconciliation between Audited equity and Restated equity	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
a. Total equity as per audited financial statements*	12,871.69	12,054.09	10,124.84
b. Restatement adjustments: Correction of material errors (refer note VI below)			
Reduction in Securities premium due to share issue expenses [Refer Note VI (b)]	(2.19)	(2.17)	(1.06)
Tax impact in Remeasurement gain/ (loss) on defined benefit plans [Refer Note VI (c)]	(0.14)	(0.14)	0.30
Restatement adjustments on account of various adjustments (i.e loan cancellations, rent expenses, depreciation, share issue expenses and tax impacts) routed through statement of profit and loss [Refer Note II]	2.31	(0.70)	0.69
Total Impact of adjustments	**(0.02)**	**(3.01)**	**(0.07)**
Total equity as per restated financial information (a+b)	**12,871.67**	**12,051.08**	**10,124.77**

*The audited financial statements as at 31 March 2019 is used as opening balance as at 01 April 2019 for the purpose of Restated Ind AS Summary Statements. The financial statements of financial year ended 31 March 2019 were audited by predecessor auditors and Suresh Surana & Associates LLP do not take any responsibility for such audited financial statements of Financial year ended 31 March 2019.

II. Statement of Impact of restatement adjustments on statement of profit and loss

(₹ In Million)

Reconciliation between Audited profit and Restated profit	For the year ended 31 March 2022	For the year ended 31 March 2021	For the year ended 31 March 2020
Total comprehensive income as per audited financial statements	644.98	852.81	353.37
Restatement adjustments: Correction of material errors (refer note VI below)			
Impact of loan cancellation [Refer Note VI(a)]	1.82	(1.76)	(0.06)
Share issue expenses [Refer Note VI(b)]	0.02	1.10	1.06
Tax expenses [Refer Note VI(c)]	1.17	(0.73)	(0.31)
Rent expenses [Refer Note VI(d)]	-	2.39	2.45
Depreciation [Refer Note VI(d)]	-	(2.39)	(2.45)
Total Impact of adjustments	**3.01**	**(1.39)**	**0.69**
Total comprehensive income as per restated financial information	**647.99**	**851.42**	**354.06**

III. Summary of changes due to regrouping and errors
The below table summarises the cumulative effect of changes due to regrouping and errors to the restated financial information as at and for the year ended 31 March 2022, 31 March 2021 and 31 March 2020:

Impact on financial statement line item in Restated Statement of Profit and Loss:

For the year ended 31 March 2020:

(₹ in Million)

	As per audited financial statements	Changes due to regrouping	Changes due to errors	As per restated financial information	Refer Note for Changes due to errors
Income					
Interest income	4,097.11	(0.22)	(0.06)	4,096.83	VI (a)
Expenses					
Net Loss on derecognition of financial instruments under amortised cost category	-	22.08	-	22.08	
Impairment on financial instruments	322.73	(22.19)	-	300.55	
Depreciation and amortisation expense	79.37	-	2.45	81.82	VI (d)
Other expenses	284.85	(0.11)	(3.51)	281.24	VI (b); VI (d)
Tax expense					
- Deferred tax charge	230.87	-	0.31	231.17	VI (c)
		-	**0.69**		

For the year ended 31 March 2021:

(₹ in Million)

	As per audited financial statements	Changes due to regrouping	Changes due to errors	As per restated financial information	Refer Note for Changes due to errors
Income					
Interest income	4,633.42	-	(1.76)	4,631.66	VI (a)
Other income	39.08	5.26	-	44.34	
Expenses					
Impairment on financial instruments	281.79	54.61	-	336.40	
Depreciation and amortisation expense	93.01	-	2.39	95.40	VI (d)
Other expenses	369.33	(49.35)	(3.49)	316.49	VI (b); VI (d)
Tax expense					
- Current tax	300.68	-	(0.44)	300.24	VI (c)
- Deferred tax credit	(10.86)	-	1.17	(9.69)	VI (c)
		-	**(1.39)**		

For the year ended 31 March 2022: (₹ in Million)

	As per audited financial statements	Changes due to regrouping	Changes due to errors	As per restated financial information	Refer Note for Changes due to errors
Income					
Interest income	4,731.45	(1.80)	1.82	4,731.47	VI (a)
cost category	23.31	(23.31)	-	-	
Expenses					
Net Loss on derecognition of financial instruments under amortised	-	106.92	-	106.92	
Impairment on financial instruments	492.91	(132.03)	-	360.88	
Other expenses	552.96	-	(0.02)	552.94	VI (b)
Tax expense					
- Deferred tax credit	(39.20)	-	(1.17)	(40.37)	VI (c)
		-	**3.01**		

Imapct in restated Restated Statement of Assets and Liabilities:

As at 31 March 2020: (₹ in Million)

	As per audited financial statements	Changes due to regrouping	Changes due to errors	As per restated financial information	Refer Note for Changes due to errors
Assets					
Cash and cash equivalents	2,243.54	-	7.21	2,250.75	VI (a)
Trade receivables	34.09	0.06	-	34.15	
Loans	15,489.31	-	(7.74)	15,481.57	VI (a)
Other financial assets	30.39	(6.92)	-	23.47	
Property, plant and equipment	314.04	10.12	-	324.16	
Other non-financial assets	46.52	(7.49)	-	39.03	
		(4.23)	**(0.53)**		
Liabilities and Equity					
(A) Trade payables					
total outstanding dues of creditors other than micro enterprises and	842.17	(787.82)	-	54.35	
(B) Other payables					
total outstanding dues of creditors other than micro enterprises and	87.40	(79.94)	(0.46)	7.00	VI (a)
Debt securities	3,242.87	154.94	-	3,397.81	
Borrowings (other than debt securities)	27,364.37	(206.11)	-	27,158.26	
Other financial liabilities	165.32	914.69	-	1,080.01	
Deferred tax liabilities (net)	244.57	0.01	-	244.58	
Equity	10,124.84	-	(0.07)	10,124.77	VI (a), (b), (c), (d)
		(4.23)	**(0.53)**		

As at 31 March 2021: (₹ in Million)

	As per audited financial statements	Changes due to regrouping	Changes due to errors	As per restated financial information	Refer Note for Changes due to errors
ASSETS					
Cash and cash equivalents	1,372.48	-	10.24	1,382.72	VI (a)
Trade receivables	19.62	19.29	-	38.91	
Loans	21,070.79	-	(368.85)	20,701.94	VI (a)
Other financial assets	64.75	(20.67)	14.10	58.18	VI (a)
Property, plant and equipment	379.53	10.47	-	390.00	
Other non-financial assets	47.19	(11.47)	-	35.72	
		(2.38)	**(344.51)**		
LIABILITIES AND EQUITY					
Trade payables	183.66	(130.97)	-	52.70	
small enterprises	70.53	(64.22)	-	6.30	
Debt securities	1,500.00	84.47	-	1,584.47	
Borrowings (other than debt securities)	26,277.58	(180.31)	-	26,097.27	
Other financial liabilities	2,321.11	288.65	(342.68)	2,267.08	VI (a)
Deferred tax liabilities (net)	233.69	-	1.18	234.86	VI (c)
Equity	12,054.09	-	(3.01)	12,051.08	VI (a), (b), (c), (d)
		(2.38)	**(344.51)**		

As at 31 March 2022: (₹ in Million)

	As per audited financial statements	Changes due to regrouping and errors	Changes due to regrouping and errors	As per restated financial information	Refer Note for Changes due to errors
LIABILITIES AND EQUITY					
Trade payables					
small enterprises	140.73	(60.02)	-	80.73	
Other payables					
small enterprises	61.97	(21.52)	-	40.45	
Debt securities	430.00	24.03	-	454.03	
Borrowings (other than debt securities)	29,072.68	(127.64)	-	28,945.04	
Other financial liabilities	2,216.52	284.65	-	2,501.17	
Provisions	101.97	(99.50)	-	2.47	
Equity	12,871.69	-	(0.02)	12,871.67	VI (a), (b), (c), (d)
		-	**(0.02)**		

IV. Material regrouping/ reclassification

Appropriate regrouping/ reclassifiacation have been made in the restated statement of assets and liabilities, restated statement of profit and loss and restated statement of cash flows, wherever required, by reclassification of corresponding items of income, expenses, assets, liabilities, cash flows, in order to bring them in line with the accounting policies and classification as per audited special purpose interim financial statements for the three months ended 30 June 2022 prepared in accordance with Schecdule- III (Division-III) of the Act, requirements of Ind AS 1 - 'Preparation of financial statements' and other applicable Ind AS principles and the requirements of the Securities and Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations, 2018, as amended.

V. Change in accounting policies

There has been no adjustment on account of change in accounting policies in the restated financial information.

VI. Correction of material errors

During the current period, the Management corrected the following material errors as at and for the year ended 31 March 2020, 31 March 2021 and 31 March 2022:

(a) Correction of error on account of non reversal of Loans as an adjusting event on Balance Sheet date:

Reversal of loan assets amounting to ₹ 7.87 Million was not considered in audited financial statements during financial year ended 31 March 2020.
Accordingly, corresponding impact has been considered as reduction in Gross Loan carrying amount by ₹ 7.74 Million, reduction in Interest Income by ₹ 0.06 Million during financial year ended 31 March 2020 and increase in Interest Income by ₹ 0.06 Million during financial year ended 31 March 2021, increase in bank balance (other than Cash and Cash equivalents) by ₹ 7.21 Million and reduction in Other payables by ₹ 0.46 Million.

Reversal of loan assets amounting to ₹ 374.53 Million was not considered in audited financial statements during financial year ended 31 March 2021.
Accordingly, corresponding impact has been considered as reduction in Gross Loan carrying amount by ₹ 368.85 Million, reduction in Income by ₹ 1.82 Million during financial year ended 31 March 2021 and increase in Interest Income by ₹ 1.82 Million during financial year ended 31 March 2022, increase in bank balance (other than Cash and Cash equivalents) by ₹ 10.24 Million, reduction in Book Overdraft by ₹ 351.24 Million; increase in Other financial assets by ₹ 14.10 Million and increase in Other liabilites by ₹ 8.56 Million.

(b) Correction on account of recognition of transaction cost on issue of equity shares:

Share issue expenses have been adjusted with Securities Premium in Other Equity which was charged to Statement of Profit and Loss ₹ 1.06 Million during financial year ended 31 March 2020, ₹ 1.11 Million during financial year ended 31 March 2021 and ₹ 0.02 Million during financial year ended 31 March 2022.

(c) Correction of errors in Tax expenses:

Tax impact on the above corrections is increase in tax expense by ₹ 0.01 Million during financial year ended 31 March 2020, increase in tax expense by ₹ 1.17 Million during financial year ended 31 March 2021 and reduction in tax expenses by ₹ 1.17 Million during financial year ended 31 March 2022.
Impact of tax expense transferred from Remeasurement gain/ (loss) on defined benefit plans to Increase in Tax expenses during financial year ended 31 March 2020 is ₹ 0.30 Million, decrease in tax expense by ₹ 0.44 Million during financial year ended 31 March 2021.

(d) Reclassification of Deferred lease rental to Right-of-Use asset:

The Company has reclassified deferred lease rental to Right-of-Use asset on account of Ind AS 116 adjustment. Accordingly, the Company has reclassified ₹ 10.12 Million and ₹ 10.47 Million from Other non-financial assets to Propeprty, Plant & Equipment during year ended 31 March 2020 and 31 March 2021. Consequently, ₹ 2.45 Million and ₹ 2.39 Million have been reclassified from 'Rent Expense' to 'Depreciation expenses' for the year ended 31 March 2020 and 31 March 2021

VII. Non-adjusting items

Emphasis of matter paragraph and auditor's comments on annexure to Auditor's Report not requiring adjustment to Restated Financial Information

(a) Emphasis of matter paragraph on special purpose financial statements for the year ended March 31, 2021 and March 31, 2020

We draw attention to Note 6 of the special purpose financial statements, which describes the continuing uncertainties arising from the COVID 19 pandemic and particularly the impairment provisions are dependent on future developments, which are highly uncertain. Our opinion is not modified in respect of this matter.

(b) Annexure to Auditor's Report for the year ended March 31, 2022

Clause III(c): During the year, the Company has made investments in and granted loans or advances in the nature of loans, secured or unsecured, to companies, firms, limited liability partnerships or any other parties. The Company has not provided any guarantee or security to any entity during the year. With respect to such investments and loans and advances:
The Company, being a Non-Banking Financial Company ('NBFC'), registered under provisions of RBI Act, 1934 and rules made thereunder, in pursuance of its compliance with provisions of the said Act/Rules, particularly, the Income Recognition, Asset Classification and Provisioning Norms, monitors repayments of principal and payment of interest by its borrowers as stipulated. In our opinion and according to the information and explanations given to us, in respect of loans and advances in the nature of loans, the schedule of repayment of principal and payment of interest has been stipulated and in cases where repayment of principal and payment of interest is not received as stipulated, the cognizance thereof is taken by the Company in course of its periodic regulatory reporting. Refer notes 35 and 55 to the financial statements for summarised details of such loans/advances which are not repaid by borrowers as per stipulations. Having regard to the nature of the Company's business and the volume of information involved, it is not practicable to provide an itemised list of loan assets where repayment of principal and interest have not been regular. According to the information and explanations made available to us, reasonable steps are taken by the Company for recovery thereof.

Clause III(d): During the year, the Company has made investments in and granted loans or advances in the nature of loans, secured or unsecured, to companies, firms, limited liability partnerships or any other parties. The Company has not provided any guarantee or security to any entity during the year. With respect to such investments and loans and advances:
The Company, being a NBFC, registered under provisions of RBI Act, 1934 and rules made thereunder, in pursuance of its compliance with provisions of the said Act/Rules, particularly, the Income Recognition, Asset Classification and Provisioning Norms, monitors and report total amount overdue including principal and/or payment of interest by its customers for more than 90 days. In cases where repayment of principal and payment of interest is not received as stipulated, the cognizance thereof is taken by the Company in course of its periodic regulatory reporting. Refer notes 35 and 55 to the financial statements for summarised details of such loans/advances which are not repaid by borrowers as per stipulations. According to the information and explanation made available to us, reasonable steps are taken by the Company for recovery thereof.

Clause VII(a): According to the information and explanations given to us, in respect of statutory dues: The Company has generally been regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income tax, goods and service tax, duty of customs, cess and any other statutory dues as applicable to the appropriate authorities. There are no arrears of outstanding statutory dues as at the last day of the financial year for the period of more than six month from the date they became payable. No undisputed amounts payable in respect of aforesaid statutory dues were outstanding as on the last day of the financial year for a period of more than six months from the date they became payable except stamp duty of ₹ 2.36 Million which has been paid subsequent to the balance sheet date.

Clause XI(a): During the course of our examination of the books of account and records of the Company, carried out in accordance with generally accepted auditing practices in India and according to the information and explanations given to us, we report that no fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year except for instances of cash embezzlements by certain employees, borrowers of the Company and others aggregating to an amount of ₹ 45.17 Million and out of which, an amount of ₹ 4.67 Million has been recovered.

(c) There are no qualifications requiring adjustments in the auditors' reports on the audited financial statements of the Company as at and for the years ended 31 March 2022, 31 March 2021 and 31 March 2020. However, Auditor's Reports for year 31 March 2021 and 31 March 2020 included Emphasis of Matter paragraph relating to Expected Credit Loss and impact of COVID-19 on the operations of the Company. Audit opinion for the year ended 31 March 2021 and 31 March 2020 is not modified in respect of this matter.

(d) There are no qualifications included in the Auditor's Report issued under Companies (Auditor's Report) Order, 2020 and Companies (Auditor's Report) Order, 2016, as applicable, issued by the Central Government of India in terms of sub section (11) of section 143 of the Act, which require any corrective adjustments in the Restated Ind AS Summary Statements.

For Suresh Surana & Associates LLP
Chartered Accountants
Firm's Registration No. 121750W/W-100010

Ramesh Gupta
Partner
Membership No: 102306

Place: Mumbai
Date : 3 November 2022

For and on behalf of the Board of Directors of
SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
CIN:U67190MH2008PLC178270

Mr. Neeraj Swaroop
Chairperson
(DIN: 00061170)

Mr. Aseem Dhru
Managing Director & CEO
(DIN: 01761455)

Mr. Narayan Barasia
Chief Financial Officer

Mr. Jay Mistry
Company Secretary
(ACS: A34264)

Place: Mumbai
Date : 3 November 2022

SBFC Finance Limited (Erstwhile SBFC Finance Private Limited)
Notes to restated financial information

Schedule to the Balance Sheet under Annex IV of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

Liabilities Side

Loans and advances availed by the non banking financial company inclusive of interest accrued thereon but not paid: (₹ In Million)

Particulars	As at 30 June 2022		As at 31 March 2022		As at 31 March 2021		As at 31 March 2020	
	Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
a) Debentures:								
Secured	463.22		454.03	-	1,584.47	-	3,397.81	-
Unsecured	-	-	-	-	-	-	-	-
(other than falling within the meaning of public deposits)								
b) Deferred Credits	-	-	-	-	-	-	-	-
c) Term Loans	27,243.40	-	28,432.25	-	25,424.28	-	25,590.17	-
d) Inter Corporate loans and borrowings	-	-	-	-	-	-	-	-
e) Commercial Paper	-	-	-	-	-	-	-	-
f) Public Deposits	-	-	-	-	-	-	-	-
g) Other Loans								
Collateralized Borrowings	466.83		512.78	-	672.98	-	1,568.08	-
Total	**28,173.45**	**-**	**29,399.06**	**-**	**27,681.73**	**-**	**30,556.06**	**-**

Assets Side

Breakup of Loans and Advances including bills receivables (other than those included in (3) below): (₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
	Amount Outstanding	Amount Outstanding	Amount Outstanding	Amount Outstanding
a) Secured	31,565.14	27,666.59	18,647.65	13,542.55
b) Unsecured	2,090.82	2,157.53	2,054.29	1,939.02

Breakup of Leased Assets and stock on hire and other assets counting towards asset financing activities: (₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
	Amount Outstanding	Amount Outstanding	Amount Outstanding	Amount Outstanding
i) Lease assets including lease rentals under sundry debtors:				
a) Financial Lease	-	-	-	-
b) Operating Lease	-	-	-	-
ii) Stock on hire including hire charges under sundry debtors:				
a) Assets on hire	-	-	-	-
b) Repossessed Assets	-	-	-	-
iii) Other loans counting towards asset financing activities				
a) Loans where assets have been repossessed	-	-	-	-
b) Loans other than (a) above	-	-	-	-

Breakup of Investments: (₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
	Amount Outstanding	Amount Outstanding	Amount Outstanding	Amount Outstanding
Current Investments:				
1. Quoted:				
i) Shares: (a) Equity	-	-	-	-
(b) Preference	-	-	-	-
ii) Debentures and Bonds	-	-	-	-
iii) Units of mutual funds	-	-	-	-
iv) Government Securities	-	-	-	-
v) Others (please specify)	-	-	-	-
2. Unquoted:				
i) Shares: (a) Equity	-	-	-	-
(b) Preference	-	-	-	-
ii) Debentures and Bonds	-	-	-	-
iii) Units of mutual funds	2,097.21	3,083.18	3,954.10	-
iv) Government Securities	-	-	-	-
v) Others	-	-	-	-
Investment in Pass Through certificates (PTC)	1,080.35	2,903.29	2,999.37	1,880.75
Long Term investments:				
1. Quoted:				
i) Shares: (a) Equity	-	-	-	-
(b) Preference	-	-	-	-
ii) Debentures and Bonds	-	-	-	-
iii) Units of mutual funds	-	-	-	-
iv) Government Securities	-	-	-	-
v) Others (please specify)	-	-	-	-
2. Unquoted:				
i) Shares: (a) Equity	-	-	-	-
(b) Preference	-	-	-	-
ii) Debentures and Bonds	-	-	-	-
iii) Units of mutual funds	-	-	-	-
iv) Government Securities	-	-	-	-
v) Others	-	-	-	-
Investment in Pass Through certificates (PTC)	3,471.97	2,494.66	7,889.02	16,910.02

Borrower groupwise classification of assets financed as in (2) and (3) above:

(₹ In Million)

Category	As at 30 June 2022			As at 31 March 2022		
	Amount net of Provisions			Amount net of Provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties						
a) Subsidiaries	-	-	-	-	-	-
b) Companies in the same group	-	-	-	-	-	-
c) Other related parties	-	-	-	-	-	-
2. Other than related parties	31,565.14	2,090.82	**33,655.96**	27,666.59	2,157.53	**29,824.12**
Total	**31,565.14**	**2,090.82**	**33,655.96**	**27,666.59**	**2,157.53**	**29,824.12**

(₹ In Million)

Category	As at 31 March 2021			As at 31 March 2020		
	Amount net of Provisions			Amount net of Provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related Parties						
a) Subsidiaries	-	-	-	-	-	-
b) Companies in the same group	-	-	-	-	-	-
c) Other related parties	-	-	-	-	-	-
2. Other than related parties	18,647.65	2,054.29	**20,701.94**	13,542.55	1,939.02	**15,481.57**
Total	**18,647.65**	**2,054.29**	**20,701.94**	**13,542.55**	**1,939.02**	**15,481.57**

Investor groupwise classification of all investments (current and long term) in shares and securities (both quoted and

(₹ In Million)

Category	As at 30 June 2022		As at 31 March 2022		As at 31 March 2021		As at 31 March 2020	
	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties								
a) Subsidiaries	-	-	-	-	-	-	-	-
b) Companies in the same group	-	-	-	-	-	-	-	-
c) Other related parties	-	-	-	-	-	-	-	-
2. Other than related parties	6,649.53	6,649.53	8,481.13	8,481.13	14,842.49	14,842.49	18,790.77	18,790.77
Total	**6,649.53**	**6,649.53**	**8,481.13**	**8,481.13**	**14,842.49**	**14,842.49**	**18,790.77**	**18,790.77**

Other information:

(₹ In Million)

Particulars	As at 30 June 2022	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
	Amount	Amount	Amount	Amount
i) Gross Non Performing Assets				
a) Related Parties	-	-	-	-
b) Other than related parties	984.86	886.62	718.60	383.65
ii) Net Non Performing Assets				
a) Related Parties	-	-	-	-
b) Other than related parties	605.10	550.54	463.64	273.71
iii) Assets acquired in satisfaction of debt	-	-	-	-

OTHER FINANCIAL INFORMATION

The audited financial statements of our Company as at June 30, 2022 and for the years ended March 31, 2022, March 31, 2021, and March 31, 2020 ("**Financial Statements**") are available at https://www.sbfc.com/for-investors. Our Company is providing a link to this website solely to comply with the requirements specified in the SEBI ICDR Regulations. The Financial Statements do not constitute, (i) a part of this Draft Red Herring Prospectus, (ii) the Red Herring Prospectus, or (iii) the 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 to purchase or sell any securities under the Companies Act, 2013, the SEBI ICDR Regulations, or any other applicable law in India or elsewhere in the world. The Financial Statements should not be considered as part of information that any investor should consider to subscribe for or purchase any securities of our Company, or any entity in which it or its shareholders have significant influence (collectively, the "**Group**") and should not be relied upon or used as a basis for any investment decision. Due caution is advised when accessing and placing reliance on any historic or other information available in the public domain. None of the Group or any of its advisors, nor any Book Running Lead Managers or the Promoter 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 Financial Statements, or the opinions expressed therein.

The accounting ratios required under Clause 11 of Part A of Schedule VI of the SEBI ICDR Regulations are given below:

(in ₹ million, except otherwise stated)

Particulars	As at June 30, 2022	Fiscal 2022	Fiscal 2021	Fiscal 2020
Net worth	15,718.76	12,871.67	12,051.08	10,124.77
Less: reserve on revaluation on land	-	-	-	-
Net worth as per regulation 2(1)(hh) of SEBI ICDR Regulations	15,718.76	12,871.67	12,051.08	10,124.77
Profit attributable to the owners of the company	320.66	645.21	850.10	354.95
Weighted average no. of Equity Shares outstanding during the period / year	-	-	-	-
- For basic earnings per Equity Share	864.88	798.11	783.36	730.90
- For diluted earnings per Equity Share	902.16	816.35	801.02	733.22
Restated basic earnings per share (₹)	0.37	0.81	1.09	0.49
Restated diluted earnings per share (₹)	0.36	0.79	1.06	0.48
Return on net worth (%)	2.04%	5.01%	7.05%	3.51%
Net assets value per Equity Share bearing face value ₹ 10 (₹)	17.52	15.42	14.66	13.19
EBITDA	1,057.91	3,190.94	3,620.61	3,108.31

**Earnings per Equity Share not annualised for the period ended June 30, 2022*

Notes:

1. *The above ratios are calculated as under:*
    a. *Basic earnings per share (₹) = Restated profit for the year attributable to equity shareholders / Weighted average number of equity shares in calculating basic EPS*
    b. *Diluted earnings per share (₹) = Restated profit for the year attributable to equity shareholders / Weighted average number of equity shares in calculating diluted EPS*
    c. *Basic and diluted earnings/ (loss) per equity share: Basic and diluted earnings/ (loss) per equity share are computed in accordance with Indian Accounting Standard 33 notified under the Companies (Indian Accounting Standards) Rules of 2015 (as amended)*
    d. *Return on net worth (%) = Net profit attributable to equity shareholders/ Net worth as the end of the year/period*
    e. *Net asset value (₹) = Total Equity/ Number of equity shares as the end of the year/period*
    f. *Net worth = Net worth as per regulation 2(1)(hh) of SEBI ICDR Regulations*
2. *Earnings per share (EPS) calculation is in accordance with Indian Accounting Standard (Ind AS 33 - Earnings per share).*
3. *EBITDA stands for earnings before interest, taxes, depreciation and amortisation (Restated profit/ (loss) for the year/ period + tax expense + exceptional items + Finance costs + depreciation and amortisation).*
4. *The following table shows the working for net worth as per regulation 2(1)(hh) of SEBI ICDR Regulations:*

(in ₹ million)

Particulars	*As at June 30, 2022*	*Fiscal 2022*	*Fiscal 2021*	*Fiscal 2019*
Equity share capital	8,697.24	8,068.00	7,966.74	7,423.20
Securities premium	4,330.29	2,453.76	2,379.51	1,887.08
Employee share option outstanding	233.82	213.89	216.80	177.88
Statutory reserve under Section 45IC of the Reserve Bank of India Act, 1934	419.48	419.48	291.04	120.74
Retained earnings	2,031.93	1,711.27	1,194.50	514.70

Particulars	***As at June 30, 2022***	***Fiscal 2022***	***Fiscal 2021***	***Fiscal 2019***
Remeasurement gain/ (loss) on defined benefit plans	6.00	5.27	2.49	1.17
Net worth as per the SEBI ICDR Regulations	15,718.76	12,871.67	12,051.08	10,124.77

CAPITALISATION STATEMENT

The following table sets forth our Company's capitalisation as at June 30, 2022, on the basis of the Restated Financial Information, and as adjusted for the Offer. This table should be read in conjunction with "*Risk Factors*", "*Financial Statements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", on pages 25, 276 and 373, respectively.

(All amounts in ₹ million, except ratio)

Particulars	Pre-Offer as at June 30, 2022	Post-Offer(1)
Debt		
Debt securities (A)	463.22	-
Borrowings (other than debt securities) (B)	27,710.23	-
Total debt (C = A+B)	**28,173.45**	-
Equity		
Equity share capital(2)(3) (D)	8,697.24	-
Other equity (E)	7,021.52	-
Total equity (F = D+E)	**15,718.76**	-
Debt/Equity (G = C/F)	**1.79**	-

Notes:

1. *The corresponding post Offer capitalisation data for each of the amounts given in the above table is not determinable at this stage pending the completion of the Book Building process and hence the same have not been provided in the above statement.*
2. *Allotment of 80,654,506 partly paid-up shares, i.e., ₹ 0.50 paid per Equity Shares allotted on June 3, 2019. Out of 80,654,506 Equity Shares (a) 2,820,954 Equity Shares were fully-paid up on September 14, 2022; and (b) 12,268,333 Equity Shares were `fully paid up on October 19, 2022.*
3. *Allotment of 73,50,000 partly paid-up shares, i.e., ₹ 5.36 (Including Securities premium of Rs. 2.86) paid per Equity Shares allotted on January 14, 2022. The 73,50,000 Equity Shares were converted into fully paid up on October 19, 2022.*

FINANCIAL INDEBTEDNESS

Our Company has availed term loans in the ordinary course of its business typically for the purpose of onward lending as per RBI guidelines for bank finance to NBFCs.

Set forth below is a brief summary of the aggregate borrowings of our Company as of June 30, 2022:

Category of borrowing	Sanctioned amount as on June 30, 2022 (₹ million)	Outstanding amount as on June 30, 2022 (₹ million)
Borrowings of the Company		
Term Loans		
Principal Amount Outstanding	39,780.00	27,337.53
Effective interest rate adjustment on Term Loans	-	(113.37)
Interest accrued but not due on Term Loans	-	19.24
Total (A)	39,780.00	27,243.40
Non Convertible Debentures (NCD)		
Principal Amount Outstanding	430.00	430.00
Interest accrued but not due on NCD	-	33.22
Total (B)	430.00	463.22
Collateralized Borrowings		
Principal Amount Outstanding	990.10	465.35
Interest accrued but not due on Collateralized Borrowings	-	1.48
Total (C)	990.10	466.83
Total (A+B+C)	**41,200.10**	**28,173.45**

Note: As certified by our Statutory Auditors by way of their certificate dated November 5, 2022

Principal terms of the borrowings:

The details provided below are indicative and there may be additional terms, conditions and requirements under the various borrowing arrangements entered into by the Company:

1. ***Interest:*** The interest rate for our borrowings typically ranges between 6.65% and 9.51% per annum and in certain instances the interest rate is linked to the base rate/ MCLR as specified by the lenders.

   The Company has also issued rated, secured, listed and redeemable NCDs listed on the BSE, in compliance with the SEBI Debt Listing Regulations. For such borrowings, our Company has entered into certain borrowing documentation including debenture trust deed, and in terms such borrowing documentation, a specified coupon rate i.e. 8.57% per annum.

2. ***Tenor:*** The tenor of the term loans typically ranges from one year to ten years.

   The tenor of the NCDs issued by the Company is three years (calculated from the date of deemed allotment). The tenor of the collateralized borrowings is 16 years two months (calculated from the date of pool transfer).

3. ***Security:*** The borrowings are typically secured by way of hypothecation as per extant RBI guidelines with asset cover ranging from 1.10 times to 1.20 times on the following:

   (i) The loans and advances and receivables which are standard assets in the Company's books;

   (ii) All current assets, all book debts, present or future, arising from/in connection with the business of the Company, both present and future; excluding cash and cash equivalent of the Company and excluding any reserve created for any specific financial indebtedness or for specific purpose;

   (iii) The Pass Through Certificates ("**PTCs**"), subscribed by the Company and issued by the SBFC LAP Trust June 2019 and SBFC HL Trust June 2019 pursuant to the trust documents and all receivables, present and future, arising out of the PTCs and all its present and future right, title and interest in relation thereto.

4. ***Pre-payment:*** The Company has the option to pre-pay the lenders in majority of our borrowings, subject to prior notice of a minimum 15 to 30 days and pre-payment charges at such rate as may be stipulated by the lenders which is 1% to 3% of the amount being prepaid.

5. ***Repayment:*** The borrowings are not repayable on demand, The Company is typically required to repay the borrowings in monthly or quarterly instalments, along with interest. The NCD will be repaid at the end of tenor, i.e., August 6, 2024, with interest served on annual basis.

6. ***Restrictive Covenants:***

The borrowing arrangements entered into by the Company require the relevant lender's prior written consent or requires the Company to make intimations to the relevant lender, as applicable, for carrying out certain actions, including:

- any change in shareholding (*inter alia, specifically if shareholding of all the Promoters is reduced below 51% or 76%, case basis*)/ constitution/ directorship (*inter alia, specifically if Aseem Dhru, the Managing Director and CEO ceases to continue in his position*)/ appointment or removal of key managerial personnel;
- enter into any scheme of merger, amalgamation or undertake a buyback;
- availing of any additional facilities or borrowings;
- any change in the corporate name, or trade name;
- any amendments to the constitutional documents of the Company;
- undertake any expansion or invest in any other entity; and
- repay any loans or credit facility to any related party including but not limited to its directors and shareholders.

7. ***Events of Default:***

The terms of the borrowings contain standard events of default, including:

- failure and inability to pay amounts on the due date;
- failure in performance of any covenant, condition or agreement;
- misrepresentation or provision of incorrect or misleading information;
- cessation/ insolvency or change in business;
- any litigation in relation to the borrowing;
- upon occurrence of any event that may have a material adverse effect;
- downgrade in credit rating by two or more notches; and
- any event of default which occurs under any agreement or document relating to the Company's indebtedness

8. ***Consequences of Events of Default:***

Upon the occurrence of an event of default, the lenders are entitled to, amongst other things:

- withdraw or cancel all the sanctioned facilities by the lender to the Company;
- enforce their security over the hypothecated / mortgaged assets/ invoke guarantees;
- seek immediate repayment of all or part of the outstanding amounts under the respective

facilities;

- to review management structure and board and review the conditions for appointment or re-appointment of the managing director or any other person holding substantial powers of management;
- to convert outstanding loan obligations into equity or other securities;
- appoint a nominee director/observer on the Board of our Company;
- cancel all unutilized amount(s) of the facility;
- initiate legal proceedings for recovery of their dues; and
- exercise such other right, power or remedy as permitted under applicable law.

The lists above are indicative in nature and there may be further additional terms under the various borrowing arrangements entered into by the Company.

Further, for the purpose of the Offer, our Company has obtained the necessary consents from its lenders, as required under the relevant facility documentations for undertaking activities relating to the Offer including consequent actions, such as changes / amendments to, including but not limited to, the constitutional documents (memorandum of association and/or articles of association) of our Company in accordance; the corporate name of the Company on account of conversion from private limited company to public limited company; the composition of its management set-up (including appointment/removal of key managerial personnel); the capital structure of the Company; change in shareholding, etc.

Further, for details of financial and other covenants required to be complied with, by our Company, in relation to our loan obligations, 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.*" beginning on page 39.

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

The following discussion of our financial condition and results of operations should be read in conjunction with the section entitled "Restated Financial Information" on page 281.

This Draft Red Herring Prospectus may include forward-looking statements that involve risks and uncertainties, and our actual financial performance may materially vary from the conditions contemplated in such forward-looking statements as a result of various factors, including those described below and elsewhere in this Draft Red Herring Prospectus. For further information, see "Forward-Looking Statements" on page 17. Also see the sections entitled "Risk Factors" and "- Factors Affecting our Results of Operations and Financial Condition" on pages 25 and 376, respectively, for a discussion of certain factors that may affect our business, financial condition or results of operations.

Our Company's Fiscal commences on April 1 and ends on March 31 of the immediately subsequent year, and references to a particular Fiscal are to the 12 months ended March 31 of that particular year. Unless otherwise indicated, the financial information included herein is based on our Restated Financial Information included in this Draft Red Herring Prospectus. For further information, see "Restated Financial Information" on page 281. Unless the context otherwise requires, in this section, references to "the Company", "our Company", "we", "us" and "our", are to SBFC Finance Limited.

*Unless otherwise indicated, industry and market data used in this section has been derived from the industry report titled "Analysis of NBFC sector and select asset classes in India" dated November, 2022 (the "**CRISIL Report**") prepared and issued by CRISIL Limited, appointed by us pursuant to letter dated June 23, 2022 and exclusively commissioned and paid for by us in connection with the Offer. Forecasts, estimates, predictions and any other forward- looking statements contained in the CRISIL Report are inherently uncertain because of changes in factors underlying their assumptions, or events that cannot be reasonably foreseen. Actual results and future events could differ materially from such forecasts, estimates, predictions or such statements. The data included herein includes excerpts from the CRISIL Report and may have been re-ordered by us for the purposes of presentation. There are no parts, data or information (which may be relevant for the proposed Offer), that has been left out or changed in any manner. A copy of the CRISIL Report is available on the website of our Company at https://www.sbfc.com/for-investors. For further information, see "Risk Factors – Industry information included in this Draft Red Herring Prospectus has been derived from an industry report prepared by CRISIL Limited exclusively commissioned and paid for by us for such purpose." on page 46. Also see, "Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation – Industry and Market Data" on page 15.*

Overview

We are a systematically important, non-deposit taking non-banking finance company ("**NBFC-ND-SI**") offering Secured MSME Loans and Loans against Gold, with a majority of our borrowers being entrepreneurs, small business owners, self-employed individuals, salaried and working class individuals. Among MSME-focused NBFCs in India, we have one of the highest AUM growth, at a CAGR of 40% in the period from Fiscal 2019 to Fiscal 2022. (*Source: CRISIL Report*) We have also witnessed robust disbursement growth, at a CAGR of 39% between Fiscal 2019 and Fiscal 2022. (*Source: CRISIL Report*)

In July 2022, the total number of MSMEs in India was estimated to be 70 million. (*Source: CRISIL Report*) Only 9.4 million MSMEs have registered on UDYAM (*Source: CRISIL Report*), leaving a large number of MSMEs without access to organised finance owing to their unregistered status. As of March 2022, less than 15% of MSMEs have access to credit in any manner and traditional institutions have historically refrained from providing credit to underserved or unserved MSMEs and self-employed individuals, leaving them to resort to credit from informal sources. (*Source: CRISIL Report*) The credit gap was estimated at around ₹ 85 trillion in Fiscal 2022, offering growth potential for financial institutions. (*Source: CRISIL Report*) Further, with increasing presence of MSME lenders in smaller cities and lenders increasingly focusing on underserved customers, the portfolio of secured MSME loans with ticket size between ₹ 0.50 million and ₹ 3.00 million is expected to grow at a CAGR of 13% - 15% between Fiscal 2022 and Fiscal 2025. (*Source: CRISIL Report*) In addition, there has been credit growth in non-metro cities, owing to financial literacy, mobile penetration and government schemes aimed at bringing the unbanked within the formal banking system. (*Source: CRISIL Report*) As a result, the industry has witnessed an increase in access to formal credit to MSMEs, which could be attributed to the increase in the number of MSMEs registered with the Ministry of Micro, Small and Medium Enterprises, to 6.11 million in Fiscal 2022, from 0.50 million in Fiscal 2016. (*Source: CRISIL Report*) Accordingly, we focus on disbursing loans with a ticket size in the range of ₹ 0.50 million to ₹ 3.00 million and as of June 30, 2022, 84.73% of our AUM had a ticket size within this range.

We believe that our products allow many underserved and underbanked customers to thrive. As of June 30, 2022, the ATS of our Secured MSME Loans, Loans against Gold and other unsecured loans, on the basis of disbursed amounts was ₹ 0.97 million, ₹ 0.10 million and ₹ 0.63 million, respectively. Among NBFCs, the Gross NPA for Secured MSME Loans for ticket sizes between ₹ 0.50 million and ₹ 3.00 million was 3.4% in Fiscal 2022. (*Source: CRISIL Report*) As of June 30, 2022, our Gross NPA to AUM ratio for ticket sizes between ₹ 0.50 million and ₹ 3.00 million was 2.35%. Our total AUM as of March 31, 2020, March 31, 2021, March 31, 2022 and June 30, 2022 was ₹ 16,482.07 million, ₹ 22,213.23 million, ₹ 31,921.81 million and ₹ 36,282.62 million, respectively. As of March 31, 2021, March 31, 2022 and June 30, 2022, we had provided loans to 56,587, 72,816 and 80,073 customers, respectively. We serve customers in tier II and tier III cities, thereby fostering entrepreneurship in these regions, focusing on customers who have a strong credit history but may lack formal proof of income documents.

We have a diversified pan-India presence, with an extensive network in our target customer segment. As of June 30, 2022, we have an expansive footprint in 104 cities, spanning 16 Indian states and two union territories, with 135 branches. Our geographically diverse distribution network, spread across the North, South, East and West zones, allows us to penetrate underbanked populations in tier II and tier III cities in India. Among MSME focussed NBFCs, we had the lowest proportion of AUM emanating from the largest state in our portfolio as of March 31, 2022 (*Source: CRISIL Report*), being 16.76%, demonstrating better diversification As a result of our active management of state concentration, we have been able to maintain low levels of AUM concentration per state despite our growth over the years. Our AUM is diversified across India, with 31.81% in the North (in the states of Chandigarh, Delhi, Haryana, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand), 37.72% in the South (in the states of Karnataka, Andhra Pradesh, Telangana, Tamil Nadu and Puducherry), and 30.46% in the West and East (in the states of Gujarat, Madhya Pradesh, Maharashtra, West Bengal, Assam and Bihar) collectively, as of June 30, 2022. Our disbursements across zones are also well-distributed, and we have reduced our concentration risk across industries and sectors, as demonstrated by the fact that no single industry contributes more than 10% of our loan portfolio as of June 30, 2022.

Our complete portfolio of loans has in-house origination and benefits from our risk management framework. Leveraging our significant operational experience, we have set up stringent credit quality checks and customised operating procedures that exist at each stage for comprehensive risk management. We primarily focus on small enterprise borrowers, whose monthly income is up to ₹ 0.15 million, with a demonstrable track record of servicing loans such as gold loans, loans for two-wheeler vehicles and have a CIBIL score above 700 at the time of origination. We source customers directly through our sales team of 1,594 employees as of June 30, 2022, and have adopted a direct sourcing model through branch-led local marketing efforts, repeat customers or through walk-ins, which has helped us maintain contact with our customers and establish strong relationships with them, high levels of customer satisfaction and increased loyalty. We believe that our risk management and underwriting processes, including our extensive customer assessment methods and monitoring systems, have resulted in healthy portfolio quality indicators such as low rates of Gross NPAs and Net NPAs. As of March 31, 2020, March 31, 2021, March 31, 2022 and as of June 30, 2022, our Gross NPA ratio was 2.28%, 3.16%, 2.74% and 2.68%, respectively, and our Net NPA ratio was 1.58%, 1.95%, 1.63% and 1.57%, respectively.

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. Our collections process is also technology-driven. As of June 30, 2022, approximately 87.78% of our Secured MSME Loan collections and 90.29% of our unsecured loan collections were non-cash based EMI collections, thus reducing our cash management risk, and enabling customers to receive real-time payment receipts through SMS.

Technology is at the core of our operations and we have adopted a well-defined IT strategy since our inception. In terms of distribution, our centralized real-time lending system, is a multi-product digital platform supporting mobile customer onboarding, paperless login and loan processing, which leads to quicker turn-around time. Our mobile application also enables customers to manage existing loans, in addition to servicing loans online. We have introduced 'Leviosa', a loan origination platform capable of on-boarding and disbursing loans. Further, we have also pioneered the use of our platform containing data of multiple portfolios in a single system, which allows for data migration from external to internal loan management systems, and enables other lenders to be on-boarded seamlessly. For our Loan against Gold portfolio, we have set up a dedicated 'Gold Genie' sales application, enabling gold loan disbursal at a customer's home. Thereafter, the dedicated customer service team reminds customers about interest payments and collects feedback on any service improvements suggested.

Our business model focuses on collection of cash flows. Our AUM has grown at a CAGR of 39.17% from ₹ 16,482.07 million as of March 31, 2020 to ₹ 31,921.81 million as of March 31, 2022, and was ₹ 36,282.62 million as of June 30, 2022. In terms of business momentum, we witnessed strong three-year disbursement growth, at a CAGR of 39% between Fiscal 2019 and Fiscal 2022. (*Source: CRISIL Report*) We believe we have witnessed consistent improvement in our balance sheet position in the last three Fiscals, and our net worth as of March 31, 2020, March 31, 2021 and March 31, 2022 was ₹ 10,124.77 million, ₹ 12,051.08 million and ₹ 12,871.67 million, respectively. Our Tangible Net Worth as of March 31, 2020, March 31, 2021, March 31, 2022 and as of June 30, 2022 was ₹ 7,520.85 million, ₹ 9,447.16 million, ₹ 10,267.75 million and ₹ 13,114.84 million, respectively. In a limited period, we have demonstrated a history of robust financial performance. In Fiscal 2020, 2021 and 2022 and in the three months ended June 30, 2022, our revenue from operations were ₹ 4,446.70 million, ₹ 5,070.99 million, ₹ 5,290.52 million and ₹ 1,599.67 million, respectively. Further, we believe we have the ability to access borrowings at a competitive cost due to our stable credit history, credit ratings, conservative risk management policies and strong brand equity. As a result, we have one of the lowest cost of borrowings among our NBFC peer set in India in Fiscal 2022. (*Source: CRISIL Report*) Our average cost of borrowing was 12.39%, 8.11%, 7.65% and 2.06% for Fiscal 2020, 2021 and 2022, and for the three months ended June 30, 2022, respectively.

We have an experienced and dedicated management team with significant industry experience and who have demonstrated their ability to deliver growth and profitability, across business cycles. We believe the significant business expertise of our management team positions us well to capitalize on future growth opportunities. Each of them have extensive experience in the banking or related industry such as finance, commercial operations, strategy, audit, business development, human resources, compliance and public relations. We are backed by marquee institutional investors such as the Clermont Group, Arpwood Group and Malabar Group, who provide their expertise to our operations, including through their representatives on our Board. In addition to providing us with capital, our institutional shareholders have assisted us in our growth through strategic guidance based on their previous experience and insight into the financial services sector in India.

The following table sets out key financial and operational parameters in the relevant periods:

Particulars	As of / For the Year ended March 31,			As of / For the three months ended June 30, 2022
	2020	2021	2022	
Customers (1)	40,432	56,587	72,816	80,073
AUM (₹ million)(2)	16,482.07	22,213.23	31,921.81	36,282.62
Net Worth (₹ million) (3)	10,124.77	12,051.08	12,871.67	15,718.76
Tangible Net Worth (₹ million) (4)	7,520.85	9,447.16	10,267.75	13,114.84
Leverage (AUM/ Net worth)	1.63	1.84	2.48	2.31
AUM/ Tangible Net Worth	2.19	2.35	3.11	2.77
Restated Profit After Tax for the Year / Period (₹ million)	354.95	850.10	645.21	320.66
RoA (%)(5)	1.18%	2.01%	1.48%	0.70%
ROE (%)(6)	3.75%	7.67%	5.18%	2.24%
Return on Tangible Equity(7)	5.17%	10.02%	6.55%	2.74%
Branches(8)	96	124	135	135
Employees(9)	1,153	1,471	2,048	2,377
AUM per branch (₹ million)(10)	171.69	179.14	236.46	268.76
AUM per employee (₹ million)(11)	14.29	15.10	15.59	15.26
Disbursement per branch per month (₹ million)(12)	3.87	4.00	8.23	12.24
Disbursement per employee per month (₹ million)(13)	0.59	0.66	0.89	1.07
Gross NPA ratio (%)(14)	2.28%	3.16%	2.74%	2.68%
Net NPA ratio (%)(15)	1.58%	1.95%	1.63%	1.57%
Operating Expenses to Average AUM (%)(16)	7.99%	6.59%	6.59%	1.51%
Average cost of borrowing (%)(17)	12.39%	8.11%	7.65%	2.06%
Cost to income ratio (%)(18)	55.25%	46.34%	57.19%	51.00%
Provision Coverage Ratio (%)(19)	30.80%	38.25%	40.44%	41.54%
Average yield on Gross Loan Book (%)(20)	15.78%	15.09%	14.89%	15.49%
Net Interest Margin (%)(21)	11.69%	11.73%	9.39%	9.40%

Note:

(1) Number of customers represents aggregate number of customers of our Company as of the last day of relevant period including securitized accounts.
(2) AUM represents aggregate of Gross Loan Book and share of a partner bank for loan under co-origination as of the last day of the relevant period.
(3) Net worth represents the sum of equity share capital and other equity as of the last day of the relevant period.
(4) Tangible Net worth represents the sum of equity share capital and other equity and reduced by goodwill as of the last day of the relevant period.
(5) ROA represents profit after tax, divided by average of total assets on book. Total assets represents total assets as of the last day of the relevant period.
(6) ROE is calculated as restated profit after tax for the year/ period divided by total equity.
(7) Return on Tangible Equity is calculated as the Profit After Tax for the relevant period as a percentage of Average Tangible Net Worth in such period.
(8) Number of branches represents aggregate number of branches of our Company as of the last day of relevant period.
(9) Number of employees represents aggregate number of employees of our Company as of the last day of relevant period. Employees exclude trainees under National Apprentice Promotion Scheme.
(10) AUM per branch represents AUM as of last day of the relevant period divided by number of branches.
(11) AUM per employee represents AUM as of the last day of the relevant period divided by number of employees.
(12) Disbursement per branch per month represents disbursements in the relevant period divided by number of branches and number of months.
(13) Disbursement per employee per month represents disbursements in the relevant period divided by number of employees and number of months.
(14) Gross NPA ratio (%) represents the Gross NPA to the Gross Loan Book as of the last day of the relevant period.
(15) Net NPA ratio (%) represents the Net NPA to the Gross Loan Book as of the last day of the relevant period.
(16) Operating Expenses to Average AUM represents our operating expenses for a period to the Average AUM for the period.
(17) Average cost of borrowings represents finance cost as a percentage of average outstanding borrowing for the relevant year/ period.
(18) Cost to income ratio represents operating expenses (which comprises the aggregate of employee benefits expense, depreciation and amortisation and other expenses) as a percentage of total revenue less adjusted finance costs for the relevant year/ period.
(19) Provision Coverage Ratio represents total provisions held on Gross NPA as of the last day of the period, as a percentage of total Gross NPAs as of the last day of the period.
(20) Average yield on Gross Loan Book represents the ratio of interest income on loan assets for a period to the average Gross Loan Book for the period.
(21) Net Interest Margin represents our net interest income on the loans for a period to the average AUM for the period, represented as a percentage.

The following table sets out key financial and operational parameters pertaining to our Secured MSME Loan portfolio as of/ for the relevant periods:

Particulars	As of / For the Year ended March 31,			As of / For the three months ended June 30, 2022
	2020	2021	2022	
Live MSME loan accounts	7,793	12,250	23,018	27,123
MSME borrowers	6,167	9,665	19,004	22,605
MSME disbursements (₹ million)	4,455.01	5,955.21	13,328.28	4,955.64
AUM from MSMEs (₹ million)	10,792.30	14,422.75	23,262.70	26,950.50

Factors Affecting our Results of Operations and Financial Condition

Interest rate volatility

Our results of operations depend substantially on our Net Interest Income and our ability to maintain and improve our Net Interest Margin. Our Net Interest Margin was 11.69%, 11.73%, 9.39% and 9.40%, in Fiscal 2020, 2021, 2022 and the three months ended June 30, 2022, respectively. Our Net Interest Margin decreased in Fiscal 2022 and the three months ended June 30, 2022 owing to reduced pass-through certificate and cash interest income, as we focussed on scaling up loan assets instead. For further information on our Net Interest Margins, cost of borrowing, yields, and spread, see "*Selected Statistical Information*" on page 259. Any adverse change to Net Interest Margins, yield or cost of borrowing will have a significant impact on our results of operations. Interest earned is the largest component of our total income, and was ₹ 4,096.83 million, ₹ 4,631.66 million, ₹ 4,731.47 million and ₹ 1,394.88 million and represented 92.10%, 90.54%, 89.16% and 87.11% of our total income in Fiscal 2020, 2021, 2022 and in the three months ended June 30, 2022, respectively. Changes in RBI repo rates could affect the interest charged on interest-earning assets and the interest rates paid on interest-bearing liabilities. Adverse conditions in the global and Indian economy resulting from economic dislocations or liquidity disruptions may adversely affect availability of credit, and decreased liquidity may lead to an increase in interest rates. Interest rates have a substantial effect on our cost of funding, our business volumes and our profit margins. Declining interest rates may lead to increased prepayments and repricing of our loans as borrowers seek to take advantage of the more attractive interest rate environment to reduce their borrowing costs. Declining interest rates may also lead to a greater demand for additional borrowings as business owners seek to take advantage of lower interest rates, resulting in an increase in volume of financing business. Conversely, when interest rates rise, there are typically less prepayments and less pressure to reprice loans; there is also less demand for new funds, resulting in a decrease in volume of our financing activities. In a rising interest rate scenario, our profit margins are therefore primarily dependent on our ability to attract new business, either through existing customers or new customers, than it is in a declining interest rate scenario. In addition, changes in interest rates also affect the interest rates we pay on our interest-bearing liabilities. Varying maturity periods applicable to our interest bearing assets and interest-bearing liabilities and a consequent change in interest rates may result in an increase in interest expense relative to interest income leading to a reduction in our interest income from financing activities.

See "*Risk Factors - Our business is particularly vulnerable to interest rate risk, and volatility in interest rates for both lending and treasury operations, could have an adverse effect on our net interest income and net interest margin, thereby affecting our results of operations and cash flows*" on page 30.

Availability of cost effective funding sources

The availability of cost-effective funding sources significantly affects our results of operations. Our funding requirements are predominantly sourced through term loans (short term and long term) from banks and other financial institutions. We have established long term relationships with various banks and financial institutions which provide ease of access to funding from such institutions. Our quality loan portfolio, stringent credit appraisal and risk management processes and stable credit history have resulted in improved credit status with our lenders over the years, thereby enabling us to reduce our cost of borrowings from banks and other financial institutions. Our credit status with our lenders is determined primarily by our NPAs. For further information, see "*Our Business – Credit Ratings*" on page 212. In addition to debt funding, we also support our funding requirements from internal accruals.

As of March 31, 2020, March 31, 2021, March 31, 2022 and June 30, 2022, our total borrowings were ₹ 30,563.77 million, ₹ 27,725.52 million, ₹ 29,488.18 million and ₹ 28,232.88 million, respectively. Finance costs represent a significant majority of our expenses. In Fiscal 2020, 2021, 2022 and in the three months ended June 30, 2022, finance costs were ₹ 2,440.37 million, ₹ 2,384.56 million, ₹ 2,206.17 million and ₹ 597.23 million, respectively, which represented 54.88%, 47.02%, 41.70% and 37.33% of our revenue from operations in the corresponding periods. Our finance costs are dependent on various external factors, including Indian and global credit markets and, in particular, interest rate movements and adequate liquidity in the debt markets. Our average cost of borrowings was 12.39%, 8.11%, 7.65% and 2.06% in Fiscals 2020, 2021, 2022 and the three months ended June 30, 2022, respectively. In addition, our cost of incremental borrowings, being new loans sanctioned in the relevant period, reduced from 8.29% in Fiscal 2020 to 7.78% in Fiscal 2022. The interest rate on our incremental borrowings availed during the three months ended June 30, 2022 was 8.43%. 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 funding sources are varied, as we believe that a diversified debt profile ensures that we are not overly dependent on any one type or source for funding. For further information in relation to our borrowings, see "*Financial Indebtedness*" on page 370.

We believe that we have been able to maintain relatively stable finance costs as a result of our effective fund raising and asset management strategy. We have also securitized some of our future receivables and entered into agreements for co-origination of loans to augment our liquidity position. This enables us to maintain low debt servicing costs, which in turn allows us to offer our financial products at competitive interest rates. Our ability to maintain our finance costs at optimum levels will continue to have a direct impact on our profitability, results of operations and financial condition.

Geographic reach and distribution network

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 for our Secured MSME Loan portfolio were ₹ 4,455.01 million, ₹ 5,955.21 million, ₹ 13,328.28 million and ₹ 4,955.64 million for Fiscal 2020, 2021 and 2022 and the three months ended June 30, 2022, 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 and field officers. Our growth has historically been driven by a combination of expansion of our operational network as well as an increase in loans extended. In our experience, branches with greater ageing have outperformed more branches that we have operationalised more recently. In addition, we directly engage with customers to offer financing products as well as ancillary services. We have a diversified pan-India presence, with an extensive network in tier II and tier III cities. As of June 30, 2022, we have a footprint in 104 cities, spanning 16 States and two Union Territories, with 135 branches. Our geographically diverse distribution network allows us to penetrate under-banked populations in tier II and tier III cities in India. Our ability to maintain and expand our operational network in a cost effective and efficient manner and serve as a preferred finance provider to entrepreneurs, small business owners, salaried or working class individuals, and self-employed individuals will have a direct impact on our results of operations and financial condition.

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 high asset quality. Our branches are staffed with persons who are familiar with 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.

Our branches are also spread across India to reduce concentration risk, with 28.15% in the North (in the states of Chandigarh, Delhi, Haryana, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand), 31.11% in the South (in the states of Karnataka, Andhra Pradesh, Telangana, Tamil Nadu and Puducherry), and 40.74% in the West and East (in the states of Gujarat, Madhya Pradesh, Maharashtra, West Bengal, Assam and Bihar), collectively, as of June 30, 2022. From our 135 branches, we strategically focus on accessing underbanked customers. Our ability to maintain an extensive geographic reach and distribution network will continue to have an impact on our financial condition and results of operations.

Asset quality, NPAs and provisioning requirements

Our ability to manage the credit quality of our loans, which we measure in part through NPAs, is a key driver of our results of operations. Credit quality is the outcome of the credit appraisal mechanism and recovery system followed by us. We classify NPAs in accordance with regulatory guidelines. As the number of our loans that become NPAs increase, the quality of our loan portfolio decreases. In accordance with RBI norms and our policy on NPA classification, we are required to classify loans that are over 90 days past due as an NPA. The following table illustrates our asset quality ratios as of the dates indicated:

(₹ million, except ratios and percentages)

Particulars	As of March 31,			As of June 30, 2022
	2020	2021	2022	
Gross NPA(1)	356.87	666.55	828.94	914.07
Gross NPA ratio(2) (%)	2.28%	3.16%	2.74%	2.68%
Net NPA(3)	246.94	411.59	493.72	534.33
Net NPA ratio(4) (%)	1.58%	1.95%	1.63%	1.57%

(1) Gross NPA represents Gross Loan Book pertaining to loans which are required to be classified as NPA as per the Income Recognition, Asset Classification and Provisioning norms issued and modified by RBI from time to time.
(2) Gross NPA ratio (%) represents the Gross NPA to the Gross Loan Book as of the last day of the relevant period.
(3) Net NPA represents Gross NPA reduced by NPA provisions as of the last day of relevant period.
(4) Net NPA ratio (%) represents the Net NPA to the Gross Loan Book as of the last day of the relevant period.

Our asset quality is dependent upon our credit appraisal processes and recovery mechanisms. With the growth of our business, our ability to manage the quality of our loans will be a key driver to our results of operations, as quality loans help reduce the risk of losses from loan impairment and write-offs.

In our experience, direct sourcing allows for complete control over the quality of customers and processes involved for disbursement, which leads to better asset quality, compared to other methods of customer acquisition. It has helped mitigate underwriting and default risks by enabling us to have a customer base with a better credit profile. Further, it reduces turn-around time, as the borrower's profile is readily available with us, and we are aware of their existing credit history, reducing the time taken for profile verification.

We believe that the quality of our credit function, resulting in effective credit evaluation measures, as well as our systematic processes such as verification of borrower risk profile, source of repayment, underlying collateral and disbursement and collection processes, effective portfolio monitoring and timely corrective interventions have enabled us to maintain relatively low levels of NPAs. Our ability to reduce or contain the level of our NPAs is also dependent on a number of factors beyond our control, such as increased competition, adverse effect on the business and results of operations of our borrowers, a rise in unemployment, a sharp and sustained rise in interest rate, slow industrial and business growth, changes in customer behavior and demographic patterns, central and state government decisions and changes in regulations. Additionally, certain provisioning norms are applicable to NBFCs, under applicable accounting standards and directions issued by the RBI. NBFCs are required to, after taking into account the time lag between an account becoming non performing, its recognition as such, the realisation of the security and the erosion over time in the value of security charged, make provision against sub-standard assets, doubtful assets and loss assets, as stipulate. Any increase in the level of final credit losses or an inability to maintain our asset quality may adversely affect our NPA levels and require us to increase our provisions and write-offs.

General economic conditions in India and competition

As an NBFC operating in India, our financial performance is dependent on the overall economic condition in India, including the GDP growth rate, the economic cycle and the condition of the securities markets, and perception of these conditions and future economic prospects. India is expected to remain the fastest growing economy in the world with GDP growth of 7.3% projected in Fiscal 2023. (*Source: CRISIL Report*) Our financial results are influenced by macroeconomic factors relating to growth of the Indian economy in general, which may lead to an increase in demand for retail 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. While the portfolio of secured MSME loans with ticket sizes between ₹ 0.50 million and ₹ 3.00 million is expected to grow at a CAGR of 13% - 15% over Fiscal 2023 and Fiscal 2025 (*Source: CRISIL Report*), any trends or events, which have a significant impact on the economic situation in India could have an adverse impact on our business.

Further, 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, turn-around times and customer relationships. Competitive pressures can impact the performance of all aspects of our business and financial performance, and market conditions in India may incentivise additional financial institutions to enter the market. 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 the tier-II and tier-III cities in which we operate, who are also focused on lending to low and middle income segments and micro, small and medium enterprises. 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. They might also be able to withstand adverse changes in the economic climate of India better than us, through reliance on the reach of affiliated group companies or banks. Competition is also increasing as a result of interest rate deregulation and other liberalization measures.

The competitive pressures and economic environment of India will play a role in determining whether we are able to successfully execute our growth strategy and offer products and services at reasonable returns.

Regulatory developments

We operate in a highly regulated industry and we have to adhere to various laws, rules and regulations. Our financial condition, results of operations and continued growth also depend on stable government policies and regulations. We are required to comply with, among others, limits on borrowings, investments and interest rates, prudential norms for income recognition, asset classification, and norms for creation of special reserves as well as minimum capital adequacy requirements. As an NBFC, we have to mandatorily obtain a certificate of registration issued by the RBI. We are also required to have minimum net owned funds of ₹ 20.00 million. As of June 30, 2022, March 31, 2022, March 31, 2021 and March 31, 2020, our net owned funds was ₹ 15,718.76 million, ₹ 12,871.67 million, ₹ 12,051.08 million and ₹ 10,124.77 million, respectively. Further, under Ind AS, we compute impairment allowance based on the expected credit loss model.

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. For further information, see "*Key Regulations and Policies*" on page 217.

Basis of Preparation

Our restated statement of assets and liabilities as at March 31, 2020, March 31, 2021, March 31, 2022 and June 30, 2022, the restated statement of profit and loss (including other comprehensive income), the restated statement of changes in equity, the restated statement of cash flows for the years March 31, 2020, March 31, 2021, March 31, 2020 and for three months period ended June 30, 2022, the summary statement of significant accounting policies, and other explanatory information is collectively referred to as the "**Restated Financial Information**".

The Restated Financial Information have been compiled from:

- The audited special purpose interim financial statements of the Company as at and for the three months period ended June 30, 2022 prepared in accordance with the Ind AS 34 “Interim Financial Reporting” as prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India;

- The audited financial statements of the Company as at and for the year ended March 31, 2022 which were prepared in accordance with the Indian Accounting Standards as prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India;

- The audited special purpose financial statements of the Company as at and for the years ended March 31, 2021 and March 31, 2020, which were prepared in accordance with the Indian Accounting Standards as prescribed under Section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India.

Significant Accounting Policies

The preparation of financial statements in conformity with Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, and future periods are affected. Although these estimates are based on the management’s best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Estimation of impairment allowance on financial assets affected by COVID-19 pandemic

The COVID-19 pandemic has impacted most countries, including India. The nationwide lockdown initiated by the Government of India in April - May 2020 substantially impacted economic activity. The easing of lockdown measures subsequently led to gradual improvement in economic activity and progress towards normalcy. RBI took various regulatory measures like moratorium on payment of dues, relief towards "Interest on interest" charged during March-August 2020 and allowing onetime restructuring to eligible borrowers (“**OTR**”). Further the second wave of COVID-19 pandemic in April-May 2021 led to re- imposition of localised /regional lockdown in various parts of the country, which led to substantial impact on economic activities. The second waive subsided from June 2021 onwards and there has been gradual lifting of lock downs and increase in economic activities. However the uncertainty around the third wave of COVID-19 pandemic in future and its impact on the economic activities are not known. Accordingly, the Company's results remain uncertain and dependent on future developments and actuals may differ from the estimates used in the preparation of Restated Financial Information on the reporting date. Estimates and associated assumptions used for determining the impairment allowance on the Company’s financial assets, are based on historical experience and other emerging factors emanating from the COVID-19 pandemic which may also influence the expected credit loss. The Company has used OTR scheme under the RBI resolution framework 1.0 and 2.0 and repayment moratorium on loans as early indicators suggesting higher flow rates and probability of default and accordingly accounted for commensurate expected credit loss. The Company believes that the factors considered are reasonable under the current circumstances and information available. However, the uncertainty caused by resurgence of the COVID-19 pandemic and related events could further influence the estimate of credit losses.

Financial instruments

Classification of financial instruments

The Company classifies its financial assets into the following measurement categories:

- Financial assets to be measured at amortised cost

- Financial assets to be measured at fair value through other comprehensive income
- Financial assets to be measured at fair value through profit or loss account

The classification depends on the contractual terms of the financial assets' cash flows and the Company's business model for managing financial assets which are explained below:

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:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- 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.

The Solely Payments of Principal and Interest (SPPI) test

As a second step of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the 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 the financial asset (for example, if there are repayments of principal or amortisation of the premium/ discount).

In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Company classifies its financial liabilities at amortised costs.

Financial assets measured at amortised cost

These financial assets comprise bank balances, receivables, investments and other financial assets. These are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost.

Items at fair value through profit or loss (FVTPL)

Items at fair value through profit or loss comprise:

- Investments (including equity shares) held for trading;
- Items specifically designated as FVTPL on initial recognition; and
- debt instruments with contractual terms that do not represent solely payments of principal and interest.

Financial instruments held at FVTPL are initially recognised at fair value, with transaction costs recognised in the statement of profit and loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the statement of profit and loss as they arise.

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 EIR.

Reclassification

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Company's financial assets. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

Recognition and Derecognition of financial assets and liabilities

Recognition:

Loans and Advances are initially recognised when the Financial Instruments are transferred to the customers. Investments are initially recognised on the trade date. Debt securities, deposits and borrowings are initially recognised when funds reach the Company. Other financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets

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 rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, the Company has transferred its contractual rights to receive cash flows from the financial asset.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of profit and loss.

Impairment of financial assets

Overview of the ECL principles

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), 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.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is the portion of Lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis. The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Company does the assessment of significant increase in credit risk at a borrower level. If a borrower has various facilities having different past due status, then the highest days past due (DPD) is considered to be applicable for all the facilities of that borrower.

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

Stage 1

All exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date and that are not credit impaired upon origination are classified under this stage. The Company classifies all standard advances and advances up to 0-29 days default under this category. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Stage 2

All exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired are classified under this stage. Financial assets past due for 30-89 days are classified under this stage. Stage 2 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 3

All exposures assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred are classified in this stage. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount. 90 days Past Due is considered as default for classifying a financial instrument as credit impaired. If an event warrants a provision higher than as mandated under ECL methodology, the Company may classify the financial asset in Stage 3 accordingly.

In line with Reserve Bank of India Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances and Clarifications dated November 12, 2021 borrower accounts shall be flagged as overdue as part of the day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as Non-Performing Asset/ Stage 3 shall be done as part of day-end process for the relevant date i.e. more than 90 days overdue and NPA/ Stage 3 classification date shall be the calendar date for which the day end process is run. In other words, the date of Non-Performing Asset/ Stage 3 shall reflect the asset classification status of an account at the day-end of that calendar date.

The Company has carried out the requirement in line with Reserve Bank of India Clarification and accordingly, the change in accounting policy is effective financial year 2021-22 and impact on financials is disclosed in note 50. Upgradation of accounts classified as Stage 3/ Non-performing assets (NPA) - The Company upgrades loan accounts classified as Stage 3/ NPA to "standard" asset category only if the entire arrears of interest, principal and other amount are paid by the borrower and there is no change in the accounting policy followed by the Company in this regard.

Credit-impaired financial assets:

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVTOCI are credit-impaired. 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event; or
- The disappearance of an active market for a security because of financial difficulties.

The mechanics of ECL:

The Company calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Company and the cash flows that the Company expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

Probability of Default (PD) - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

The Company has applied 12 months PD to Stage 1 Advances. The lifetime PD is computed using basic exponentiation technique after considering the residual maturity of the respective loan for Stage 2 Advances. PD of 100% is considered for Stage 3 Advances.

Exposure at Default (EAD) – EAD is taken as the gross exposure under a facility upon default of an obligor. The amortized principal and the interest accrued is considered as EAD for the purpose of ECL computation.

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

Collateral Valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as the underlying asset financed, cash, securities, etc. However, the fair value of collateral affects the calculation of ECLs. To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models.

Collateral repossessed

In its normal course of business, the Company does not physically repossess properties or other assets in its retail portfolio, but engages its employees to recover funds, to settle outstanding debt. Any surplus funds are returned to the customers/ obligors. As a result of this practice, assets under legal repossession processes are not recorded on the balance sheet. These repossessed assets which are intended to be realised by way of sale are considered as Stage 3 assets and the ECL allowance is determined based on the estimated net realisable value of the repossessed asset.

Write-offs

The Company reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. Any subsequent recoveries against such loans are credited to the Statement of Profit and Loss.

Determination of fair value

On initial recognition, all the financial instruments are measured at fair value. For subsequent measurement, the Company measures certain categories of financial instruments (as explained in Note 2.4) at fair value on each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability, or

(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

<u>Level 1 financial instruments -</u> 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.

<u>Level 2 financial instruments -</u> 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.

<u>Level 3 financial instruments -</u> Those that include one or more unobservable input that is significant to the measurement as whole.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Difference between transaction price and fair value at initial recognition

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises the difference between the transaction price and the fair value in profit or loss on initial recognition (i.e. on day one).

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net gain on fair value changes. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is not recognised at the initial recognition stage.

Revenue from operations

Interest Income

Interest income is recognised by applying (EIR) to the gross carrying amount of financial assets other than credit-impaired assets and financial assets classified as measured at FVTPL, taking into account the amount outstanding and the applicable interest rate. Interest income is recognised on non-performing assets at net of ECL.

The EIR is computed

(i) As the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset;

(ii) By considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) in estimating the cash flows; and

(iii) Including all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Any subsequent changes in the estimation of the future cash flows are recognised in interest income with the corresponding adjustment to the carrying amount of the assets.

Delayed payment interest (penal interest) levied on customers for delay in repayments/ non payment of contractual cashflows is recognised on realisation.

Dividend Income

Dividend income is recognised when the right to receive the payment is established.

Fees and Commission Income

Fees and commissions are recognised when the Company satisfies the performance obligation, at fair value of the consideration received or receivable based on a five-step model as set out below, unless included in the effective interest calculation:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation

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

Initial money Deposit charges are collected from customers for document processing, which is non refundable in the nature and are recognized on realization basis

Net gain on Fair value changes

Any differences between the fair values of financial assets classified as FVTPL held by the Company on the balance sheet date is recognised as an unrealised gain/ loss. In cases there is a net gain in the aggregate, the same is recognised in “Net gains on fair value changes” under Revenue from operations and if there is a net loss the same is disclosed as “Net loss on fair value changes” under Expenses in the Statement of Profit and Loss.

Similarly, any realised gain or loss on sale of financial instruments measured at FVTPL and debt instruments measured at FVOCI is recognised in net gain/ loss on fair value changes.

However, net gain/ loss on derecognition of financial instruments classified as amortised cost is presented separately under the respective head in the Statement of Profit and Loss.

Loan Processing Fees

Processing fees on loans is collected towards processing of loan, this is amortised on EIR basis over the contractual life of the loan.

Other Operating Income

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.

Expenses

Finance costs

Finance costs on borrowings is paid towards availing of loan, is amortised on EIR basis over the contractual life of loan. The EIR in case of a financial liability is computed

- As the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the gross carrying amount of the amortised cost of a financial liability.
- By considering all the contractual terms of the financial instrument in estimating the cash flows
- Including all fees paid between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Any subsequent changes in the estimation of the future cash flows are recognised in interest expense with the corresponding adjustment to the carrying amount of the liability.

Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to advisers and other expenses such as external legal costs, Rating Fee etc, provided these are incremental costs that are directly related to the issue of a financial liability.

Retirement and other employee benefits

Short term employee benefit

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include short term compensated absences such as paid annual leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised as an expense during the period. Benefits such as salaries and wages, etc. and the expected cost of the bonus/ ex-gratia are recognised in the period in which the employee renders the related service.

Post-employment employee benefits

Defined contribution schemes

All the eligible employees of the Company who have opted to receive benefits under the Provident Fund and Employees State Insurance scheme, defined contribution plans in which both the employee and the Company contribute monthly at a stipulated rate. The Company has no liability for future benefits other than its annual contribution and recognises such contributions as an expense in the period in which employee renders the related service. If the contribution payable to the scheme for service received before the Balance Sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the Balance Sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

Defined benefit schemes

The Company provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated years mentioned under 'The Payment of Gratuity Act, 1972'. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation, carried out by an independent actuary at each balance sheet date, using the Projected Unit Credit Method, which recognizes each period of service as giving rise to an additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government Securities as at the Balance Sheet date.

Net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, attrition rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The Company fully contributes all ascertained liabilities to The Trustees – "SBFC Finance Private Limited employees group gratuity cash accumulation scheme". Trustees administer contributions made to the trust and contributions are invested in a scheme of insurance with the IRDA approved Insurance Company- Life Insurance Corporation of India.

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

Other employee benefits

Company's liabilities towards compensated absences to employees are accrued on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Statement of Profit and Loss.

The Company presents the provision for compensated absences under provisions in the Balance Sheet.

Share-based payment arrangements

The stock options granted to employees pursuant to the Company's Stock Options Schemes, are measured at the fair value of the options at the grant date using Black Scholes Model. The fair value of the options determined at grant date is treated as discount and accounted as employee compensation cost over the vesting period on a straight line basis over the period of option, based on the number of grants expected to vest, with corresponding increase in equity. The employee stock option outstanding account is shown under Reserves and Surplus.

The Company has created an Employee Welfare Trust for providing share-based payment to its employees for (a) Small Business Fincredit Stock Option Policy I 2018 and (b) SBFC Stock Option Policy 2021 – I policies. The Company uses the Trust as a vehicle for distributing shares to employees under the employee remuneration schemes for the above mentioned two policies. The Company allots shares to the Trustee of the Trust, for giving shares to employees. The Company treats Trust as its extension and shares held by the Trust are treated as treasury shares.

Leases:

Effective April 1, 2019 the Company has adopted Ind AS 116- Leases and applied it to all lease contracts existing on April 1, 2019 using the modified retrospective approach under which the company recognised lease liabilities at the initial date of application. At the date of commencement of the lease, the Company has recognised a lease liability, except for leases with a term of 12 months or less (short-term leases) and low value leases.

The Company evaluates if an arrangement qualifies to be a lease as per the requirements of Ind AS 116. Identification of a lease requires significant judgment. The Company uses significant judgement in assessing the lease term (including anticipated renewals) and the applicable discount rate. The Company determines the lease term as the non-cancellable period of a lease, 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 non-cancellable period of a lease. The discount rate is generally based on the incremental borrowing rate. The Company makes assessment on the expected lease term on lease by lease basis and thereby assesses whether it is reasonably certain that any option to extend or terminate the contract will be exercised. In evaluating the lease term, the Company considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to termination of lease and the importance of the underlying to the Company's operation taking into account the location of the underlying asset and the availability of the suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflect the current economic circumstances.

The right-of-use assets is subsequently measured at cost less accumulated depreciation, accumulated impairment losses, if any, and adjusted for any remeasurement of the lease liability.

The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company recognises the amount of the re-measurement of lease liability due to modification as an adjustment to the right-of-use asset and statement of profit and loss depending upon the nature of modification. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in statement of profit and loss.

The Company has elected not to apply the requirements of Ind AS 116 Leases to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

Other income and expenses

All other income and expense are recognized in the period they occur.

Impairment of non-financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

Taxes

Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable amounts will arise to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity.

Goods and services tax/ service 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/ service tax/ value added taxes paid, except:

(i) 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

(ii) 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.

Cash and cash equivalents

Cash and cash equivalents comprise the net amount of short-term, highly liquid investments that are readily convertible to known amounts of cash (short-term deposits with an original maturity of three months or less) and are subject to an insignificant risk of change in value. They are held for the purposes of meeting short-term cash commitments (rather than for investment or other purposes).

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

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment, (if any). The total cost of assets comprises its purchase price, freight, duties, taxes and any other incidental expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

Subsequent expenditure related to an item of tangible asset are added to its gross value only if it increases the future benefits of the existing asset, beyond its previously assessed standards of performance and cost can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

Depreciation

Depreciation is calculated using the straight line method to write down the cost of property and equipment to their residual values over their estimated useful lives which is in line with the estimated useful life as specified in Schedule II of the Act. The estimated useful lives are as prescribed by Schedule II of the Act. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset comprises its purchase price and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the statement of profit and loss. Amortisation on assets acquired/ sold during the year is recognised on a pro-rata basis to the statement of profit and loss from/ upto the date of acquisition/ sale.

Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives. Intangible assets comprising of software are amortised on a straight-line basis over a period of five years, unless it has a shorter useful life.

Intangible assets with indefinite useful life is tested for impairment at each reporting period.

Gains or losses from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the statement of profit and loss when the asset is derecognised.

Provisions

Provisions are recognised when the enterprise 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 enterprise 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 Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Commitments

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

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

(ii) other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Earnings Per Share

The Company reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

Segments

Based on "Management Approach" as defined by Ind AS 108, The Chief Operating Decision Maker evaluates the "Operating Segments". Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company.

Impairment of loans portfolio

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.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Effective Interest Rate ("EIR") method

The Company's EIR methodology, recognises interest income/ expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given/ taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to the base rate and other fee income/ expense that are integral parts of the instrument

Share-Based Payments

Estimating fair value for share-based payment transactions requires use of an appropriate valuation model. The Company measures the cost of equity-settled transactions with employees using Black-Scholes Model to determine the fair value of the options on the grant date. Inputs into the valuation model, includes assumption such as the expected life of the share option, volatility and dividend yield.

Operating Cycle

Based on the nature of products/ activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months.

Recent Accounting Pronouncements

Ministry of Corporate Affairs ("**MCA**") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA issued the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from April 1, 2022, as below:

<u>Ind AS 103 – Reference to Conceptual Framework</u>

The amendments specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The Company does not expect the amendment to have any significant impact in its financial statements.

<u>Ind AS 16 – Proceeds before intended use</u>

The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Company does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

<u>Ind AS 37 – Onerous Contracts - Costs of Fulfilling a Contract</u>

The amendments specify that that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is essentially a clarification and the Company does not expect the amendment to have any significant impact in its financial statements.

<u>Ind AS 109 – Annual Improvements to Ind AS (2021)</u>

The amendment clarifies which fees an entity includes when it applies the '10 percent' test of Ind AS 109 in assessing whether to derecognise a financial liability. The Company does not expect the amendment to have any significant impact in its financial statements.

Non-GAAP Measures

Certain measures such as ROA, ROE ("**Non-GAAP Measures**"), presented in this Draft Red Herring Prospectus are a supplemental measure of our performance and liquidity that is not required by, or presented in accordance with, Ind AS, Indian GAAP, IFRS, US GAAP or any other GAAP. Further, these Non-GAAP Measures are not a measurement of our financial performance or liquidity under Ind AS, Indian GAAP, IFRS, US GAAP or any other GAAP 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, IFRS, US GAAP or any other GAAP. In addition, these Non-GAAP Measures are not standardised terms, hence a direct comparison of these Non-GAAP Measures between companies may not be possible. Other companies may calculate these Non-GAAP Measures differently from us, limiting its usefulness as a comparative measure. Although such Non-GAAP Measures are not a measure of performance calculated in accordance with applicable accounting standards, our Company's management believes that they are useful to an investor in evaluating us as they are widely used measures to evaluate a company's operating performance.

Principal Components of Income and Expenditure

Total Income

Revenue from operations

Our total revenue from operations primarily comprises of interest income, fees and commission income, net gain on fair value changes and other operating income. Interest income primarily includes interest on loans, while other operating income primarily includes (i) advertisement income received from advertisements placed on our website and at our branches, and (ii) prepayment charges recovered from customers.

Other income

Our other income primarily comprises of the interest on income tax refunds.

Expenses

Finance costs

Finance costs primarily comprises of interest on debt securities, interest on borrowings (other than debt securities), interest on lease liabilities pertaining to leasehold branch premises and other interest expenses in the nature of ancillary borrowing cost.

Net loss on derecognition of financial instruments under amortised cost category

Net loss on derecognition of financial instruments under amortised cost category comprises of loss on sale of non-performing assets to an asset reconstruction company and income on sale of investment in pass through certificates.

Impairment on financial instruments

Impairment on financial instruments primarily comprises of provision for impairment loss allowance recognized on loans and loans written off (net of recovery).

Employee benefits expense

Employee benefits expense primarily comprises of salaries and bonus, contribution to provident and other funds, gratuity expenses, share based payment expenses to employees and staff training and welfare expenses.

Depreciation and amortization expense

Depreciation, amortization and impairment expenses includes depreciation on property, plant and equipment, amortization of intangible assets and depreciation of right-of-use assets.

Other expenses

Other expenses primarily comprises of legal and professional fees, office maintenance, travelling and conveyance costs, printing and stationery expenses, IT expenses, business promotion expenses, communication expenses, balances written off, rent expenses and rates and taxes.

Tax expense

Our tax expense primarily comprises of current tax and deferred tax. Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and provisions of the applicable tax laws. Deferred tax liability or credit is recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are only recognised for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable amounts will arise to utilise those temporary differences and losses. We measure our deferred tax based on the applicable tax rates and tax laws that have been enacted or substantively enacted by the relevant balance sheet date.

Goodwill

Our Company, after taking necessary approvals from the Board of Directors *vide* business transfer agreement dated August 1, 2017, acquired retail lending business together with certain other assets, liabilities and employees as a going concern on a slump sale basis from Karvy Financial Services Limited effective close of business hours on September 28, 2017 for a lumpsum consideration of ₹ 10,795.63 million after working capital adjustment as at September 28, 2017. The excess of consideration paid to Karvy Financial Services Limited over the fair value of net assets acquired is considered as goodwill amounting to ₹ 2,603.92 million.

Results of Operations

The following table sets forth certain information with respect to our results of operations on a consolidated basis for Fiscal 2020, 2021 and 2022 and the three months ended June 30, 2022:

Particulars	Fiscal						Three months ended June 30, 2022	
	2020		2021		2022			
	(₹ million)	Percentage of Total Income	(₹ million)	Percentage of Total Income	(₹ million)	Percentage of Total Income	(₹ million)	Percentage of Total Income
Revenue from operations								
Interest income	4,096.83	92.10%	4,631.66	90.54%	4,731.47	89.16%	1,394.88	87.11%
Fees and commission income	174.53	3.92%	241.53	4.72%	272.39	5.13%	81.23	5.07%
Net gain on fair value changes	114.92	2.58%	91.06	1.78%	157.22	2.96%	32.73	2.04%
Net gain on derecognition of financial instruments under amortised cost category	-	-	39.68	0.78%	-	-	21.07	1.32%
Other operating income	60.42	1.36%	67.06	1.31%	129.44	2.44%	69.76	4.36%
Total revenue from operations	**4,446.70**	**99.96%**	**5,070.99**	**99.13%**	**5,290.52**	**99.69%**	**1,599.67**	**99.90%**
Other income	1.76	0.04%	44.34	0.87%	16.50	0.31%	1.56	0.10%
Total Income	**4,448.46**	**100.00%**	**5,115.33**	**100.00%**	**5,307.02**	**100.00%**	**1,601.23**	**100.00%**
Expenses								
Finance costs	2,440.37	54.86%	2,384.56	46.61%	2,206.17	41.57%	597.23	37.30%
Net Loss on derecognition of financial instruments under amortised cost category	22.08	0.50%	-	-	106.92	2.01%	-	-
Impairment on financial instruments	300.55	6.75%	336.40	6.58%	360.88	6.80%	65.09	4.07%

Particulars	Fiscal						Three months ended June 30, 2022	
	2020		2021		2022			
	(₹ million)	Percentage of Total Income	(₹ million)	Percentage of Total Income	(₹ million)	Percentage of Total Income	(₹ million)	Percentage of Total Income
Employee benefits expense	736.28	16.55%	841.83	16.46%	1,095.34	20.64%	346.72	21.65%
Depreciation and amortisation expense	81.82	1.84%	95.40	1.86%	117.81	2.22%	32.09	2.00%
Other expenses	281.24	6.32%	316.49	6.19%	552.94	10.42%	131.51	8.21%
Total expenses	**3,862.34**	**86.82%**	**3,974.68**	**77.70%**	**4,440.06**	**83.66%**	**1,172.64**	**73.23%**
Profit before tax	**586.12**	**13.18%**	**1,140.65**	**22.30%**	**866.96**	**16.34%**	**428.59**	**26.77%**
Tax expense								
Current tax	-	-	300.24	5.87%	262.12	4.94%	129.91	8.11%
Deferred tax charge/ (credit)	231.17	5.20%	(9.69)	(0.19)%	(40.37)	(0.76)%	(21.98)	(1.37)%
Total tax expense	**231.17**	**5.20%**	**290.55**	**5.68%**	**221.75**	**4.18%**	**107.93**	**6.74%**
Profit after tax	**354.95**	**7.98%**	**850.10**	**16.62%**	**645.21**	**12.16%**	**320.66**	**20.03%**
Other comprehensive income								
Items that will not be reclassified to statement of profit and loss								
Re-measurement of net defined benefit plan	(1.19)	(0.03)%	1.76	0.03%	3.72	0.07%	0.98	0.06%
Income tax relating to items that will not be reclassified to profit or loss	0.30	0.01%	(0.44)	(0.01)%	(0.94)	(0.02)%	(0.25)	(0.02)%
Items that will be reclassified to profit or loss								
Other comprehensive income	**(0.89)**	**(0.02)%**	**1.32**	**0.02%**	**2.78**	**0.05%**	**0.73**	**0.04%**
Total comprehensive income for the year	**354.06**	**7.96%**	**851.42**	**16.64%**	**647.99**	**12.21%**	**321.39**	**20.07%**

Three Months ended June 30, 2022

Total income

Our total income was ₹ 1,601.23 million for the three months ended June 30, 2022.

Revenue from operations

Our revenue from operations were ₹ 1,599.67 million for the three months ended June 30, 2022, primarily comprising of interest income of ₹ 1,394.88 million. This was primarily attributable to interest on loans of ₹ 1,246.38 million.

Other income

Our other income was ₹ 1.56 million for the three months ended June 30, 2022.

Expenses

Our total expenses were ₹ 1,172.64 million for the three months ended June 30, 2022, which primarily comprised finance costs of ₹ 597.23 million and employee benefits expense ₹ 346.72 million.

Finance costs

Our finance costs were ₹ 597.23 million for the three months ended June 30, 2022, which primarily included interest on borrowings (other than debt securities) of ₹ 584.62 million.

Impairment on financial instruments

Our impairment on financial instruments was ₹ 65.09 million, which included impairment on loans of ₹ 49.66 million and loans written off (net of recovery) of ₹ 15.43 million.

Employee benefits expense

Our employee benefits expense was ₹ 346.72 million for the three months ended June 30, 2022, primarily comprising salaries and bonus of ₹ 304.34 million.

Depreciation and amortization expense

Our depreciation and amortization expense was ₹ 32.09 million for the three months ended June 30, 2022, primarily comprising depreciation on property, plant and equipment.

Other expense

Our other expense was ₹ 131.51 million for the three months ended June 30, 2022, primarily comprising legal and professional fees of ₹ 34.40 million, office maintenance expenses of ₹ 23.77 million, IT expenses of ₹ 15.60 million and travelling and conveyance expense of ₹ 13.53 million.

Profit before Tax

For the reasons discussed above, profit before tax was ₹ 428.59 million for the three months ended June 30, 2022.

Tax expenses

Our tax expense was ₹ 107.93 million for the three months ended June 30, 2022. In this period, we had a current tax expense of ₹ 129.91 million and a deferred tax credit of ₹ 21.98 million

Profit after tax

Our profit after tax was ₹ 320.66 million for the three months ended June 30, 2022.

Fiscal 2022 compared to Fiscal 2021

Total income

Our total income increased by 3.75% from ₹ 5,115.33 million in Fiscal 2021 to ₹ 5,307.02 million in Fiscal 2022. This increase was primarily due to an increase in revenue from operations.

Revenue from operations

Our revenue from operations increased by 4.33% from ₹ 5,070.99 million in Fiscal 2021 to ₹ 5,290.52 million in Fiscal 2022, primarily due to an increase in interest income from ₹ 4,631.66 million in Fiscal 2021 to ₹ 4,731.47 million in Fiscal 2022. This was primarily attributable to an increase in interest on loans from ₹ 2,773.92 million in Fiscal 2021 to ₹ 3,825.40 million in Fiscal 2022, due to growth in AUM which increased by 43.71% from ₹ 22,213.23 million as of March 31, 2021 to ₹ 31,921.81 million as of March 31, 2022. The growth in AUM was primarily due to an increase in our Secured MSME lending and our Loan Against Gold portfolio.

Other income

Our other income decreased by 62.79% from ₹ 44.34 million in Fiscal 2021 to ₹ 16.50 million in Fiscal 2022, primarily due to a decrease in interest on income tax refund from ₹ 32.77 million in Fiscal 2021 to ₹ 0.44 million in Fiscal 2022.

Expenses

Total expenses increased by 11.71% from ₹ 3,974.68 million in Fiscal 2021 to ₹ 4,440.06 million in Fiscal 2022.

Finance costs

Our finance costs decreased by 7.48% from ₹ 2,384.56 million in Fiscal 2021 to ₹ 2,206.17 million in Fiscal 2022, primarily due to a decrease in interest on borrowings (other than debt securities) from ₹ 2,120.39 million in Fiscal 2021 to ₹ 2,041.00 million in Fiscal 2022 and a decrease in interest on debt securities from ₹ 242.24 million in Fiscal 2021 to ₹ 148.06 million in Fiscal 2022.

Net loss on derecognition of financial instruments under amortised cost category

We incurred an expense of ₹ 130.23 million on net loss on derecognition of financial instruments under amortised cost category in Fiscal 2022 on the portfolio with principal outstanding of ₹ 394.9 million, compared to no such expense in Fiscal 2021. This expense was on account of loss incurred on the sale of our non-performing assets to an asset reconstruction company. The expense was partially offset by the income on sale of investment in pass through certificates of ₹ 23.31 million.

Impairment on financial instruments

The impairment on financial instruments and other receivables increased by 7.28% from ₹ 336.40 million in Fiscal 2021 to ₹ 360.88 million in Fiscal 2022. This was primarily due to an increase in our loans written off (net of recovery) from ₹ 54.61 million in Fiscal 2021 to ₹ 359.26 million in Fiscal 2022, owing to the impact of COVID-19. This was partially offset by a decrease in impairment of loans from ₹ 281.79 million in Fiscal 2021 to ₹ 1.62 million in Fiscal 2022 resulting from utilisation of provisions made on account of the COVID-19 pandemic in Fiscal 2021.

Employee benefits expense

Our employee benefits expense increased by 30.11% from ₹ 841.83 million in Fiscal 2021 to ₹ 1,095.34 million in Fiscal 2022, primarily due to an increase in salary and bonus from ₹ 752.63 million in Fiscal 2021 to ₹ 995.51 million in Fiscal 2022. The increase in salary and bonus was due to an increase in the number of our employees as a result of growth in our business and annual increments given to our employees. Our employees increased from 1,471 employees, as of March 31, 2021 to 2,048 employees as of March 31, 2022.

Depreciation and amortization expense

Our depreciation and amortization expense increased by 23.49% from ₹ 95.40 million in Fiscal 2021 to ₹ 117.81 million in Fiscal 2022, primarily due to increase in the depreciation on property, plant and equipment. The increase was primarily attributable to the increase in branch premises from 124 branches in Fiscal 2021 to 135 branches in Fiscal 2022, and various other assets acquired at such branch premises.

Other expenses

Our other expenses increased by 74.71% from ₹ 316.49 million in Fiscal 2021 to ₹ 552.94 million in Fiscal 2022, primarily due to an increase in (i) legal and professional expenses from ₹ 60.00 million in Fiscal 2021 to ₹ 114.95 million in Fiscal 2022, (ii) IT expenses, from ₹ 42.27 million in Fiscal 2021 to ₹ 74.14 million in Fiscal 2022, and (iii) business promotion expenses, from ₹ 16.51 million in Fiscal 2021 to ₹ 53.41 million in Fiscal 2022.

Profit before Tax

For the reasons discussed above, profit before tax was ₹ 866.96 million in Fiscal 2022 compared to profit before tax of ₹ 1,140.65 million in Fiscal 2021.

Tax expenses

Our tax expenses decreased by 23.68% from ₹ 290.55 million in Fiscal 2021 to ₹ 221.75 million in Fiscal 2022. Current tax expense decreased from ₹ 300.24 million in Fiscal 2021 to ₹ 262.12 million in Fiscal 2022, primarily due to a corresponding decrease in profit before tax. Our deferred tax credit increased from ₹ 9.69 million in Fiscal 2021 to ₹ 40.37 million in Fiscal 2022 which was on account of deferred tax asset created on processing fees paid on term loans borrowed from banks.

Profit after tax

Our profit after tax decreased by 24.10% from ₹ 850.10 million in Fiscal 2021 to ₹ 645.21 million in Fiscal 2022.

Fiscal 2021 compared to Fiscal 2020

Total income

Our total income increased by 14.99% from ₹ 4,448.46 million in Fiscal 2020 to ₹ 5,115.33 million in Fiscal 2021. This increase was due to an increase in revenue from operations and other income.

Revenue from operations

Our revenue from operations increased by 14.04% from ₹ 4,446.70 million in Fiscal 2020 to ₹ 5,070.99 million in Fiscal 2021, primarily due to an increase in interest income from ₹ 4,096.83 million in Fiscal 2020 to ₹ 4,631.66 million in Fiscal 2021. This was primarily attributable to an increase in interest on loans from ₹ 2,145.24 million in Fiscal 2020 to ₹ 2,773.92 million in Fiscal 2021, and an increase in interest on deposits from banks from ₹ 71.68 million in Fiscal 2020 to ₹ 138.12 million in Fiscal 2021. The increase in our interest income was due to growth in AUM which increased by 34.77% from ₹ 16,482.07 million as of March 31, 2020 to ₹ 22,213.23 million as of March 31, 2021.

Other income

Our other income increased from ₹ 1.76 million in Fiscal 2020 to ₹ 44.34 million in Fiscal 2021, primarily due to an increase in interest on income tax refund from nil in Fiscal 2020 to ₹ 32.77 million in Fiscal 2021.

Expenses

Total expenses increased by 2.91% from ₹ 3,862.34 million in Fiscal 2020 to ₹ 3,974.68 million in Fiscal 2021.

Finance costs

Our finance costs decreased by 2.29% from ₹ 2,440.37 million in Fiscal 2020 to ₹ 2,384.56 million in Fiscal 2021, primarily due to a decrease in interest on debt securities from ₹ 395.01 million in Fiscal 2020 to ₹ 242.24 million in Fiscal 2021. This was partially offset by an increase in interest on borrowings from ₹ 2,022.89 million in Fiscal 2020 to ₹ 2,120.39 million in Fiscal 2021.

Net loss on derecognition of financial instruments under amortised cost category

Our net loss on derecognition of financial instruments under amortised cost category decreased from ₹ 22.08 million in Fiscal 2020 to nil in Fiscal 2021.

Impairment on financial instruments

Our impairment on financial instruments and other receivables increased by 11.93% from ₹ 300.55 million in Fiscal 2020 to ₹ 336.40 million in Fiscal 2021. This was primarily due to an increase in our loans written off (net of recovery) from ₹ 17.50 million in Fiscal 2020 to ₹ 54.61 million in Fiscal 2021.

Employee benefits expense

Our employee benefits expense increased by 14.34% from ₹ 736.28 million in Fiscal 2020 to ₹ 841.83 million in Fiscal 2021, primarily due to an increase in salaries and bonus from ₹ 594.93 million in Fiscal 2020 to ₹ 752.63 million in Fiscal 2021. The increase in salaries and bonus was due to an increase in the number of our employees as a result of growth in our business and annual increments given to our employees. Our employees increased from 1,153 employees, as of March 31, 2020 to 1,471 employees, as of March 31, 2021. This was partially offset by a reduction in employee share based payment expenses from ₹ 102.97 million in Fiscal 2020, owing to the grant of stock options, to ₹ 38.92 million in Fiscal 2021.

Depreciation and amortization expense

Our depreciation and amortization expense increased by 16.60% from ₹ 81.82 million in Fiscal 2020 to ₹ 95.40 million in Fiscal 2021, primarily due to increases in the depreciation on property, plant and equipment. The increase was primarily attributable to the increase in branch premises from 96 branches in Fiscal 2020 to 124 branches in Fiscal 2021, and various other assets acquired at such branch premises.

Other expenses

Our other expenses increased by 12.53% from ₹ 281.24 million in Fiscal 2020 to ₹ 316.49 million in Fiscal 2021, primarily due to an increase in (i) office maintenance expenses from ₹ 55.28 million in Fiscal 2020 to ₹ 68.68 million in Fiscal 2021, (ii) IT expenses, from ₹ 32.30 million in Fiscal 2020 to ₹ 42.27 million in Fiscal 2021, and (iii) business promotion expenses, from ₹ 9.92 million in Fiscal 2020 to ₹ 16.51 million in Fiscal 2021.

Profit before Tax

For the reasons discussed above, profit before tax was ₹ 586.12 million in Fiscal 2020 compared to profit before tax of ₹ 1,140.65 million in Fiscal 2021.

Tax expenses

Our tax expenses increased by 25.69% from ₹ 231.17 million in Fiscal 2020 to ₹ 290.55 million in Fiscal, primarily due to current tax expense increasing from nil in Fiscal 2020 to ₹ 300.24 million in Fiscal 2021, primarily owing to due to a corresponding increase in the profit before tax . We paid deferred tax charge of ₹ 231.17 million in Fiscal 2020, compared to our deferred tax credit of ₹ 9.69 million in Fiscal 2021. This was on account of a decrease in the tax rate due to introduction of new legislation whereby MAT credit accumulated was written off. MAT credit is grouped under deferred tax as per Ind AS, resulting in the increase in deferred tax.

Profit after tax

Our profit after tax increased from ₹ 354.95 million in Fiscal 2020 to ₹ 850.10 million in Fiscal 2021.

Financial Condition

Assets

The table below sets out the principal components of our assets as of the dates indicated:

Particulars	As of March 31,			As of June 30, 2022
	2020	2021	2022	
	(*₹ million*)			
Financial assets				
Cash and cash equivalents	2,250.75	1,382.72	1,514.76	936.45
Bank balances other than cash and cash equivalents	1,908.36	2,031.06	1,838.17	1,846.14
Receivables				
- Trade receivables	34.15	38.91	82.68	101.40
Loans	15,481.57	20,701.94	29,824.12	33,655.96
Investments	18,790.77	14,842.49	8,481.13	6,649.53
Other financial assets	23.47	58.18	34.17	46.78
Total financial assets	**38,489.07**	**39,055.30**	**41,775.03**	**43,236.26**
Non-Financial assets				
Current tax assets (net)	613.44	206.42	341.92	342.60
Property, plant and equipment	324.16	390.00	357.06	360.05
Intangible assets under development	-	3.33	-	-
Goodwill	2,603.92	2,603.92	2,603.92	2,603.92
Other intangible assets	10.23	17.21	32.87	30.66
Other non-financial assets	39.03	35.72	39.54	56.83
Total non-financial assets	**3,590.78**	**3,256.60**	**3,375.31**	**3,394.06**
Total assets	**42,079.85**	**42,311.90**	**45,150.34**	**46,630.32**

As of June 30, 2022, we had total assets of ₹ 46,630.32 million, compared to ₹ 45,150.34 million as of March 31, 2022, ₹ 42,311.90 million as of March 31, 2021 and ₹ 42,079.85 million as of March 31, 2020. The increase in our total assets was primarily on account of growth in our disbursals and loan portfolio which increased on account of branch and employee increases.

Financial Assets

Cash and cash equivalents

Our cash and cash equivalents decreased from ₹ 2,250.75 million as of March 31, 2020 to ₹ 1,382.72 million as of March 31, 2021 primarily due to redemption of fixed deposits with original maturity of less than three months; increased to ₹ 1,514.76 million as of March 31, 2022 primarily due to increase in fixed deposits with original maturity of less than three months; and decreased to ₹ 936.45 million as of June 30, 2022 primarily due to redemption of fixed deposits with original maturity of less than three months.

Bank balances other than cash and cash equivalents

Our bank balances other than cash and cash equivalents increased from ₹ 1,908.36 million as of March 31, 2020 to ₹ 2,031.06 million as of March 31, 2021, primarily due to an increase in fixed deposits with banks. It subsequently increased from ₹ 1,838.17 million as of March 31, 2022 to ₹ 1,846.14 million as of June 30, 2022, primarily due to increase in interest accrued but not due.

Trade receivables

Our trade receivables increased from ₹ 34.15 million as of March 31, 2020 to ₹ 38.91 million as of March 31, 2021 due to increase in unbilled trade receivables. Our trade receivables increased to ₹ 82.68 million as of March 31, 2022 and subsequently to ₹ 101.40 million as of June 30, 2022 primarily due to increase in unsecured receivables considered good.

Loans

Our loans increased from ₹ 15,481.57 million as of March 31, 2020 to ₹ 20,701.94 million as of March 31, 2021, primarily on account of growth in our loan portfolio which increased on account of growth of our business resulting from branch and employee increases. Our loans further increased to ₹ 29,824.12 million as of March 31, 2022 and subsequently to ₹ 33,655.96 million as of June 30, 2022, also on account of growth in our loan portfolio which increased on account of growth of our business resulting from branch and employee increases.

Investments

Our investments decreased from ₹ 18,790.77 million as of March 31, 2020 to ₹ 14,842.49 million as of March 31, 2021. Our investments further decreased to ₹ 8,481.13 million as of March 31, 2022 due to reduction in the portfolio that we acquired through a trust. Investments reduced further to ₹ 6,649.53 million as of June 30, 2022, primarily owing to reduction in the amount of investment in pass through certificates.

Other Financial Assets

Other financial assets increased from ₹ 23.47 million as of March 31, 2020 to ₹ 58.18 million as of March 31, 2021, primarily on account increase in receivables on sale of investment in pass through certificate. Other financial assets decreased to ₹ 34.17 million as of March 31, 2022, primarily on account of a decrease in receivables on sale of investment in pass through certificates. Subsequently, other financial assets increased to ₹ 46.78 million as of June 30, 2022 primarily on account of an increase in receivables on sale of investment in pass through certificates.

Non-Financial Assets

Current tax assets (net)

Current tax assets (net) decreased from ₹ 613.44 million as of March 31, 2020 to ₹ 206.42 million as of March 31, 2021 primarily due to increase in provisions for tax, leading to a corresponding decrease in the asset. From March 31, 2021, current tax assets (net) increased to ₹ 341.92 million as of March 31, 2022. There was a marginal increase to ₹ 342.60 million as of June 30, 2022, primarily on account of advance income tax.

Property, plant and equipment

Our property, plant and equipment increased from ₹ 324.16 million as of March 31, 2020 to ₹ 390.00 million as of March 31, 2021, primarily due to the purchase of equipment for additional branches. This decreased to ₹ 357.06

million as of March 31, 2022 primarily due to reduced branch openings and consequently reduced additions of property, plant and equipment. As of June 30, 2022, we had property, plant and equipment of ₹ 360.05 million.

Other intangible assets

We had other intangible assets of ₹ 10.23 million as of March 31, 2020, which increased to ₹ 17.21 million as of March 31, 2021 primarily due to investments in software. This increased further to ₹ 32.87 million as of March 31, 2022. Other intangible assets decreased to ₹ 30.66 million as of June 30, 2022 primarily on account of depreciation on existing capitalised assets.

Other non-financial assets

Other non-financial assets decreased from ₹ 39.03 million as of March 31, 2020 to ₹ 35.72 million as of March 31, 2021. This increased to ₹ 39.54 million as of March 31, 2022 on account of increase in advance to creditors, and increased further to ₹ 56.83 million, on account of increase in balance with government authorities and advance to creditors.

Liabilities

The following table sets forth the principal components of our liabilities as of the dates indicated:

Particulars	As of March 31,			As of June 30, 2022
	2020	2021	2022	
	(₹ *million*)			
Financial liabilities				
Payables				
(A) Trade payables				
– total outstanding dues of micro enterprises and small enterprises	-	-	-	0.46
– total outstanding dues of creditors other than micro enterprises and small enterprises	54.35	52.70	80.73	68.57
(B) Other Payables				
– total outstanding dues of micro enterprises and small enterprises	-	-	-	-
– total outstanding dues of creditors other than micro enterprises and small enterprises	7.00	6.30	40.45	59.72
Debt securities	3,397.81	1,584.47	454.03	463.22
Borrowings (other than debt securities)	27,158.26	26,097.27	28,945.04	27,710.23
Other financial liabilities	1,080.01	2,267.08	2,501.17	2,389.50
Total financial liabilities	**31,697.43**	**30,007.82**	**32,021.42**	**30,691.70**
Non-financial liabilities				
Current tax liabilities (net)	-	-	-	21.21
Provisions	-	2.25	2.47	1.40
Deferred tax liabilities (net)	244.58	234.86	194.51	172.53
Other non-financial liabilities	13.07	15.89	60.27	24.72
Total non-financial liabilities	**257.65**	**253.00**	**257.25**	**219.86**
Total liabilities	**31,955.08**	**30,260.82**	**32,278.67**	**30,911.56**

As of June 30, 2022, we had total liabilities of ₹ 30,911.56 million, compared to ₹ 32,278.67 million as of March 31, 2022, ₹ 30,260.82 million as of March 31, 2021 and ₹ 31,955.08 million as of March 31, 2020.

Financial liabilities

Payables

As of June 30, 2022, we had payables, comprising trade payable and other payables, of ₹ 128.75 million, compared to ₹ 121.18 million as of March 31, 2022, ₹ 59.00 million as of March 31, 2021 and ₹ 61.35 million as of March 31, 2020.

Debt securities

As of June 30, 2022, we had debt securities of ₹ 463.22 million, compared to ₹ 454.03 million as of March 31, 2022, ₹ 1,584.47 million as of March 31, 2021 and ₹ 3,397.81 million as of March 31, 2020. The decrease in debt securities between March 31, 2020 and June 30, 2022 was primarily on account of periodic repayment of privately placed redeemable non-convertible debentures.

Borrowings (other than debt securities)

As of June 30, 2022, we had borrowings (other than debt securities) of ₹ 27,710.23 million, compared to ₹ 28,945.04 million as of March 31, 2022, ₹ 26,097.27 million as of March 31, 2021 and ₹ 27,158.26 million as of March 31, 2020. We had relatively higher borrowings as of March 31, 2022 owing to increased requirement for disbursals.

Other financial liabilities

As of June 30, 2022, we had other financial liabilities of ₹ 2,389.50 million, compared to ₹ 2,501.17 million as of March 31, 2022, ₹ 2,267.08 million as of March 31, 2021 and ₹ 1,080.01 million as of March 31, 2020. The increase in other financial liabilities from March 31, 2020 to June 30, 2022 was primarily on account of increase in employee benefits payable and book overdraft.

Non-financial liabilities

Deferred tax liabilities (net)

As of June 30, 2022, we had deferred tax liabilities (net) of ₹ 172.53 million, compared to ₹ 194.51 million as of March 31, 2022, ₹ 234.86 million as of March 31, 2021 and ₹ 244.58 million as of March 31, 2020.

Other non-financial liabilities

As of June 30, 2022, we had other non-financial liabilities of ₹ 24.72 million, compared to ₹ 60.27 million as of March 31, 2022, ₹ 15.89 million as of March 31, 2021 and ₹ 13.07 million as of March 31, 2020. The increase in our non-financial liabilities from March 31, 2020 to June 30, 2022 was owing to increase in the amount of tax deductible at source to be paid on salary and provident fund contribution.

Equity

As of June 30, 2022, our total equity was ₹ 15,718.76 million, representing 33.71% of our total assets. As of March 31, 2022, our total equity was ₹ 12,871.67 million, representing 28.51% of our total assets. As of March 31, 2021, our total equity was ₹ 12,051.08 million, representing 28.48% of our total assets. As of March 31, 2020, our total equity was ₹ 10,124.77 million, representing 24.06% of our total assets. The increase in our total equity from March 31, 2020 to June 30, 2022 was primarily due to a combination of equity infusion, increase in statutory reserves and securities premium and an increase in our retained earnings.

Liquidity and Capital Resources

We have historically secured financing from diversified sources, including term loans, proceeds from loans securitized, mutual funds, and debt securities. As of March 31, 2020, March 31, 2021, March 31, 2022 and June 30, 2022, our total borrowings were ₹ 30,563.77 million, ₹ 27,725.52 million, ₹ 29,488.18 million and ₹ 28,232.88 million, respectively.

We actively manage our liquidity and capital position by raising funds periodically. We regularly monitor our capital 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 further information, 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 370 and 39, respectively.

Cash Flows

The following table sets forth certain information relating to our cash flows in the periods indicated:

Particulars	For the year ended March 31,			Three months ended June 30, 2022
	2020	2021	2022	
	(₹ million)			
Net cash generated from/ (used in) operating activities	(3,834.49)	(2,751.96)	(8,216.44)	(3,641.26)
Net cash generated from/ (used in) investing activities	(18,628.62)	3,750.58	6,518.16	1,833.98
Net cash generated from/ (used in) financing activities	22,913.02	(1,866.65)	1,830.32	1,228.97
Net increase/ (decrease) in cash and cash equivalents	449.91	(868.03)	132.04	(578.31)
Cash and cash equivalents as at the beginning of the year	1,800.84	2,250.75	1,382.72	1,514.76
Cash and cash equivalents at the end of the year	2,250.75	1,382.72	1,514.76	936.45

Operating Activities

Three months ended June 30, 2022

Net cash flows used in operating activities was ₹ 3,641.26 million for three months ended June 30, 2022. While our profit before tax was ₹ 428.59 million, we had an operating profit before working capital changes of ₹ 429.56 million. This increase was primarily due to depreciation and amortization expenses of ₹ 32.09 million and impairment on financial instruments of ₹ 65.09 million. Our changes in working capital for the three months ended June 30, 2022 primarily consisted of an increase in loans and advances of ₹ 3,793.35 million on accounts of increased loan disbursals to our customers.

Fiscal 2022

Net cash flows used in operating activities was ₹ 8,216.44 million for Fiscal 2022. While our profit before tax was ₹ 866.96 million, we had an operating profit before working capital changes of ₹ 1,233.84 million. This increase was primarily due to addition of non-cash items such as depreciation and amortisation expenses of ₹ 117.81 million, impairment of financial instruments of ₹ 360.88 million and net gain on derecognition of financial instruments under amortised cost of ₹ 106.92 million. Our changes in working capital for Fiscal 2022 primarily consisted of an increase in loans and advances of ₹ 9,672.32 million on accounts of increased loan disbursals to our customers.

Fiscal 2021

Net cash flows used in operating activities was ₹ 2,751.96 million for Fiscal 2021. While our profit before tax of ₹ 1,140.65 million, we had an operating profit before working capital changes of ₹ 1,219.01 million. This increase was primarily due to depreciation and amortisation expenses of ₹ 95.40 million and impairment of financial instruments of ₹ 336.40 million. Our changes in working capital for Fiscal 2021 primarily consisted of an increase in loans and advances of ₹ 5,485.36 million on accounts of increased loan disbursals to our customers.

Fiscal 2020

Net cash flows used in operating activities was ₹ 3,834.49 million for Fiscal 2020. While our profit before tax of ₹ 586.12 million, we had an operating profit before working capital changes of ₹ 427.05 million. Our changes in working capital for Fiscal 2020 primarily consisted of an increase in loans and advances of ₹ 4,184.26 million on accounts of increased loan disbursals to our customers.

Investing Activities

Three months ended June 30, 2022

Net cash generated from investing activities was ₹ 1,833.98 million in the three months ended June 30, 2022, primarily on account of sale of investments at fair value through profit and loss of ₹ 6,528.54 million and sale of investments in pass through certificates of ₹ 839.13 million, partially offset by proceeds from purchase of investments at fair value through profit and loss of ₹ 5,509.83 million.

Fiscal 2022

Net cash generated from investing activities was ₹ 6,518.16 million in Fiscal 2022, primarily on account of sale of investments at fair value through profit and loss of ₹ 21,480.25 million and sale of investments in pass through certificates of ₹ 5,455.63 million, partially offset by proceeds from purchase of investments at fair value through profit and loss of ₹ 20,452.13 million.

Fiscal 2021

Net cash generated from investing activities was ₹ 3,750.58 million in Fiscal 2021, primarily on account of sale of investments at fair value through profit and loss of ₹ 17,488.85 million and sale of investments in pass through certificates of ₹ 7,846.29 million, partially offset by proceeds from purchase of investments at fair value through profit and loss of ₹ 21,351.89 million.

Fiscal 2020

Net cash used in investing activities was ₹ 18,628.62 million in Fiscal 2020, primarily on account of purchase of investment in pass through certificates of ₹ 23,656.00 million and purchase of investments at fair value through profit and loss of ₹ 16,963.36 million, which partially offset by sale of investments at fair value through profit and loss of ₹ 18,745.91 million.

Financing Activities

Three months ended June 30, 2022

Net cash generated from financing activities was ₹ 1,228.97 million in the three months ended June 30, 2022 on account of proceeds from issue of equity shares of ₹ 2,505.30 million and proceeds from borrowings other than debt securities of ₹ 750.00 million, partially offset by repayment of borrowings other than debt securities of ₹ 2,005.29 million.

Fiscal 2022

Net cash generated from financing activities was ₹ 1,830.32 million in Fiscal 2022 on account of proceeds from borrowings other than debt securities of ₹ 8,930.00 million, partially offset by repayment of borrowings other than debt securities of ₹ 6,097.35 million and debt securities repaid of ₹ 1,500.00 million.

Fiscal 2021

Net cash used in financing activities was ₹ 1,866.65 million in Fiscal 2021 on account of repayment of borrowings other than debt securities of ₹ 5,659.85 million and debt securities repaid of ₹ 3,250.00 million. These were partially offset by proceeds from borrowings other than debt securities of ₹ 4,571.61 million, debt securities issued of ₹ 1,500.00 million and proceeds from issuance of equity shares of ₹ 1,037.08 million.

Fiscal 2020

Net cash flow generated from financing activities was ₹ 22,913.02 million in Fiscal 2020 on account of proceeds from borrowings other than debt securities of ₹ 24,418.71 million.

Financial Indebtedness

As of June 30, 2022, our total borrowings were ₹ 28,232.88 million. For further information on our borrowings, see "*Financial Indebtedness*" on page 370. Our Company has issued secured, redeemable, rated and non-convertible debentures which are listed on the debt segment of BSE. The following table sets forth certain information relating to outstanding indebtedness as of June 30, 2022 and our repayment obligations in the periods indicated:

	Payment due by period				
	Total	**Less than one year**	**1-3 years**	**3-5 years**	**More than 5 years**
			(₹ million)		
Total Borrowings	28,232.88	7,192.61	13,138.27	7,426.98	475.02

Securitization arrangements

During Fiscal 2020, 2021, 2022 and the three months ended June 30, 2022, we securitized assets worth ₹ 1,641.50 million, ₹ 752.04 million, ₹ 588.30 million and ₹ 548.32 million, respectively.

Contingent Liabilities and Capital Commitments

The following table sets forth our contingent liabilities and capital commitments as of June 30, 2022:

Particulars	As of June 30, 2022 (₹ million)
Contingent liabilities	
Claims against the Company not acknowledged as debts	3.32
Capital commitments	
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	0.75
Commitments related to loans sanctioned but undrawn	-
Other commitments	-

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 Expenditures / Additions to Property, Plant and Equipment

Our capital expenditure consists principally of expenditure relating to banking outlets and investment in technology infrastructure. In Fiscal 2020, 2021, 2022 and the three months ended June 30, 2022, we incurred ₹ 47.69 million, ₹ 127.93 million, ₹ 73.43 million and ₹ 23.71 million, respectively, in the purchase of property, plant and equipment.

Capital to Risk-weighted Assets Ratios ("CRAR")

The following table sets forth certain details of our CRAR derived from our Restated Financial Information, as of the dates indicated:

	As of March 31,			As of June 30, 2022
	2020	2021	2022	
CRAR (%)	21.89%	26.25%	26.21%	31.97%
CRAR – Tier I capital (%)	21.36%	25.62%	25.90%	31.63%
CRAR – Tier II capital (%)	0.53%	0.63%	0.31%	0.34%

For further information in relation to CRAR, see "*Risk Factors - We are subject to laws and regulations governing the financial services industry and our operations in India, including laws in relation to capital adequacy ratios. Changes in, and differing interpretations of, laws and regulations governing us could adversely affect our business, results of operations and prospects*" on page 34.

Debt/ Tangible Equity Ratio

Our debt/equity ratio as of June 30, 2022, March 31, 2022, March 31, 2021 and March 31, 2020 was 2.15, 2.87, 2.93 and 4.06, respectively.

Credit Ratings

We have received a credit rating of Ind A/ Stable in Fiscal 2018, and have subsequently been upgraded to Ind A+/Stable in Fiscal 2022 by India Rating. We have received a credit rating upgrade of [ICRA] A+ (Stable) in October 2022 from [ICRA] A (Positive) in October 2021.

Related Party Transactions

We enter into various transactions with related parties in the ordinary course of business. These transactions principally include remuneration to KMPs and Directors, employee share-based payments and issuance of equity share capital.

In Fiscal 2020, 2021, and 2022 and the three months June 30, 2022, the aggregate amount of such related party transactions was ₹ 967.04 million, ₹ 1,100.11 million, ₹ 242.05 million and ₹ 2,041.88 million, respectively. The percentage of the aggregate value such related party transactions to our revenue from operations in Fiscal 2020, 2021, 2022 and the three months ended June 30, 2022 was 21.75%, 21.69%, 4.58% and 127.64%, respectively. The increased percentage of related party transaction in Fiscal 2020, 2021 and three months ended June 30, 2022 is mainly on account of equity infusion by the Promoters of our Company. For further information relating to our related party transactions, please see the section entitled "*Restated Financial Information – Note 43*" on page 336.

Quantitative and Qualitative Disclosure about Market Risk

Our Company's risk is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls. Our Company is exposed to credit risk, liquidity risk and interest rate risk.

Credit Risk

Credit risk is the risk that our Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Our Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties. For instance, our Company has guidelines in place covering the acceptability and valuation of each type of collateral. We also adhere to RBI guidelines in respect of maintenance of adequate LTV ratios.

Liquidity Risk

Liquidity risk is defined as the risk that our Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that our Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to our Company on acceptable terms. To limit this risk, management has arranged for diversified funding sources and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

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

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The core business of our Company is providing loan against property (which we refer to as Secured MSME Loans) and Loan against Gold. Our Company borrows through various financial instruments to finance its core lending activity. These activities expose our Company to interest rate risk. Interest rate risk is measured through earnings at risk from an earnings perspective and through duration of equity from an economic value perspective. Further, exposure to fluctuations in interest rates is also measured by way of gap analysis, providing a static view of the maturity and re-pricing characteristic of balance sheet positions. An interest rate sensitivity gap report is prepared by classifying all rate sensitive assets and rate sensitive liabilities into various time period categories according to contracted/ behavioural maturities or anticipated re-pricing date. The difference in the amount of rate sensitive assets and rate sensitive liabilities maturing or being re-priced in any time period category, gives an indication of the extent of exposure to the risk of potential changes in the margins on new or re-priced assets and liabilities. The interest rate risk is monitored on a quarterly basis.

Auditor's Observations

Except as set out below, there have been no reservations/ qualifications/ adverse remarks/ emphasis of matters highlighted by our Statutory Auditors in their examination report on the Restated Financial Information:

For the year ended March 31, 2021

"We draw attention to Note 6 of the special purpose financial statements, which describes the continuing uncertainties arising from the COVID 19 pandemic and particularly the impairment provisions are dependent on future developments, which are highly uncertain. Our opinion is not modified in respect of this matter."

For the year ended March 30, 2020

"*We draw attention to Note 6 to the special purpose financial statements, which fully describes that the Company has recognised provision on loans to reflect the adverse business impact and uncertainties arising from the COVID-19 pandemic. Such estimates are based on current facts and circumstances and may not necessarily reflect the future uncertainties and events arising from the full impact of the COVID-19 pandemic. Our opinion is not modified in respect of this matter*."

For further information, see "*Risk Factors - Our Statutory Auditors have included certain emphasis of matter in connection with Fiscal 2020 and Fiscal 2021 in their examination report on the Restated Financial Information and have included certain remarks in connection with the Companies (Auditor's Report) Order, 2020/ Companies (Auditor's Report) Order, 2016*" on page 48.

Unusual or infrequent Events or Transactions

Except as described in this Draft Red Herring Prospectus, to our knowledge, there have been no unusual or infrequent events or transactions that have in the past or may in the future affect our business operations or future financial performance.

Known Trends or Uncertainties

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in "*—Factors affecting our Results of Operations and Financial Condition*" and the uncertainties described in "*Risk Factors*" on pages 376 and 25 respectively. To our knowledge, except as discussed in this Draft Red Herring Prospectus, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income.

Significant Economic Changes that Materially Affect or are Likely to Affect Income from Continuing Operation

Our business has been subject, and we expect it to continue to be subject, to significant economic changes that materially affect or are likely to affect income from continuing operations identified above in "*—Factors affecting our Results of Operations and Financial Condition*" and the uncertainties described in "*Risk Factors*" on pages 376 and 25, respectively.

Recent accounting pronouncements

As on the date of this Draft Red Herring Prospectus, there are no recent accounting pronouncements, which we believe would have a material effect on our financial condition or results of operations.

New Products or Business Segments

Except as described in this Draft Red Herring Prospectus, we have not publicly announced any new products or business segments nor have there been any material increases in our revenues due to increased disbursements and the introduction of new products.

Future Relationship Between Cost and Income

Other than as described elsewhere in the sections "*Risk Factors*", "*Our Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 25, 193 and 373, respectively, to our knowledge, there are no known factors that will have a material adverse impact on our operations and financial condition.

Significant Dependence on a Single or Few Customers or Suppliers

Given the nature of our business operations, we do not believe our business is dependent on any single or a few customers.

Competitive Conditions

We operate in a competitive environment. See sections, "*Our Business*", "*Industry Overview*", "*Risk Factors— Our inability to compete effectively in an increasingly competitive industry may adversely affect our net interest margins, income and market share*" and "*— Factors affecting our Results of Operations and Financial Condition – Competition*" on pages 193, 120, 38 and 409 respectively.

Seasonality/Cyclicality of Business

Our business is not seasonal in nature. For further information, see "- *Factors Affecting our Financial Condition and Results of Operations*" on page 376.

Significant Developments After June 30, 2022 that may Affect our Future Results of Operations

Other than as disclosed in this Draft Red Herring Prospectus, to our knowledge no circumstances have arisen since June 30, 2022 that could 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.

As a result of having our NCDs listed, our Company is subject to the continuous disclosure obligations under the SEBI Listing Regulations. This requires us to publish our quarterly financial results, subjected to a limited review by our statutory auditors, for every quarter within 45 days from the completion of the previous quarter, as well as submit a copy of the financial results to the debenture trustees on the same day the information is submitted to stock exchanges. We expect our AUM to grow in the quarter ended September 30, 2022 compared to the quarter ended June 30, 2022. As a result, we expect a growth in our revenue from operations and profit after tax for the quarter ended September 30, 2022. Due to increase in RBI repo rates, our cost of borrowing could potentially increase in the quarter ended September 30, 2022.

SECTION VI - LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

*Except as disclosed in this section, there are no outstanding (i) criminal proceedings, (ii) actions taken by regulatory or statutory authorities, (iii) claims related to direct and indirect taxes, and (iv) other pending litigation as determined to be material pursuant to the Materiality Policy in each case involving our Company, the Promoters and the Directors ("**Relevant Parties**"). Further, except as disclosed in this section, there are no disciplinary actions including penalties imposed by the SEBI or the stock exchanges against the Promoters in the last five financial years including any outstanding action.*

Further, the Company does not have any Group Companies.

For the purpose of (iv) above, the Board in its meeting held on November 3, 2022 has considered and adopted the Materiality Policy for identification of material litigation to be disclosed by our Company in this Draft Red Herring Prospectus.

In terms of the Materiality Policy, all pending litigation involving the Relevant Parties, other than criminal proceedings, actions by regulatory authorities and statutory authorities, disciplinary action including penalty imposed by SEBI or stock exchanges against the Promoters in the last five Financial Years including outstanding action, and tax matters, would be considered "material" if:

a) the monetary amount of claim by or against the entity or person in any such pending proceeding is individually in excess of ₹6.45 million which is 1% of the profit after tax of the Company as per the Restated Financial Information of latest Fiscal; or

b) which may not meet the monetary threshold stated above or where monetary liability is not quantifiable but where an adverse outcome would materially and adversely affect the business, operations or financial position or reputation of the Company.

*Except as stated in this section, there are no outstanding material dues to creditors of our Company. In terms of the Materiality Policy, outstanding dues to any creditor of our Company exceeding ₹ 0.34 million, i.e., 5 % of the total trade payables of the Company as on the date of the Restated Financial Information shall be considered as "material". Accordingly, as of June 30, 2022, any outstanding dues of ₹0.34 million or more have been considered as material outstanding dues for the purposes of disclosure in this section. Further, for outstanding dues to any party which is a micro, small or a medium enterprise ("**MSME**"), the disclosure will be based on information available with our Company regarding status of the creditor as defined under Section 2 of the Micro, Small and Medium Enterprises Development Act, 2006, as amended, as has been relied upon by the Statutory Auditors.*

It is clarified that pre-litigation notices (excluding notices from statutory, regulatory or tax authorities or notices threatening criminal action) received by our Company, the Directors or the Promoters shall not be considered as litigations until such time that any of our Company, the Directors or the Promoters, as the case may be, is impleaded as a defendant in proceedings before any judicial forum.

I. Litigation involving our Company

A. Litigation filed against our Company

a. Criminal proceedings

1. Promod Pawar filed an FIR on September 6, 2021 against Dependra Gosh, manager at the Company's branch located at City Plaza Building before the Bhaktinagar Police Station, Siliguri. Promod Pawar alleged claimed that he had won the bid for 58 packets of gold for ₹ 6.25 million. However, at the time of delivery he was only given 56 packets of gold and asked to pay an additional ₹ 0.18 million. The matter is currently pending.

2. Pappama filed an FIR on February 10, 2022 against Gawtham and Shivu, employees of the Company at the Hulimavu branch before the Hulimavu Police Station on behalf of her deceased son Kantaraju, who died by suicide. Pappama alleged that Gawtham and Shivu had been harassing Kantaraju to repay the loan amount. The matter is currently pending.

3. Pramod Kumar filed an FIR on March 1, 2022 against Prabhat, Saurabh, Suresh and Nitin,

employees of the Company at the Sikandara branch before Sikandara Police Station, Agra. Pramod Kumar obtained a loan worth ₹ 54,000 and mortgaged 21.56 gms of gold against the loan. Pramod Kumar alleged cheating, criminal conspiracy, criminal breach of trust and intentional insult against the abovementioned employees of the Company. The matter is currently pending.

4. Shubhankar Das filed an FIR on October 29, 2021 before the Bhaktinagar police station, against Debendra Gosh and Pampa Chaudhary, employees at the Company's branch located at Bhaktinagar, Siliguri. He alleged cheating by the branch officers for closing his loan account without notice. The matter is currently pending.

5. Mikki Singh Ranhotra filed an FIR on October 10, 2021 against Gaurav Jain, an employee of the Company at the Prince Chowk Branch before the Dehradun Police Station. The complainant alleged cheating, criminal conspiracy and criminal breach of trust for not releasing gold packets worth ₹ 3.30 crore belonging to the complainant. The matter is currently pending.

6. Sathishkumar Seetharaman filed a case against our Company under S.17(1) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("**Act**") before the Debt Recovery Tribunal, Chennai alleging that the notice dated March 12, 2020 served by the Company to the Complainant, declaring his account as an NPA and demanding a sum of ₹ 12.71 million, was contrary to the provisions of the Act, without basis and contrary to the agreed terms and conditions of the loan facility.

b. Actions by regulatory and statutory authorities

Our Company had, *suo moto*, made a compounding application dated January 25, 2021 to the Registrar of Companies, Maharashtra at Mumbai ("**RoC**") under S. 441 of the Companies Act, 2013 ("**Act**") for offences committed under S.179 (3)(d), S.179 (3)(f) and S.118(1) of the Act, r/w Secretarial Standard 1 on "Meetings of the Board of Directors" relating to passing certain resolutions through circulation, which were restricted under the Act. The RoC, vide letter dated July 1, 2022 replied to the compounding application stating that the officers in default are also required to file the compounding application and sought further clarifications with regards to the matter. The matter is currently pending.

c. Material civil proceedings

1. Padma L ("**Plaintiff**") filed an injunction suit against the authorized officers, chairman and managing director of Sree Subramanyeswara Cooperative Bank Ltd., various banks and financial institutions, Asha Ramachandra and Ramachandra G K ("**Defendants**") before the City Civil and Sessions Judge, Bengaluru praying for peaceful possession and enjoyment of the scheduled property which she had purchased through a public auction from Asha Ramachandra and Ramachandra G K. Plaintiff apprehends initiation of recovery proceedings against Asha Ramachandra and Ramachandra G K by the co-operative banks and financial institutions from whom they had availed loans. The Plaintiff has prayed for a decree for permanent injunction restraining the Defendants from disturbing the peaceful possession and enjoyment of the scheduled property by the Plaintiff. The matter is currently pending.

B. Litigation filed by our Company

a. Criminal proceedings

1. Arunchandra Jupalli, Vice President of our Company filed an FIR on January 13, 2018 against Rajasekaram D, chief valuer of gold of the Company at the Ramamurthy Nagar branch, Bangalore before the Ramamurthy Nagar police station alleging cheating, criminal breach of trust, and misappropriation of funds and gold by creation of false documents for wrongful gain amounting to ₹ 8.08 million. This matter is currently pending.

2. Anand Falodia, regional head of our Company, filed an FIR on July 24, 2021 against Mahendra Patel, Falguni Kashyap, Pramod Chaudhary and Shailendra Chaudhary, employees of the Company at the Dewas branch before the Dewas Police Station. The complainant alleged cheating, criminal conspiracy and criminal breach of trust on behalf of the abovementioned employees while evaluating the purity of the ornaments while disbursing gold loans. The matter is currently pending.

3. Itikala Thirupathi, the chief value officer, for gold loan of the Company's Karimnagar branch in Telangana filed an FIR on September 2, 2021 before the Karimnagar police station, against Moluguri Kiran, a customer alleging, among others, cheating for submitting fake gold coated iron bangles as security for obtaining a gold loan aggregating to ₹ 0.35 million. This matter is currently pending.

4. Shanmugalakshmanan, manager of the Company's Kamarajar Street branch in Kancheepuram filed an FIR on November 5, 2021 before the Kancheepuram police station against Mahesh, the sales head and Karthikeyan, the branch manager at the branch alleging criminal breach of trust, cheating and dishonestly inducing delivering of property for replacing gold ornaments weighting 2327.76 grams with fake gold ornaments leading to a loss of ₹ 7.64 million. This matter is currently pending.

5. Sandeep Singh Negi, authorised representative of the Company, filed an FIR on July 1, 2022 against Ajab Singh Nagar before the Nodia police station alleging embezzlement of ₹ 1.15 million by knowingly and deliberately committing cheat, deception and fraud, in furtherance of a criminal conspiracy, while extracting and cheating the money of the Company in the name of gold loan with the intention to cause himself wrongful benefit and to cause wrongful loss to the Company. The matter is currently pending.

6. Preeti Vijay, branch manager of the Company's Subhash Nagar branch in Gurugram filed an FIR on July 5, 2022 before the Gurugram police station, against Akshay Gohri, a customer alleging, among others, forgery and fraud by submitting fake documents to obtain a loan aggregating to ₹ 0.50 million. This matter is currently pending.

7. The Company has filed 1,952 complaints against various persons under section 138 read with Sections 141 and 142 of the Negotiable Instruments Act, 1881, in relation to the dishonour of cheques and recovery of dues. These matters are currently pending at different stages of adjudication before various fora. The aggregate amount involved in these matters is ₹ 722.66 million.

b. Material civil proceedings

The Company has filed 70 complaints against various persons under Section 14 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("**SARFAESI Act**") and the Security Interest (Enforcement) Rules, 2002 in relation to the failure of repayment of dues. The Company has taken possession of the property in exercise of the powers conferred under section 13(4) of the SARFAESI Act read with rule 9 of the Security Interest (Enforcement) Rules, 2002. These matters are currently pending at different stages of adjudication before various fora. The aggregate amount involved in these matters is ₹ 302.15 million, of which the monetary claims in 11 cases are above ₹ 6.45 million. The Company has also invoked arbitration proceedings in 3,087 cases against various persons under the Arbitration and Conciliation Act, 1996 on account of non-payment of dues of monthly installments which constituted an event of default in terms of the respective loan agreements entered into between the customers and the Company. These matters are currently pending at different stages and the aggregate amount involved in these matters is ₹ 1,344.48 million, of which the monetary claims for each such case is below ₹ 6.45 million.

II. Litigation involving the Promoters

A. Litigation filed against the Promoters

a. Criminal proceedings

Nil

b. Actions by regulatory and statutory authorities

Nil

c. Disciplinary actions including penalty imposed by SEBI or the Stock Exchanges against the Promoters in the last five Financial Years

Nil

d. Material civil proceedings

Nil

B. Litigation filed by the Promoters

a. Criminal proceedings

Nil

b. Material civil proceedings

Nil

III. Litigation involving our Directors

A. Litigation filed against our Directors

a. Criminal proceedings

Nil

b. Actions by regulatory and statutory authorities

Nil

c. Material civil proceedings

Nil

B. Litigation filed by the Directors

a. Criminal proceedings

Nil

b. Material civil proceedings

Nil

Tax Proceedings involving our Company, Promoters and Directors

Details of outstanding tax proceedings involving our Company, Promoters and Directors as of the date of this Draft Red Herring Prospectus are disclosed below:

Nature of Proceedings	Number of Proceedings	Amount involved* (in ₹ million)
Direct Tax		
Company	1	17.88
Promoters	Nil	Nil
Directors	Nil	Nil
Sub-total (A)	1	17.88
Indirect Tax		
Company	Nil	Nil
Promoters	Nil	Nil
Directors	Nil	Nil
Sub-total (B)	Nil	Nil
Total (A+B)	1	17.88

**Such amount excludes any interest or penalty in relation to such tax proceedings*

Outstanding dues to creditors

In terms of the Materiality Policy, the creditors to whom the amount due by our Company exceeds 5% of the total trade payables excluding unbilled dues (i.e., 5% of ₹ 6.88 million which is ₹0.34 million) of our Company as on June 30, 2022 as provided in the Restated Financial *Information* have been considered as material creditors of our Company for the purposes of disclosure in this Draft Red Herring Prospectus. Details of outstanding dues owed to material creditors, MSME creditors and other creditors of our Company based on such determination are disclosed below:

Type of creditors	Number of creditors	Amount involved *(in ₹ million)*
Material creditors	4	2.28
Micro, Small and Medium Enterprises creditors	13	0.19
Other creditors	189	4.41
Total	206	6.88

As of June 30, 2022, the details of outstanding amounts due to material creditors are disclosed below:

Type of creditors	Amount involved *(in ₹ million)*
Defmacro Software Private Limited	0.35
Poonam Rajan Puri	0.43
Saksham Protection Services Private Limited	0.59
Iron Mountain (India) Private Limited	0.91
Total	2.28

For further details, see the website of our Company at https://www.sbfc.com/for-investors. The details pertaining to outstanding over dues to the material creditors along with names and amounts involved for each such material creditor are available on the website of our Company at https://www.sbfc.com/for-investors.

Material Developments

Other than as stated in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 373, there have not arisen, since the date of the last financial information disclosed in this Draft Red Herring Prospectus, any circumstances which materially and adversely affect, or are likely to affect, our operations, 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 Red Herring 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 217.

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 418.

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 January 25, 2008 issued to our Company, under the name 'MAPE Finserve Private Limited' by the RoC.

2. Fresh certificate of incorporation dated August 31, 2017 issued by the RoC, consequent upon change of name from 'MAPE Finserve Private Limited' to 'Small Business Fincredit India Private Limited'.

3. Fresh certificate of incorporation dated January 13, 2020 issued by the RoC, consequent upon change of name from 'Small Business Fincredit India Private Limited' to 'SBFC Finance Private Limited'.

4. Certificate of incorporation dated September 30, 2022 issued by the RoC, consequent upon change from 'SBFC Finance Private Limited' to 'SBFC Finance Limited', upon conversion form a private company to a public company.

5. Our Company has been allotted a corporate identity number U67190MH2008PLC178270.

For further details in relation to incorporation of our Company, see "*History and Certain Corporate Matters*" beginning on page 231.

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 September 24, 2008 granted by the RBI bearing registration number N-13.01913, to our Company under the former name 'MAPE Finserve Private Limited', pursuant to which our Company is allowed to carry on the business of a non-banking financial institution without accepting public deposits, subject to the conditions mentioned therein.

2. Certificate of registration dated September 21, 2017 granted by the RBI bearing registration number N-13.01913 to our Company under the former name 'Small Business Fincredit India Private 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. Certificate of registration dated January 23, 2020 granted by the RBI bearing registration number N-13.01913 to our Company under the former name 'SBFC Finance Private 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.

4. Fresh certificate of registration dated October 19, 2022 granted by the RBI bearing registration number N-13.01913, pursuant to a change of name of our Company from 'SBFC Finance Private Limited' to SBFC 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.

5. Legal Entity Identifier registration number 335800DFBB12VIKCJ366 from Legal Entity Identifier India Limited.

6. Registration with the Central Registry of Securitisation Asset Reconstruction and Security Interest of India ("**CERSAI**") for registration of security interest bearing registration number JC278 under the Company's former name 'SBFC Finance Private Limited'. Company is in the process of applying for an updated registration pursuant to conversion to a public company and change of name to 'SBFC Finance Limited', see "*Risk Factors – Certain statutory and regulatory licenses and approvals are required for conducting our business and any failure or omission to obtain, maintain or renew these licenses and approvals in a timely manner, or at all, could adversely affect our business and results of operations.*" on page 44.

7. Registration with the CERSAI Central KYC Registration dated April 1, 2019, bearing registration number IN6333 under the Company's former name 'SBFC Finance Private Limited'. Company is in the process of applying for an updated registration pursuant to conversion to a public company and change of name to 'SBFC Finance Limited', see "*Risk Factors – Certain statutory and regulatory licenses and approvals are required for conducting our business and any failure or omission to obtain, maintain or renew these licenses and approvals in a timely manner, or at all, could adversely affect our business and results of operations.*" on page 44.

8. Udyam registration certificate from the Ministry of Micro, Small and Medium Enterprises dated February 23, 2021 bearing registration number UDYAM-MH-18-0049476.

C. Tax related approvals of our Company

1. Our PAN is AAFCM3855R.

2. Our tax deduction account number is MUMM33520E.

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	37AAFCM3855R1ZO
Assam	18AAFCM3855R1ZO
Bihar	10AAFCM3855R1Z4
Chandigarh	04AAFCM3855R1ZX
Delhi	07AAFCM3855R1ZR
Gujarat	24AAFCM3855R1ZV
Haryana	06AAFCM3855R1ZT
Karnataka	29AAFCM3855R1ZL
Madhya Pradesh	23AAFCM3855R1ZX
Maharashtra	27AAFCM3855R1ZP
Puducherry	34AAFCM3855R1ZU

State	Registration Number
Punjab	03AAFCM3855R1ZZ
Rajasthan	08AAFCM3855R1ZP
Tamil Nadu	33AAFCM3855R1ZW
Telangana	36AAFCM3855R1ZQ
Uttar Pradesh	09AAFCM3855R1ZN
Uttarakhand	05AAFCM3855R1ZV
West Bengal	19AAFCM3855R1ZM

4. Our Company has branches in Andhra Pradesh, Assam, Chandigarh, Bihar, Delhi, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Puducherry, Punjab, Rajasthan, Telangana, Tamil Nadu, Uttar Pradesh, Uttarakhand and West Bengal falling under their 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.

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 registrations under the applicable provisions of the shops and establishments legislations of the relevant state for our Registered and Corporate Office and branches in India. Certain approvals 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. KDMAL1658286000 issued by the Employees' Provident Fund Organisation, India under the Employees Provident Fund and Miscellaneous Provisions Act, 1952.

3. Registration issued by the Employees' State Insurance Corporation, India under the Employees State Insurance Act, 1948, bearing registration number 35000416330001099.

(b). **Material approvals to be obtained by our Company**

Material approvals or renewals applied for but not received

We have made applications for shops and establishment registrations to the appropriate municipal/state authorities under applicable laws in relation to certain branches and we are yet to receive approvals for the same.
Material approvals expired and not applied for renewal

NIL

Material approvals required but not applied for or obtained

Applications for shops and establishments registrations in relation to certain branches are yet to be made. Further, the Company is awaiting receipt of fresh PAN card pursuant to conversion to a public company and the subsequent change of name to 'SBFC Finance Limited', post which the Company will be able to apply for updation of registration of CERSAI security interest, bearing registration number JC278 and updation of CERSAI Central KYC Registration, bearing registration number IN6333.

Further, for risks associated with statutory and regulatory approvals please see, "*Risk Factors - Certain statutory and regulatory licenses and approvals are required for conducting our business and any failure or omission to obtain, maintain or renew these licenses and approvals in a timely manner, or at all, could adversely affect our business and results of operations*." on page 44.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Offer

Corporate Approvals

1. Our Board of Directors has authorised the Offer by a resolution passed in their meeting held on October 14, 2022.

2. Our Shareholders have approved and authorised the Offer by way of a special resolution passed by at their extraordinary general meeting held on October 15, 2022.

3. This Draft Red Herring Prospectus was approved by our Board *vide* its resolution in its meeting dated November 4, 2022 and by the IPO Committee on November 5, 2022.

Approval from the Promoter Selling Shareholders

For details on the authorisations of the Promoter Selling Shareholders in relation to the Offer, see "*The Offer*" on page 65.

Our Board took on record the approval for the Offer for Sale for the Offered Shares by the Promoter Selling Shareholders pursuant to a resolution dated October 14, 2022. Each of the Promoter Selling Shareholders specifically confirm, severally and not jointly, that they are in compliance with Regulation 8 of the SEBI ICDR Regulations and have held the Offered Shares for a period of at least one year prior to the date of filing of this Draft Red Herring Prospectus.

In-principle Listing Approvals

Our Company has received in-principle approvals from BSE and NSE for the listing of our Equity Shares pursuant to its letter dated [•] and [•], respectively.

Prohibition by the SEBI or other Governmental Authorities

Our Company, the Promoter Selling Shareholders, our Promoters, our Directors, the members of the Promoter Group and the persons in control of our Company or our Promoters are not prohibited from accessing the capital markets and are not debarred from buying, selling or dealing in securities under any order or direction passed by SEBI or any securities market regulator in any jurisdiction or any other authority/court.

Compliance with the SBO Rules

Our Company, our Promoters, the Promoter Selling Shareholders and the members of the Promoter Group, severally and not jointly, confirm that they are in compliance with the SBO Rules, to the extent in force and as applicable as on the date of this Draft Red Herring Prospectus.

Directors associated with the Securities Market

Except for Mr. Amol Jain who is a designated partner in Arpwood Partners Investment Advisors LLP, which is registered with SEBI in the capacity of Investment Adviser with registration number INA000015473, none of our Directors are, in any manner, associated with the securities market and there is no outstanding action that has been initiated by SEBI against any of our Directors in the five years preceding the date of this Draft Red Herring Prospectus.

Eligibility for the Offer

Our Company is eligible for the Offer in accordance with the eligibility criteria provided in Regulation 6(1) of the SEBI ICDR Regulations, and is in compliance with the conditions specified therein in the following manner:

- our Company has net tangible assets of at least ₹30.00 million, calculated on a restated basis, in each of the preceding full financial years ended March 31, 2022 and March 31, 2021, of which not more than 50% are held as monetary assets, however monetary assets exceeded 50% of net tangible assets for the full financial year ended 31 March 2020 wherein the Company has utilized the excess monetary assets in next financial year in its business;

- our Company has an average operating profit of at least ₹150.00 million, calculated on a restated basis, during the preceding three financial years ended March 31, 2022, March 31, 2021 and March 31, 2020, 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 three preceding full financial years ended March 31, 2022, March 31, 2021 and March 31, 2020, calculated on a restated basis; and

- our Company has not changed its name within the last one year except for the change of status to public limited company from private limited company.

Set forth below are our Company's operating profit, net tangible assets, monetary assets, monetary assets as a percentage of our net tangible assets and net worth, derived from our Restated Financial Information included in this Draft Red Herring Prospectus.

(*₹ in million, unless otherwise stated*)

	Financial year ended as on		
	March 31, 2022	**March 31, 2021**	**March 31, 2020**
Net tangible assets*	10,234.88	9,426.62	7,510.62
Monetary assets**	3,352.93	3,413.78	4,159.11
Monetary assets as a % of net tangible assets (%)	32.76%	36.21%	55.38%#
Operating profit***	3,056.63	3,480.87	3,024.73
Net worth****	12,871.67	12,051.08	10,124.77

Notes:

** "Net Tangible Assets" mean the sum of all net assets (net of provision on non performing advances, provision on tax, provision for depreciation on Fixed Assets and Investments) of the Company excluding intangible assets as defined in Accounting Standard 26 (AS 26), issued by the Institute of Chartered Accountants of India. It also excludes deferred tax assets and standard asset provisions which are not netted off in the restated summary statement of assets and liabilities.*

***For the purpose of the above computation, "Monetary Assets" is computed by adding "Cash and Balances with Reserve Bank of India" and Balances with Banks and Money at Call and Short Notice".*

**** For the purpose of the above computation, "Operating Profit" is determined by deducting Interest expended, Operating expenses and Provisions and contingencies (excluding provision for tax), from Interest earned and Other income reported by the Company as per the Restated Statement if Profit and Loss for the respective years.*

***** "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."*

Amounts in the above computation are as reported by the Company as derived from the Restated Financial Information for the respective year ends.

#Monetary Assets exceeded 50% of Net Tangible Assets for the full financial year ended 31 March 2020 wherein the Company has utilized the excess monetary assets in next financial year.

Our Company has operating profits in each of the Financial Years 2022, 2021 and 2020 in terms of our Restated Financial Information.

Our Company confirms that it is also in compliance with the conditions specified in Regulation 7(1) of the SEBI ICDR Regulations, to the extent applicable, and will ensure compliance with the conditions specified in Regulation 7(2) of the SEBI ICDR Regulations, to the extent applicable.

Further, in terms of Regulation 49(1) of the SEBI ICDR Regulations, our Company shall ensure that the number of Allottees shall not be less than 1,000.

If our Company does not Allot Equity Shares pursuant to the Offer within six Working Days from the Bid/Offer Closing Date or within such timeline as prescribed by the SEBI, it shall repay without interest all monies received from bidders, failing which interest shall be due to be paid to the Bidders at the rate of 15% per annum for the delay period. For the avoidance of doubt, subject to applicable law, a Promoter Selling Shareholder shall not be responsible to pay interest for any such delay, except to the extent such delay is solely and directly attributable to an act or omission of such Promoter Selling Shareholder.

Further, our Company confirms that it is not ineligible to make the Offer in terms of Regulation 5 of the SEBI ICDR Regulations, to the extent applicable. Our Company is in compliance with the conditions specified in Regulation 5 of the SEBI ICDR Regulations, as follows:

(a) Our Company, the Promoter Selling Shareholders, our Promoters, the members of our Promoter Group, and our Directors are not debarred from accessing the capital market by SEBI;

(b) None of our Promoters or our Directors are promoter or directors of companies which are debarred from accessing the capital markets by SEBI;

(c) None of our Company, our Promoters or our Directors have been categorized as a Wilful Defaulter or a Fraudulent Borrower;

(d) None of our Promoters and our Directors are Fugitive Economic Offenders; and

(e) Except for the issue of Equity Shares pursuant to exercise of options granted under the ESOP Schemes, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments convertible into, or which would entitle any person any option to receive Equity Shares, as on the date of this Draft Red Herring Prospectus. For further information on the ESOP Schemes, see "*Capital Structure- Employee Stock Options Plan of our Company*" beginning on page 91.

Each of the Promoter Selling Shareholders, severally and not jointly, confirm that they have held their respective portion of the Offered Shares for a continuous period of at least one year prior to the date of this Draft Red Herring Prospectus and accordingly each of the Promoter Selling Shareholders is in compliance with Regulation 8 of the SEBI ICDR Regulations.

DISCLAIMER CLAUSE OF THE SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THIS DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS DRAFT RED HERRING PROSPECTUS. THE BRLM(S), ICICI SECURITIES LIMITED, AXIS CAPITAL LIMITED AND KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DRAFT RED HERRING PROSPECTUS, THE BRLMs ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY AND THE PROMOTER SELLING SHAREHOLDERS DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BRLMs HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED NOVEMBER 5, 2022 IN THE FORMAT PRESCRIBED UNDER SCHEDULE V(A) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, AS AMENDED.

THE FILING OF THIS DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER THE COMPANIES ACT, 2013 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/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 THIS DRAFT RED HERRING PROSPECTUS.

All legal requirements pertaining to the Offer will be complied with at the time of registering the Red Herring Prospectus with the RoC in terms of Section 32 of the Companies Act, 2013. All legal requirements pertaining to the Offer will be complied with at the time of registration of the Prospectus with the RoC in terms of Sections 26, 30, 32, 33(1) and 33(2) of the Companies Act, 2013.

Disclaimer from our Company, the Directors, the Promoter Selling Shareholders and the BRLMs

Our Company, the Directors, the Promoter Selling Shareholders and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at our Company's instance and anyone placing reliance on any other source of information, including our Company's website www.sbfc.com, would be doing so at his or her own risk. It is clarified that neither the Promoter Selling Shareholders nor their respective directors, affiliates, associates and officers, as applicable, accept and/or undertake any responsibility for any statements made or undertakings provided other than those specifically made or undertaken by such Promoter Selling Shareholders in relation to itself and/or the respective portion of the Equity Shares offered by it through the Offer for Sale.

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 to be entered into between the Underwriters, the Promoter Selling Shareholders and our Company.

All information shall be made available by our Company, each of the Promoter Selling Shareholders, severally and not jointly (to the extent that the information pertain to its and its respective portions of the Offered Shares) and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever, including at road show presentations, in research or sales reports, at Bidding Centres or elsewhere.

None among our Company, the Promoter Selling Shareholders or any member of the Syndicate shall be liable for any failure in (i) uploading the Bids due to faults in any software/ hardware system or otherwise, or (ii) the blocking of the Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on the account of any errors, omissions or non-compliance by various parties involved, or any other fault, malfunctioning, breakdown or otherwise, in the UPI Mechanism.

Investors who Bid in the Offer will be required to confirm and will be deemed to have represented to our Company, the Promoter Selling Shareholders, Underwriters and their respective directors, officers, agents, affiliates, and representatives, as applicable 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 Promoter Selling Shareholders, Underwriters and their respective directors, officers, agents, affiliates, and representatives, as applicable, 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 may engage in transactions with, and perform services for, our Company, the Promoter Selling Shareholders and their respective group companies, 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 Promoter Selling Shareholders and their respective group companies, affiliates or associates or third parties, for which they have received, and may in the future receive, compensation.

Disclaimer in respect of Jurisdiction

Any dispute arising out of the Offer will be subject to the jurisdiction of appropriate court(s) in Mumbai only.

The Offer is being made in India to persons resident in India (including Indian nationals resident in India who are competent to contract under the Indian Contract Act, 1872, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with the SEBI, VCFs, AIFs, public financial institutions, scheduled commercial banks, state industrial development corporation, permitted national investment funds, NBFC-SIs, 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 shares, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with IRDAI, provident funds (subject to applicable law) and pension funds, National Investment Fund, permitted insurance companies and pension funds, insurance funds set up and managed by the army and navy and insurance funds set up and managed by the Department of Posts, India) and permitted Non-Residents including FPIs and Eligible NRIs, AIFs and other eligible foreign investors, if any, provided that they are eligible under all applicable laws and regulations to purchase the Equity Shares.

This Draft Red Herring Prospectus does not constitute an invitation to subscribe to, offer to sell 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 will be made only pursuant to the Red Herring Prospectus if the recipient is in India or the preliminary offering memorandum for the Offer, which comprises the Red Herring Prospectus and the preliminary international wrap for the Offer, if the recipient is outside India. **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.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with SEBI for its observations. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus, nor any 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 Promoter Selling Shareholders from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

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 other applicable law 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 state securities laws. Accordingly, the Equity Shares are being offered and sold (i) within the United States (a) only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this Draft Red Herring Prospectus as "U.S. QIBs"), (b) QPs, as defined in Section 2(a)(51) of the U.S. Investment Company Act (persons who are both a U.S. QIB and a QP are referred to as "Entitled QPs"); in transactions exempt from the registration requirements 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. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs".

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.

Our Company has not been and will not be registered under the U.S. Investment Company Act and investors will not be entitled to the benefits of the U.S. Investment Company Act. Our Company is relying on the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act, and as a result the Equity Shares are being offered and sold in the United States and to U.S. Persons only to persons who are Entitled QPs.

Our Company may be a "covered fund" for purposes of the "Volcker Rule" contained in the Dodd-Frank Act (Section 619:Prohibitions on Proprietary Trading and Certain Relationships with Hedge Funds and Private Equity Funds). Accordingly, entities that may be "covered banking entities" for the purposes of the Volcker Rule may be restricted from holding the Company's securities and should take specific advice before making an investment in our Company.

Until the expiry of 40 days after the commencement of this Offer, an offer or sale of Equity Shares within the United States by a dealer (whether or not it is participating in this Offer) may violate the registration requirements of the U.S. Securities Act if such an offer for sale is made otherwise than in compliance with the available exemptions from registration under the U.S. Securities Act.

Equity Shares Offered and Sold within the United States

Each purchaser that is acquiring the Equity Shares offered pursuant to this Offer within the United States, by its acceptance of the Draft Red Herring Prospectus and of the Equity Shares, will be deemed to have acknowledged, represented to and agreed with our Company, the Promoter Selling Shareholders and the BRLMs that it has received a copy of the Draft Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Offer in compliance with all applicable laws and regulations;

2. the purchaser acknowledges that the Equity Shares offered pursuant to this Offer have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;

3. the purchaser (i) is a U.S. QIB and a QP, (ii) is aware that the sale to it is being made in a transaction exempt from or not subject to the registration requirements of the U.S. Securities Act, and (iii) is acquiring such Equity Shares for its own account or for the account of a U.S. QIB and a QP with respect to which it exercises sole investment discretion; the purchaser, and each account for which it is purchasing or otherwise acquiring Equity Shares, will purchase, hold or transfer Equity Shares amounting to at least US$250,000 or its equivalent in another currency;

4. the purchaser is not an affiliate of our Company or the Promoter Selling Shareholders or a person acting on behalf of an affiliate of our Company or the Promoter Selling Shareholders;

5. the purchaser acknowledges that the Company has not registered, and does not intend to register, as an "investment company" (as such term is defined under the U.S. Investment Company Act) and that the Company has imposed the transfer and offering restrictions with respect to persons in the United States and U.S. Persons described herein so that the Company will qualify for the exception provided under Section 3(c)(7) of the U.S. Investment Company Act and will have no obligation to register as an investment company. The purchaser, and each person for which it is acting, also understands and agrees that the Company and the BRLMs shall have the right to request and receive such additional documents, certificates, representations and undertakings, from time to time, as they may deem necessary in order to comply with applicable legal requirements, including a U.S. investment representation letter forming part of the Bid cum Application Form;

6. the purchaser is not a broker-dealer which owns and invests on a discretionary basis less than US$25 million in securities of issuers unaffiliated with such broker-dealer;

7. the purchaser understands that, subject to certain exceptions, to be a QP, entities must have US$25 million in "investments" (as defined in Rule 2a51-1 of the U.S. Investment Company Act);

8. the purchaser is not an affiliate of the Company or a person acting on behalf of an affiliate;

9. the purchaser is not a participant-directed employee plan, such as a 401(k) plan, or a trust holding the assets of such plan, unless the investment decisions with respect to such plan are made solely by the fiduciary, trustee or sponsor of such plan;

10. the purchaser is not managed as a device for facilitating individual investment decisions of beneficial owners, but rather is managed as a collective investment vehicle;

11. the purchaser, and each account for which it is purchasing or otherwise acquiring Equity Shares, will purchase, hold or transfer Equity Shares amounting to at least US$250,000 or its equivalent in another currency;

12. it, and each person for which it is acting, was not formed, reformed or recapitalized for the purpose of investing in the Equity Shares and/or other securities of the Company;

13. if the purchaser, or any person for which it is acting, is an investment company excepted from the U.S Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof (or a foreign investment company under section 7(d) thereof relying on Section 3(c)(1) or 3(c)(7) with respect to its holders that are U.S. persons) and was formed on or before April 30, 1996, it has received the consent of its beneficial owners who acquired their interests on or before April 30, 1996, with respect to its treatment as a QP in the manner required by Section 2(a)(51)(C) of the U.S. Investment Company Act and the rules promulgated thereunder;

14. the purchaser, and each person for which it is acting, is not a partnership, common trust fund, or corporation, special trust, pension fund or retirement plan, or other entity, in which the partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners, as the case may be, may designate the particular investments to be made, or the allocation thereof unless all such partners,

beneficiaries, beneficial owners, participants, shareholders or other equity owners are both U.S. QIBs and QPs;

15. the purchaser, and each person for which it is acting, has not invested more than 40.0% of its assets in the Equity Shares (or beneficial interests therein) and/or other securities of the Company after giving effect to the purchase of the Equity Shares (or beneficial interests therein) (unless all of the beneficial owners of such entity's securities are both U.S. QIBs and QPs);

16. if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only outside the United States in an "offshore transaction" complying with Rule 903 or Rule 904 of Regulation S under the Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person by pre - arrangement or otherwise (such permitted transactions including, for the avoidance of doubt, a bona fide sale on the BSE or NSE). The purchaser agrees not to effect any sale, pledge or other transfer of any Equity Shares in a transaction unless the purchaser first executes a US Resale Letter in the form of Annexure A to this Draft Red Herring Prospectus and delivers such letter to the Company prior to the settlement if any, of the sale, pledge or other transfer of the Equity Shares that is not consummated on BSE or NSE. The purchaser understands that the transfer restrictions will remain in effect until the Company determines, in its sole discretion, to remove them;

17. is not subscribing to, or purchasing, the Equity Shares with a view to, or for the offer or sale in connection with, any distribution thereof (within the meaning of the U.S. Securities Act) that would be in violation of the securities laws of the United States or any state thereof;

18. the Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 under the U.S. Securities Act for resales of any such Equity Shares;

19. the purchaser will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act;

20. the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless our Company determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

    THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "U.S. INVESTMENT COMPANY ACT"). THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, (2) IN A OFFSHORE TRANSACTION COMPLYING WITH REGULATION S UNDER THE U.S. SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE U.S. SECURITIES ACT AND THE U.S. INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

    THIS SECURITY IS NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. EACH TRANSFEROR OF THIS SECURITY AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH

HEREIN AND IN THE COMPANY'S OFFER DOCUMENTS TO THE TRANSFEREE AND TO ANY EXECUTING BROKER.

21. the purchaser agrees that neither the purchaser, nor any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), nor any person acting on behalf of the purchaser or any of its affiliates (as defined in Rule 405 of the U.S. Securities Act), will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares or any "general solicitation" or "general advertising" (as defined in Regulation D under the U.S. Securities Act) in the United States in connection with any offer or sale of the Equity Shares;

22. the purchaser agrees, upon a proposed transfer of the Equity Shares, to notify any purchaser of such Equity Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Equity Shares being sold and agrees not to act as a swap counterparty or other type of intermediary whereby any other party will acquire an economic interest or beneficial interest in the Equity Shares acquired or reoffer, resell, pledge or otherwise transfer the Equity Shares or any beneficial interest therein, to any person except to a person that meets all of the requirements above and who agrees not to subsequently transfer the Equity Shares or any beneficial interest therein except in accordance with these transfer restrictions;

23. the purchaser understands and acknowledges that (i) the Company will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; (ii) any acquisition of a beneficial interest in the Equity Shares by any U.S. Person or any person within the United States who is required under these restrictions to be a QP but is not a QP at the time it acquires a beneficial interest in the Equity Shares, shall be null and void ab initio and will not be honored by the Company and in no event will the Company, its directors, off icers, employees or agents, including any broker or dealer, have any liability whatsoever to the purchaser by reason of any act or failure to act by any person authorized by the Company in connection with the foregoing;

24. the purchaser understands and acknowledges that the Company may be considered a "covered fund" for purposes of the Volcker Rule. The definition of "covered fund" in the Volcker Rule includes , in part, any entity that would be an investment company under the U.S. Investment Company Act but f or the exclusions provided under Section 3(c)(1) or 3(c)(7) thereunder. Because the Company relies on Section 3(c)(7) of the U.S. Investment Company Act for its exclusion from registration thereunder, it may be considered a "covered fund". Accordingly, "banking entities" that are subject to the Volcker Rule may be prohibited under the Volcker Rule from, among other things, acquiring or retaining our Equity Shares, absent any applicable exclusion or exemption under the Volcker Rule. Each purchaser must make its own determination as to whether it is a "banking entity" subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to purchase or retain our Equity Shares; and

25. the purchaser is knowledgeable, sophisticated and experienced in business and financial matters, fully understands the limitations on ownership and transfer and the restrictions on sales of the Equity Shares and is aware that there are substantial risks incidental to the purchase of the Equity Shares and is able to bear the economic risk of such purchase; and the purchaser acknowledges that the Company, the Promoter Selling Shareholders, the BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Company , and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

All Other Equity Shares Offered and Sold in this Offer

Each purchaser that is acquiring the Equity Shares offered pursuant to this Offer outside the United States, by its acceptance of the Draft Red Herring Prospectus and of the Equity Shares offered pursuant to this Offer, will be deemed to have acknowledged, represented to and agreed with our Company, the Promoter Selling Shareholders and the BRLMs that it has received a copy of the Draft Red Herring Prospectus and such other information as it deems necessary to make an informed investment decision and that:

1. the purchaser is authorized to consummate the purchase of the Equity Shares offered pursuant to this Offer in compliance with all applicable laws and regulations;

2. the purchaser acknowledges that the Equity Shares offered pursuant to this Offer have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act;

3. the purchaser is purchasing the Equity Shares offered pursuant to this Offer in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act;

4. the purchaser is not purchasing the Equity Shares as a result of any "directed selling efforts" (as such term is defined in Rule 902 of Regulation S under the U.S. Securities Act);

5. the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares offered pursuant to this Offer, was located outside the United States at the time (i) the offer for such Equity Shares was made to it and (ii) when the buy order for such Equity Shares was originated and continues to be located outside the United States and has not purchased such Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of such Equity Shares or any economic interest therein to any person in the United States;

6. the purchaser is not an affiliate of our Company or the Promoter Selling Shareholders or a person acting on behalf of an affiliate of the Company or the Promoter Selling Shareholders;

7. if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (A) pursuant to an exemption from or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (B) in accordance with all applicable laws, including the securities laws of the States of the United States. The purchaser understands that the transfer restrictions will remain in effect until our Company determines, in its sole discretion, to remove them;

8. the purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares;

9. the purchaser is not acquiring the Equity Shares as a result of any "directed selling efforts" (within the meaning of Rule 902(c) under the U.S. Securities Act);

10. the purchaser understands that such Equity Shares (to the extent they are in certificated form), unless our Company determines otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

    "THE EQUITY SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE U.S. INVETSMENT COMPANY ACT OF 1940, AS AMENDED ("THE U.S. INVESTMENT COMPANY ACT"). THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHOM THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (3) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE U.S. SECURITIES ACT AND THE U.S. INVESTMENT CMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

    THE EQUITY SHARES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. EACH TRANSFEROR OF THE EQUITY

SHARES AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE COMPANY'S OFFER DOCUMENTS TO THE TRANSFEREE AND TO ANY EXECUTING BROKER. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THE EQUITY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE EQUITY SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE EQUITY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK."

11. the purchaser understands and acknowledges that (i) the Company will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; (ii) any acquisition of a beneficial interest in the Equity Shares by any U.S. Person or any person within the United States who is required under these restrictions to be a QP but is not a QP at the time it acquires a beneficial interest in the Equity Shares, shall be null and void ab initio and will not be honored by the Company and in no event will the Company, its directors, officers, employees or agents, including any broker or dealer, have any liability whatsoever to the purchaser by reason of any act or failure to act by any person authorized by the Company in connection with the foregoing;

12. the purchaser understands and acknowledges that the Company may be considered a "covered fund" for purposes of the Volcker Rule. The definition of "covered fund" in the Volcker Rule includes, in part, any entity that would be an investment company under the U.S. Investment Company Act but for the exclusions provided under Section 3(c)(1) or 3(c)(7) thereunder. Because the Company relies on Section 3(c)(7) of the U.S. Investment Company Act for its exclusion from registration thereunder, it may be considered a "covered fund". Accordingly, "banking entities" that are subject to the Volcker Rule may be prohibited under the Volcker Rule from, among other things, acquiring or retaining our Equity Shares, absent any applicable exclusion or exemption under the Volcker Rule. Each purchaser must make its own determination as to whether it is a "banking entity" subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to purchase or retain our Equity Shares; and

13. the purchaser acknowledges that our Company, the Promoter Selling Shareholders, the BRLMs, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Our Company, the Promoter Selling Shareholders, the BRLMs and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

Bidders are advised to ensure that any Bid from them does not exceed investment limits or maximum number of Equity Shares that can be held by them under applicable law. Further, each Bidder where required must agree in the Allotment Advice that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than in accordance with applicable laws.

ERISA considerations

The following is a summary of certain considerations associated with the purchase and holding of Equity Shares by Benefit Plan Investors. A "Benefit Plan Investor" is (1) an "employee benefit plan" (as defined in Section 3(3) of the United States Employee Retirement Income Security Act, as amended ("**ERISA**")) that is subject to Title I of ERISA, (2) a plan, individual retirement account, "Keogh" plan or other arrangement subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), or provisions under any United States federal, state or local laws, or non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA, (3) an entity whose underlying assets are considered to include "plan assets" by reason of a plan's investment in such entity (including but not limited to an insurance company general account) (each of (1),(2) and (3), a "**Plan**"), and (4) any entity that otherwise constitutes a "benefit plan investor" within the meaning of the regulations promulgated under ERISA by the U.S. Department of Labor (the "**DOL**"), as modified by Section 3(42) of ERISA (the "**DOL Plan Asset Regulations**").

The following is merely a summary, however, and should not be construed as legal advice or as complete in all relevant respects. All investors are urged to consult their own legal advisors before investing assets of a Plan in Equity Shares and to make their own independent decision.

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code and prohibit certain transactions involving the assets of a Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Plan or the management or disposition of the assets of such a Plan, or who renders investment advice for a fee or other compensation to such a Plan, is generally considered to be a fiduciary of the Plan.

In considering an investment in Equity Shares with a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any similar law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable United States federal, state or local laws, or non-U.S. or other laws or regulations that are similar to the Code or ERISA (collectively, "**Similar Laws**").

Prohibited Transaction Considerations

Section 406 of ERISA and Section 4975 of the Code prohibit Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of Section 406 of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code and may result in the disqualification of an individual retirement account. In addition, the fiduciary of the Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and/or the Code. Regardless of whether or not the underlying assets of the Company (if any) are deemed to include "plan assets," as described below, the acquisition and/or holding of Equity Shares by a Plan with respect to which the Company or an BRLM is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the DOL has issued prohibited transaction class exemptions, or PTCEs, that may apply to the acquisition and holding of Equity Shares. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide an exemption from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan receives no less, and pays no more, than adequate consideration in connection with the transaction. There can be no assurance that all of the conditions of any such exemptions will be satisfied or that any such exemptions will be available with respect to investments in interests in any Equity Shares.

Plan Asset Considerations

The DOL Plan Asset Regulations generally provide that when a Plan acquires an equity interest in an entity that is not (1) a "publicly-offered security," (2) a security issued by an investment company registered under the Investment Company Act, or (3) an "operating company," the Plan's assets are deemed to include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established that the equity participation in the entity by Benefit Plan Investors is not "significant" (the "**Insignificant Participation Test**").

For purposes of the DOL Plan Asset Regulations, an "operating company" is an entity that is primarily engaged, directly or through a majority-owned subsidiary or subsidiaries, in the production or sale of a product or service, other than the investment of capital. It is anticipated that the Company will qualify as an operating company within the meaning of the DOL Plan Asset Regulations, although no assurance can be given in this regard.

For purposes of the Insignificant Participation Test, the DOL Plan Asset Regulations provide that equity participation in an entity by Benefit Plan Investors is not significant if, immediately after the most recent acquisition of an equity interest in the entity, the Benefit Plan Investors' aggregate interest is less than 25% of the value of each class of equity interests in the entity, disregarding, for purposes of such determination, any interests held by any person that has discretionary authority or control with respect to the assets of the Company or who provides investment advice for a fee with respect to the assets of the Company or an affiliate of the Company (each, a "**Controlling Person**") other than Benefit Plan Investors. Following this offering, it is possible that Benefit Plan Investors will hold and will continue to hold, less than 25% of the value of each class of equity interests of the Company, disregarding, for purposes of such determination, any interests held by any Controlling Person other than Benefit Plan Investors and, as such, that the Company may rely on the Insignificant Participation Test; however, we cannot be certain or make any assurance that this will be the case.

Plan Asset Consequences

If assets of the Company were deemed to constitute "plan assets" pursuant to the DOL Plan Asset Regulations, the operation and administration of the Company would become subject to the requirements of ERISA, including the fiduciary duty rules and the "prohibited transaction" prohibitions of ERISA, as well as the "prohibited transaction" prohibitions contained in the Code. If the Company becomes subject to these regulations, unless appropriate administrative exemptions are available (and there can be no assurance that they would be), the Company could, among other things, be restricted from entering into otherwise favorable transactions, and certain transactions entered into by the Company in the ordinary course of business could constitute non-exempt prohibited transactions and/or breaches of applicable fiduciary duties under ERISA and/or the Code, which could, in turn, result in potentially substantial excise taxes and other penalties and liabilities under ERISA and the Code.

Representation

Because of the foregoing, Equity Shares should not be acquired or held by any Benefit Plan Investor or any other person investing "plan assets" of any Plan, unless such acquisition and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code and will not constitute a similar violation of any applicable Similar Law.

Any purchaser or subsequent transferee, including, without limitation, any fiduciary purchasing on behalf of a Plan, a Benefit Plan Investor, or a governmental, church or non-U.S. plan which is subject to Similar Laws will be deemed to have represented and warranted, in its corporate and fiduciary capacity, that if the purchaser or subsequent transferee is a Benefit Plan Investor, none of the Company or the BRLMs or any of their respective affiliates, has acted as the Plan's fiduciary (within the meaning of ERISA or the Code), or has been relied upon for any advice, with respect to the purchaser or transferee's decision to acquire and hold Equity Shares, and shall not at any time be relied upon as the ERISA Plan's fiduciary with respect to any decision to acquire, continue to hold or transfer Equity Shares.

The foregoing discussion is general in nature, is not intended to be all-inclusive. Such discussion should not be construed as legal advice. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering investing in Equity Shares on behalf of, or with the assets of, any Plan consult with counsel regarding the potential applicability of ERISA, Section 4975 of the Code and Similar Laws to such investment and whether an exemption would be applicable to the acquisition and/or holding of Equity Shares.

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax consequences to U.S. Holders (defined below) of acquiring, owning and disposing of Equity Shares, but it does not purport to be a comprehensive discussion of all tax considerations that may be relevant to a particular person's decision to acquire Equity Shares. This discussion applies only to a U.S. Holder that acquires Equity Shares in the Offer and that owns Equity Shares as capital assets for U.S. federal income tax purposes. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), U.S. Treasury regulations promulgated thereunder, and administrative rulings and judicial interpretations thereof, in each case as in effect of the date of this Draft Red Herring Prospectus. Except as expressly described herein, this discussion does not address the U.S. federal income tax consequences that may apply to U.S. Holders under the Convention Between the government of the United States of America and the government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Treaty**"). All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below. No ruling will be sought from the U.S. Internal Revenue Service (the "**IRS**") with respect to any statement or conclusion in this discussion, and there can be no assurance that the IRS will not challenge such statement or conclusion in the following discussion or, if challenged, that a court will uphold such statement or conclusion.

In addition, this discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including any U.S. state, local or non-U.S. tax law, the Medicare tax on net investment income, and any estate or gift tax laws, and it does not describe differing tax consequences applicable to U.S. Holders subject to special rules, such as:

- certain banks, financial institutions or financial services entities;
- regulated investment companies and real estate investment trusts;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- insurance companies;
- persons holding Equity Shares as part of a hedge, straddle, conversion, constructive sale, integrated transaction or similar transaction;
- governments or agencies or instrumentalities thereof;
- persons liable for the alternative minimum tax;
- persons required for U.S. federal income tax purposes to accelerate the recognition of any item of gross income with respect to our Equity Shares as a result of such income being recognized on an applicable financial statement;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities or arrangements classified as partnerships or pass-through entities for U.S. federal income tax purposes or holders of equity interests therein;
- tax-exempt entities, "individual retirement accounts" or "Roth IRAs";
- certain U.S. expatriates or former long-term residents of the United States;
- persons that acquired Equity Shares pursuant to an exercise of employee share options, in connection with employee share incentive plans or otherwise as compensation;
- persons that own, directly, indirectly or constructively, ten percent (10%) or more of the total voting power or value of all of our outstanding stock; or
- persons owning Equity Shares in connection with a trade or business conducted outside the United States.

U.S. Holders should consult their tax advisors concerning the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of Equity Shares in their particular circumstances.

For purposes of this discussion, a "U.S. Holder" is a person that, for U.S. federal income tax purposes, is a beneficial owner of Equity Shares and is:

- an individual citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust or otherwise if the trust has a valid election in effect under current Treasury regulations to be treated as a United States person.

If a partnership (or other entity or arrangement that is classified as a partnership or other pass-through entity for U.S. federal income tax purposes) is the beneficial owner of Equity Shares, the U.S. federal income tax treatment of a partner, member or other beneficial owner in such partnership or other pass-through entity generally will depend on the status of the partner, member or other beneficial owner and the status and activities of the partnership or other pass-through entity holding Equity Shares. Partnerships or other pass-through entities owning Equity Shares and partners, members or other beneficial owners in such partnerships or other pass-through entities should consult their tax advisors as to the particular U.S. federal income tax consequences of acquiring, owning and disposing of the Equity Shares.

THE DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP, OR DISPOSITION OF EQUITY SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE APPLICABILITY AND EFFECT OF OTHER FEDERAL, STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS, INCLUDING THE TREATY, AND POSSIBLE CHANGES IN TAX LAW.

Taxation of Distributions

Subject to the discussion below under *"—Passive Foreign Investment Company Rules*," the gross amount of any distribution of cash or property paid with respect to our Equity Shares (including any amounts withheld in respect of Indian taxes), will generally be included in a U.S. Holder's gross income as dividend income on the date actually or constructively received to the extent such distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions in excess of our current and accumulated earnings and profits will be treated first as a non -taxable return of capital, thereby reducing the U.S. Holder's adjusted tax basis in our Equity Shares (but not below zero), and thereafter as either long-term or short-term capital gain depending upon whether the U.S. Holder held our Equity Shares for more than one year as of the time such distribution is actually or constructively received. Because we do not prepare calculations of our earnings and profits using U.S. federal income tax principles, it is expected that distributions generally will be taxable to U.S. Holders as dividends, and taxable at ordinary income tax rates.

Dividends on our Equity Shares generally will not be eligible for the dividends-received deduction generally available to U.S. corporations with respect to dividends received from other U.S. corporations. The amount of any dividend paid in Rupees will be the U.S. dollar value of the Rupees calculated by reference to the spot rate of exchange in effect on the date of actual or constructive receipt, regardless of whether the payment is in fact converted into U.S. dollars on such date. U.S. Holders should consult their own tax advisors regarding the treatment of any foreign currency gain or loss.

A U.S. Holder generally will be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or to a deduction, if elected, in computing its U.S. federal taxable income, for non -refundable Indian income taxes withheld from dividends at a rate not exceeding the rate provided in the Treaty (if applicable). For purposes of the foreign tax credit limitation, dividends paid by the Company generally will constitute foreign source income in the "passive category income" basket. The rules relating to the foreign tax credit or deduction, if elected, are complex and U.S. Holders should consult their tax advisors concerning their availability in their particular circumstances.

Sale or Other Taxable Disposition of Equity Shares

Subject to the discussion below under "—*Passive Foreign Investment Company Rules*," a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purpose on the sale, exchange or other taxable disposition of our Equity Shares in an amount equal to the difference between the amount realized on the disposition and the U.S. Holder's adjusted tax basis in the Equity Shares disposed of, in each case as determined in U.S. dollars. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period for the Equity Shares exceeds one year. Long-term capital gains of certain non-corporate U.S. Holders (including individuals) are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

A U.S. Holder's initial tax basis in our Equity Shares will be the U.S. dollar value of the Rupee denominated purchase price determined on the date of purchase, and the amount realized on a sale, exchange or other taxable disposition of our Equity Shares will be the U.S. dollar value of the payment received determined on the date of disposition. If our Equity Shares are treated as traded on an "established securities market," a cash method U.S. Holder or, if it elects, an accrual method U.S. Holder, will determine the U.S. dollar value of (i) the cost of such Equity Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase, and (ii) the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale, exchange or other taxable disposition. Such an election by an accrual method U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. Accrual method U.S. Holders that do not elect to be treated as cash-method taxpayers for this purpose may have a foreign currency gain or loss for U.S. federal income tax purposes, which in general will be treated as U.S.-source ordinary income or loss. U.S. Holders should consult their advisors as to the U.S. federal income tax consequences of the receipt of Rupees.

If any Indian tax is imposed on the sale or other disposition of our Equity Shares, a U.S. Holder's amount realized will include the gross amount of the proceeds of the sale or other disposition before deduction of the Indian tax. Because capital gain or loss, if any, will generally be U.S. source gain or loss for foreign tax credit purposes and a U.S. Holder may use foreign tax credits to offset only the portion of U.S. federal income tax liability that is attributable to foreign -source income, a U.S. Holder may not be able to claim a foreign tax credit for any Indian income tax imposed on such gains unless the U.S. Holder has other taxable income from foreign sources in the appropriate foreign tax credit basket. U.S. Holders should consult their own tax advisors concerning the creditability or deductibility of any Indian income tax imposed on the disposition of Equity Shares in their particular circumstances.

Passive Foreign Investment Company Rules

In general, a corporation organized outside the United States will be treated as a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes in any taxable year in which (a) 75% or more of its gross income is passive income (the "**income test**") or (b) 50% or more of its assets either produce passive income or are held for the production of passive income in a taxable year (ordinarily determined based on fair market value and averaged quarterly over the year) (the "**asset test**"). For this purpose, "gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transact ions. For purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation.

Based on the nature of our business, the composition of our income and assets and the value of our assets, we expect that we were a PFIC for the taxable year ending March 31, 2021, and taking into account certain estimates of the aforementioned items we expect to be classified as a PFIC for the taxable year ending March 31, 2022 and expect to be so classified in future taxable years. We will not provide an annual determination of our PFIC status for any taxable year. However, we expect that we will continue to be a PFIC for each subsequent taxable year, and this summary is based on that expectation. If the Company is or becomes a PFIC, a U.S. Holder who owns our Equity Shares will generally be subject to adverse tax treatment, as discussed in more detail below. Accordingly, you are urged to consult your tax advisors regarding the risks associated with investing in a company that may be a PFIC.

Under attribution rules, if we were a PFIC for any taxable year and any subsidiary or other entity in which we held a direct or indirect equity interest is also a PFIC (a "**Lower-tier PFIC**"), U.S. Holders would be deemed to own their proportionate share of any such Lower-tier PFIC and would be subject to U.S. federal income tax according to the rules described in the following paragraph on (i) certain distributions by the Lower-tier PFIC and (ii) a disposition of equity interests of the Lower-tier PFIC, in each case as if the U.S. Holders held such interests directly, even though the U.S. Holders have not received the proceeds of those distributions or dispositions directly. Generally, a mark-to-market election (as described below) cannot be made for equity interests in a Lower-tier PFIC. Therefore, if we are a PFIC for any taxable year during which you hold our Equity Shares, you generally will continue to be subject to the rules described in the following paragraph with respect to your indirect interest in any Lower-tier PFIC, even if you were to make a valid mark-to-market election with respect to our Equity Shares. You are urged to consult your tax advisors about the application of the PFIC rules to our subsidiaries.

Generally, if the Company is a PFIC for any taxable year during which a U.S. Holder holds Equity Shares, the U.S. Holder may be subject to adverse tax consequences.

Generally, gain recognized by a U.S. Holder upon a disposition (including, under certain circumstances, a pledge) of Equity Shares by the U.S. Holder would be allocated ratably over the U.S. Holder's holding period for such Equity Shares. The amounts allocated to the taxable year of disposition and to years before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to the allocated amount. Further, to the extent that any distribution received by a U.S. Holder on the Equity Shares exceeds 125% of the average of the annual distributions on such Equity Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. Certain elections may be available that would result in alternative treatments of the Equity Shares if the Company was a PFIC.

If the Company was a PFIC for any year during which a U.S. Holder owned Equity Shares, the Company would generally continue to be treated as a PFIC with respect to such U.S. Holder for all succeeding years during which such U.S. Holder held the Equity Shares, even if the Company ceased to meet the threshold requirements for PFIC status.

If we are or become a PFIC, certain elections would result in alternative treatments, such as a mark -to-market election (discussed below) of the Equity Shares, or such as a "qualified electing fund" ("**QEF**") election to include in income the U.S. Holder's share of the corporation's income on a current basis. A U.S. taxpayer may generally make a QEF election with respect to shares of a foreign corporation only if such taxpayer is furnished annually with a PFIC annual information statement as specified in the applicable Treasury regulations. For a U.S. Holder to make a QEF election, we must agree to supply annually to the U.S. Holder the "PFIC Annual Information Statement" described in Treasury Regulations and permit the U.S. Holder access to certain information in the event of an audit by the U.S. tax authorities. We do not intend to provide information necessary f or U.S. Holders to make QEF elections. Therefore, U.S. Holders should assume that they will not receive such information from us and would therefore be unable to make a QEF election with respect to our Equity Shares.

Alternatively, if we are a PFIC for any taxable year and if the Equity Shares are "regularly traded" on a "qualified exchange," a U.S. Holder could make a mark-to-market election with respect to the Equity Shares (but not with respect to any Lower-tier PFICs, if any) that would result in tax treatment different from the general tax treatment for PFICs described above. The Equity Shares will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the Equity Shares is traded on a qualified exchange on at least 15 days during each calendar quarter. A non-U.S. securities exchange constitutes a qualified exchange if it is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading listing, financial disclosure and other requirements set forth in the U.S. Treasury regulations. Our Equity Shares are listed on the Stock Exchanges. It is unclear, however, whether the Stock Exchanges would meet the requirements for a "qualified exchange." There can be no assurance, therefore, that the mark-to-market election would be available to a U.S. Holder of Equity Shares if we were treated as a PFIC.

Generally, under the mark-to-market election the U.S. Holder will recognize at the end of each taxable year (i) ordinary income in respect of any excess of the fair market value of the Equity Shares over their adjusted tax basis or (ii) ordinary loss in respect of any excess of the adjusted tax basis of the Equity Shares over their fair market value (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the election, the U.S. Holder's tax basis in the Equity Shares will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of Equity Shares in a year when we were a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). U.S. Holders should consult their tax advisors regarding the availability and advisability of making a mark-to-market election in their particular circumstances. As to any elections with respect to our Equity Shares, including mark-to-market elections or QEF elections, U.S. Holders should consult their own tax advisors to determine whether any of these elections would be available or advisable if we are or become a PFIC and, if so, what the consequences of the alternative treatments would be in their particular circumstances.

If a U.S. Holder owns our Equity Shares during any year in which we are a PFIC, the U.S. Holder generally will be required to file an IRS Form 8621 annually with respect to the Company, generally with the U.S. Holder's U.S. federal income tax return for that year unless specified exceptions apply.

U.S. Holders should consult their tax advisors regarding our PFIC status for any taxable year and the potential application of the PFIC rules.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds from a sale, exchange or other taxable disposition (including redemption) of our Equity Shares that are made within the United States, by a U.S. payor or through certain U.S.-related financial intermediaries to a U.S. Holder generally are subject to information reporting, unless the U.S. Holder is a corporation or other exempt recipient. In addition, such payments may be subject to backup withholding, unless (1) the U.S. Holder is a corporation or other exempt recipient or (2) the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding in the manner required.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will generally be allowed as a credit against the U.S. Holder's U.S. federal income tax liability or may entitle the U.S. Holder t o a refund, provided that the required information is timely furnished to the IRS.

Foreign Financial Asset Reporting

Certain U.S. Holders who are individuals or certain specified entities that own "specified foreign financial assets" with an aggregate value in excess of U.S.$50,000 (and in some circumstances, a higher threshold) may be required to report information relating to the Equity Shares by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets (which requires U.S. Holders to report "foreign financial assets," which generally include financial accounts held at a non -U.S. financial institution, interests in non-U.S. entities, as well as stock and other securities issued by a non-U.S. person), to their tax return for each year in which they hold our Equity Shares, subject to certain exceptions (including an exception for our Equity Shares held in accounts maintained by U.S. financial institutions). U.S. Holders should consult their tax advisors regarding their reporting obligations with respect to their acquisition, ownership, and disposition of the Equity Shares.

Disclaimer Clause of RBI

The Company has a valid certificate of registration dated October 19, 2022 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 this Draft Red Herring Prospectus has been submitted to BSE. The disclaimer clause as intimated by BSE to us shall be included in the Red Herring Prospectus and the Prospectus prior to the RoC filing.

Disclaimer Clause of the NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. The disclaimer clause as intimated by NSE to us shall be included in the Red Herring Prospectus and the Prospectus prior to the RoC filing.

Listing

The Equity Shares issued through the Red Herring Prospectus and the 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. [•] will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by the Stock Exchanges, our Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this Red Herring Prospectus in accordance with applicable law. If our Company does not allot Equity Shares pursuant to the Offer within such timeline as prescribed by SEBI, it shall repay without interest all monies received from Bidders, failing which interest shall be due to be paid to the Bidders at the rate of 15% per annum for the delayed period.

Each of the Promoter Selling Shareholders, severally and not jointly, undertake to provide such reasonable assistance as may be requested by our Company, to the extent such assistance is required from such Promoter Selling Shareholders in relation to its respective portion of the Offered Shares to facilitate the process of listing and commencement of trading of the Equity Shares on the Stock Exchanges within such time prescribed by SEBI.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading of Equity Shares at the Stock Exchanges are taken within six Working Days of the Bid/Offer Closing Date or such other period as may be prescribed by the SEBI.

Consents

Consents in writing of (a) the Promoter Selling Shareholders, our Directors, our Company Secretary, and Compliance Officer, the Statutory Auditors, the legal counsels appointed for the Offer, lenders to our Company, CRISIL, the bankers to our Company, the BRLMs and Registrar to the Offer, to act in their respective capacities, have been obtained and such consents have not been withdrawn as on the date of this Draft Red Herring Prospectus; and (b) the Syndicate Members, Monitoring Agency, Bankers to the Offer, that is the Escrow Collection Bank, Public Offer Account Bank, Sponsor Bank(s) and Refund Bank to act in their respective capacities, will be obtained and filed along with a copy of the Red Herring Prospectus with the RoC, as required under Sections 26 and 32 of the Companies Act, 2013.

Experts

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

Our Company has received written consent dated November 5, 2022 from the Statutory Auditors, M/s Suresh Surana & Associates LLP, Chartered Accountants, to include their name, as required under Section 26(5) of the Companies Act, 2013 read with the SEBI ICDR Regulations, in this Draft Red Herring 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 November 3, 2022 on the Restated Financial Information; and (ii) their report dated November 5, 2022 on the statement of possible special tax benefits in this Draft Red Herring Prospectus, and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus.

In addition, our Company has received a written consent dated November 5, 2022 from, S K Patodia & Associates, Chartered Accountants, as the independent chartered accountants to include its name as an "expert" under Section 2(38) of the Companies Act, 2013, and other applicable provisions of the Companies Act, 2013 in its capacity as an independent chartered accountant, in respect of the certificates dated November 5, 2022, and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus.

Particulars regarding public or rights issues by our Company during the last five years

Our Company has not undertaken any public issue during the five years immediately preceding the date of this Draft Red Herring Prospectus.

Further, except as disclosed in the section "*Capital Structure*" on page 81, our Company has not undertaken any rights issue during the five years immediately preceding the date of this Draft Red Herring Prospectus.

Commission or brokerage on previous issues in the last five years

Since this is the initial public offering of the Equity Shares of our Company, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares in the five years preceding the date of this Draft Red Herring Prospectus.

Capital issue during the previous three years by our Company and/or listed Subsidiary and Associates of our Company

Our Company does not have any Subsidiary. For details in relation to the capital issuances by our Company since incorporation, see "*Capital Structure*" at page 81. Further, as on the date of this Draft Red Herring Prospectus, Our Company does not have any subsidiary or associates.

Performance vis-à-vis objects – Public/ rights issue of our Company

Our Company has not undertaken any public issue in the five years preceding the date of this Draft Red Herring Prospectus. Other than as disclosed in the section *"Capital Structure*" on page 81, our Company has not undertaken any rights issues in the five years immediately preceding the date of this Draft Red Herring Prospectus.

Performance vis-à-vis objects – Public/ rights issue of the listed Promoters of our Company

Our Promoters do not have securities listed on any stock exchange.

Past price Information of past issues handled by the BRLM(s)

ICICI Securities Limited

Price information of past public issues during the current Fiscal and the two Fiscals immediately preceding the current Fiscal) 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]- 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	Shriram Properties Limited^^	6,000.00	118.00(1)	20-DEC-21	90.00	-12.42%, [+9.02%]	-33.39%, [+4.05%]	-46.69%, [-7.95%]
2	Metro Brands Limited^	13,675.05	500.00	22-DEC-21	436.00	+21.77%, [+4.45%]	+14.57%, [+0.64%]	+7.93%, [-9.78%]
3	Supriya Lifescience Limited^	7,000.00	274.00	28-DEC-21	425.00	+78.61%, [-0.07%]	+72.12%, [-0.92%]	+20.36%, [-8.93%]
4	AGS Transact Technologies Limited^	6,800.00	175.00	31-JAN-22	176.00	-42.97%, [-3.05%]	-28.63%, [-1.64%]	-52.69%, [-0.77%]
5	Adani Wilmar Limited^^	36,000.00	230.00(2)	08-FEB-22	227.00	+48.00%, [-5.34%]	+180.96%, [-4.95%]	+193.26%, [+0.76%]
6	Vedant Fashions Limited^^	31,491.95	866.00	16-FEB-22	935.00	+3.99%, [-0.20%]	+14.53%, [-8.54%]	+37.67%, [+2.17%]
7	Life Insurance Corporation of India^	2,05,572.31	949.00(3)	17-MAY-22	867.20	-27.24%, [-3.27%]	-28.12%, [+9.47%]	NA*
8	Prudent Corporate Advisory Services Limited^	4,282.84	630.00(4)	20-MAY-22	660.00	-20.71%, [-5.46%]	-2.10%, [+10.92%]	NA*
9	Paradeep Phosphates Limited^	15,017.31	42.00	27-MAY-22	43.55	-10.24%, [-3.93%]	+27.50%, [+7.65%]	NA*
10	Syrma SGS Technology Limited^	8,401.26	220.00	26-AUG-22	262.00	+31.11%, [-1.25%]	NA*	NA*

**Data not available.*
^BSE as designated stock exchange
^^NSE as designated stock exchange

(1) *Discount of Rs. 11 per equity share offered to eligible employees. All calculations are based on Issue Price of Rs. 118.00 per equity share.*
(2) *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.*
(3) *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*
(4) *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.*

Summary statement of price information of past issues (during current financial year and two financial years preceding the current financial year) handled by ICICI Securities Limited

Financial Year	Total no. of IPOs	Total amount of funds raised (Rs. Mn.)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th 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*	4	2,33,273.72	-	1	2	-	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 or 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. *30th, 90th, 180th calendar day from listed day have been taken as listing day plus 29, 89 and 179 calendar days, except wherever 30th, 90th, 180th calendar day is a holiday, in which case we have considered the closing data of the previous trading day*

Axis Capital Limited

Price information of past public issues during the current Fiscal and the two Fiscals immediately preceding the current Fiscal) handled by Axis Capital 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	Harsha Engineers International Limited (formerly known as Harsha Engineers International Private Limited and Harsha Abakus Solar Private Limited)$(2)	7,550.00	330.00	26-Sep-22	450.00	+31.92%, [+3.76%]	-	-
2	Tamilnad Mercantile Bank Limited(1)	8,078.40	510.00	15-Sep-22	510.00	-8.43%, [-3.36%]	-	-
3	Paradeep Phosphates Limited(1)	15,017.31	42.00	27-May-22	43.55	-10.24%, [-3.93%]	+27.50%, [+7.65%]	-
4	Prudent Corporate Advisory Services Limited^(1)	4,282.84	630.00	20-May-22	660.00	-20.71%, [-5.46%]	-2.10%, [+10.92%]	-
5	Life Insurance Corporation Of India@(1)	205,572.31	949.00	17-May-22	867.20	-27.24%, [-3.27%]	-28.12%, [+9.47%]	-
6	Vedant Fashions Limited(2)	31,491.95	866.00	16-Feb-22	935.00	+3.99%, [-0.20%]	+14.53%, [-8.54%]	+37.67%, [+2.17%]
7	CMS Info Systems Limited(1)	11,000.00	216.00	31-Dec-21	218.50	+21.99%, [-1.81%]	+25.35%, [+0.74%]	+3.75%, [-8.71%]
8	Supriya Lifescience Limited(1)	7,000.00	274.00	28-Dec-21	425.00	+78.61%, [-0.07%]	+72.12%, [-0.92%]	+20.36%, [-8.93%]
9	Medplus Health Services Limited*(1)	13,982.95	796.00	23-Dec-21	1,015.00	+53.22%, [+3.00%]	+23.06%, [+1.18%]	-6.55%, [-9.98%]
10	Metro Brands Limited(1)	13,675.05	500.00	22-Dec-21	436.00	+21.77%, [+4.45%]	+14.57%, [+0.64%]	+7.93%, [-9.78%]

Source: www.nseindia.com and www.bseindia.com
(1)BSE as Designated Stock Exchange
(2)NSE as Designated Stock Exchange
$Offer Price was ₹ 299.00 per equity share to Eligible Employees
^Offer Price was ₹ 571.00 per equity share to Eligible Employees
@Offer Price was ₹ 904.00 per equity share to Retail Individual Bidders and Eligible Employees and ` 889.00 per equity share to Eligible Policyholders
** Offer Price was ₹ 718.00 per equity share to Eligible Employees*
Notes:
a. *Issue Size derived from Prospectus/final post issue reports, as available.*
b. *The CNX NIFTY or S&P BSE SENSEX is considered as the Benchmark Index as per the Designated Stock Exchange disclosed by the respective Issuer at the time of the issue, as applicable.*
c. *Price on NSE or BSE is considered for all of the above calculations as per the Designated Stock Exchange disclosed by the respective Issuer at the time of the issue, as applicable.*
d. *In case 30th/90th/180th day is not a trading day, closing price of the previous trading day has been considered.*
e. *Since 30 calendar days, 90 calendar days and 180 calendar days, as applicable, from listing date has not elapsed for few of the above issues, data for same is not available.*

Summary statement of price information of past issues (during current financial year and two financial years preceding the current financial year) handled by Axis Capital 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*	5	2,40,500.86	-	1	3	-	1	-	-	-	-	-	-	-
2021-2022	25	609,514.77	-	2	6	6	5	6	3	4	3	5	3	7
2020-2021	11	93,028.90	-	-	6	2	1	2	-	1	1	4	3	2

** The information is as on the date of the document*
The information for each of the financial years is based on issues listed during such financial year.
Note: Since 30 calendar days and 180 calendar days, as applicable, from listing date has not elapsed for few of the above issues, data for same is not available.

Kotak Mahindra Capital Company Limited

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

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]- 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.	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[1]	May 24, 2022	493.00	3.49% [-4.41%]	+17.00%, [+10.13%]	-
3.	Life Insurance Corporation Of India	205,572.31	949[2]	May 17, 2022	867.20	-27.24% [-3.27%]	-28.12%, [+9.47%]	-
4.	Rainbow Children's Medicare Limited	1,580.85	542[3]	May 10, 2022	510.00	-13.84%, [+0.72%]	-12.80%, [+7.13%]	+49.20%, [+ 11.56%]
5.	Campus Activewear Limited	1399.60	292[4]	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[5]	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[6]	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[7]	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:
1. *In Delhivery Limited, the issue price to eligible employees was ₹ 468 after a discount of ₹ 25 per equity share*
2. *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*
3. *In Rainbow Children's Medicare Limited, the issue price to eligible employees was ₹ 522 after a discount of ₹ 20 per equity share*
4. *In Campus Activewear Limited, the issue price to eligible employees was ₹ 265 after a discount of ₹ 27 per equity share*
5. *In Adani Wilmar Limited, the issue price to eligible employees was ₹ 209 after a discount of ₹ 21 per equity share*
6. *In Rategain Travel Technologies Limited, the issue price to eligible employees was ₹ 385 after a discount of ₹ 40 per equity share*
7. *In Star Health And Allied Insurance Company Limited, the issue price to eligible employees was ₹ 820 after a discount of ₹ 80 per equity share*
8. *In the event any day falls on a holiday, the price/index of the immediately preceding trading day has been considered.*
9. *The 30th, 90th, 180th calendar days from listed day have been taken as listing day plus 29, 89 and 179 calendar days.*
10. *Designated Stock Exchange as disclosed by the respective Issuer at the time of the issue has been considered for disclosing the price information.*
11. *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 (₹ million)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th 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	295,807.24	-	1	1	-	-	3	-	-	-	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 Draft Red Herring Prospectus.*
2. *The information for each of the financial years is based on issues listed during such financial year.*

Track record of past issues handled by the BRLM(s)

For details regarding the track record of the BRLM**(s)**, as specified under Circular reference CIR/MIRSD/1/2012 dated January 10, 2012 issued by the SEBI, see the websites of the BRLM**(s)** mentioned below.

BRLMs	Website
ICICI Securities Limited	www.icicisecurities.com
Axis Capital Limited	www.axiscapital.co.in
Kotak Mahindra Capital Company Limited	www.investmentbank.kotak.com

Stock Market Data of Equity Shares

This being an initial public offer of the Equity Shares of our Company, the Equity Shares are not listed on any stock exchange as on the date of this Draft Red Herring Prospectus, and accordingly, no stock market data is available for the Equity Shares.

Mechanism for redressal of investor grievances

SEBI, by way of its circular dated March 16, 2021 ("**March 2021 Circular**") and as amended by the June 2, 2021 Circular ("**June 2021 Circular**") and April 20, 2022 Circular ("**April 20, 2022 Circular**"), has identified the need to put in place measures, in order to manage and handle investor issues arising out of the UPI Mechanism *inter alia* in relation to delay in receipt of mandates by UPI Bidders for blocking of funds due to systemic issues faced by Designated Intermediaries/SCSBs and failure to unblock funds in cases of partial allotment/non allotment within prescribed timelines and procedures. Subsequently, by way of its circular dated June 2021 Circular, SEBI modified the process timelines and extended the implementation timelines for certain measures introduced by the March 2021 Circular. Per the March 2021 Circular read with the June 2021 Circular, for initial public offerings opening for subscription on or after May 1, 2021, SEBI has prescribed certain mechanisms to ensure proper management of investor issues arising out of the UPI Mechanism, including (i) identification of a nodal officer by SCSBs for the UPI Mechanism; (ii) delivery of SMS alerts by SCSBs for blocking and unblocking of UPI Mandate Requests; (iii) periodic sharing of statistical details of mandate blocks/unblocks, performance of apps and UPI handles, network latency or downtime, etc., by the Sponsor Bank to the intermediaries forming part of the closed user group vide email; (iv) limiting the facility of reinitiating UPI Bids to Syndicate Members to once per Bid; and (v) mandating SCSBs to ensure that the unblock process for non-allotted/partially allotted applications is completed by the closing hours of one Working Day subsequent to the finalisation of the Basis of Allotment.

Separately, pursuant to the March 2021 Circular, the following compensation mechanism shall be applicable for investor grievances in relation to Bids made through the UPI Mechanism for public issues opening on or after May 1, 2021, for which the relevant SCSBs shall be liable to compensate the investor:

Scenario	Compensation amount	Compensation period
Delayed unblock for cancelled / withdrawn / deleted applications	₹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 on the bidding platform of the Stock Exchanges till the date of actual unblock
Blocking of multiple amounts for the same Bid made through the UPI Mechanism	1. Instantly revoke the blocked funds other than the original application amount; and 2. ₹100 per day or 15% per annum of the total cumulative blocked amount	From the date on which multiple amounts were blocked till the date of actual unblock

Scenario	Compensation amount	Compensation period
	except the original Bid Amount, whichever is higher	
Blocking more amount than the Bid Amount	1. Instantly revoke the difference amount, i.e., the blocked amount less the Bid Amount; and 2. ₹100 per day or 15% per annum of the difference amount, whichever is higher	From the date on which the funds to the excess of the Bid Amount were blocked till the date of actual unblock
Delayed unblock for non – Allotted/ partially Allotted applications	₹100 per day or 15% per annum of the Bid Amount, whichever is higher	From the Working Day subsequent to the finalisation of the Basis of Allotment till the date of actual unblock

Further, in the event there are any delays in resolving the investor grievance beyond the date of receipt of the complaint from the investor, for each day delayed, the post-Offer BRLM shall be liable to compensate the investor ₹100 per day or 15% per annum of the Bid Amount, whichever is higher. The compensation shall be payable for the period ranging from the day on which the investor grievance is received till the date of actual unblock.

The Registrar Agreement provides for retention of records with the Registrar to the Offer for a minimum period of eight years from the date of listing and commencement of trading of the Equity Shares on the Stock Exchanges, in order to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

Bidders can contact the Company Secretary and Compliance Officer, the BRLMs and/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. For all Offer related queries and for redressal of complaints, Bidders may also write to the BRLMs, in the manner provided below.

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.

All grievances relating to Bids submitted with Registered Brokers, may be addressed to the Stock Exchanges, with a copy to the Registrar to the Offer. Further, Bidders shall also enclose a copy of the Acknowledgment Slip received from the Designated Intermediaries in addition to the information mentioned hereinabove.

In case of any grievance/ concerns, the Syndicate Members or the investors may also reach out to the BRLMs on their dedicated email-id mentioned on the cover page.

Anchor Investors are required to address 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 hereinabove.

The Registrar to the Offer shall obtain the required information from the SCSBs 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 of any acts of SCSBs including any defaults in complying with its obligations under applicable 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 intimations and non-receipt of funds by electronic mode. In terms of SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/22, dated February 15, 2018, 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.

Our Company has obtained authentication on the SCORES and is in compliance with the SEBI circular (CIR/OIAE/1/2013) dated April 17, 2013 and the SEBI circular (CIR/OIAE/1/2014) dated December 18, 2014 and SEBI circular (SEVI/HO/OIAE/IGRD/CIR/P/2021/642) dated October 14, 2021 in relation to redressal of investor grievances through SCORES.

Our Company, the Promoter 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.

Disposal of investor grievances by our Company

Our Company has also constituted a Stakeholders Relationship Committee to review and redress the shareholders and investor grievances such as transfer of Equity Shares, non-recovery of balance payments, declared dividends, approve subdivision, consolidation, transfer, and issue of duplicate shares. For more information, see "*Our Management – Board Committees*" on page 241. Each of the Promoter Selling Shareholders have, severally and not jointly, authorised the Company Secretary and Compliance Officer of the Company, and the Registrar to the Offer to redress any complaints received from Bidders in respect of the Offer for Sale.

Our Company has also appointed Jay Mistry, Company Secretary and Compliance Officer of our Company, as the compliance officer for the Offer and he may be contacted in case of any pre-Offer or post-Offer related problems. For details, "*General Information - Company Secretary and Compliance Officer*" on page 72.

Our Company has not received any investor complaint during the three years preceding the date of this Draft Red Herring Prospectus. Further, no investor complaint in relation to our Company is pending as on the date of this Draft Red Herring Prospectus.

Our Company estimates that the average time required by our Company or the Registrar to the Offer or the relevant Designated Intermediary, for the redressal of routine investor grievances shall be 10 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.

Exemption under securities laws

Our Company has not filed any application with SEBI under Regulation 300(1)(c) of the SEBI ICDR Regulations, seeking an exemption from compliance with securities laws.

SECTION VII - OFFER RELATED INFORMATION

TERMS OF THE OFFER

The Equity Shares being offered and Allotted pursuant to this Offer are subject to the provisions of the Companies Act, the SCRA, SCRR, SEBI ICDR Regulations, the SEBI Listing Regulations, our Memorandum and Articles of Association, the terms of the Red Herring Prospectus, the Prospectus, the Abridged Prospectus, the Bid cum Application Form, the Revision Form, CAN, the Allotment Advice and other terms and conditions as may be incorporated in the Allotment Advice and other documents or certificates that may be executed in respect of this Offer. The Equity Shares shall also be subject to all applicable laws, guidelines, rules, notifications and regulations relating to the offer of capital and listing and trading of securities offered from time to time by SEBI, the GoI, the Stock Exchanges, the RoC, the RBI, and/or other authorities, as in force on the date of this Offer and to the extent applicable or such other conditions as may be prescribed by SEBI, the GoI, the Stock Exchanges, the RoC and/or any other authorities while granting its approval for the Offer.

The Offer

The Offer comprises a Fresh Issue by our Company and an Offer for Sale by the Promoter Selling Shareholders.

All costs and expenses in relation to the Offer (other than the listing fee, audit fees, fees payable to domestic legal counsel to the Company and all corporate publicity, other than strictly Offer-related advertisements, which shall be solely borne by the Company) shall be shared between the Company and the Promoter Selling Shareholders pursuant to the Offer in accordance with applicable law, provided that the Promoter Selling Shareholders shall be liable to only such proportionate fees, costs and expenses to the extent of its respective portion of the Equity Shares they have offered and sold in the Offer. It is clarified that all the payments shall be made first by the Company on behalf of such Promoter Selling Shareholders and each of the Promoter Selling Shareholders agree, severally and not jointly, that, it shall reimburse the Company, on a pro-rata basis, in proportion to its respective portion of the shares they have offered and sold in the Offer.

Provided that all Offer-related expenses shall initially be borne by our Company and each of the Promoter Selling Shareholders shall reimburse the Company for respective proportion of the expenses. Each of the Promoter Selling Shareholders shall reimburse our Company their proportionate share of the Offer-related expenses (other than the fees and expenses in relation to the legal counsel to the Promoter Selling Shareholders). For further details, see "*Objects of the Offer – Offer related expenses*" on page 106.

Ranking of Equity Shares

The Equity Shares being offered and Allotted in the Offer will be subject to the provisions of the Companies Act 2013, the Memorandum of Association and the Articles of Association and will rank *pari passu* in all respects with the existing Equity Shares of our Company, including in respect of dividends and other corporate benefits, if any, declared by our Company. For more information, see "*Main Provisions of the Articles of Association*" on page 471.

Mode of Payment of Dividend

Our Company shall pay dividend, if declared, to our equity shareholders, as per the provisions of the Companies Act 2013, the SEBI Listing Regulations, the Memorandum of Association and the Articles of Association, and any guidelines or directives that may be issued by the GoI in this respect. Any dividends declared after the date of Allotment (including pursuant to the transfer of Equity Shares from the Offer for Sale) in this Offer will be payable to the Allottees, for the entire year, in accordance with applicable law. For more information, see "*Dividend Policy*" and "*Main Provisions of the Articles of Association*" on pages 258 and 471, respectively.

Face Value, Offer Price, Floor Price and Price Band

The face value of each Equity Share is ₹10 and the Offer Price is ₹[•] per Equity Share. At any given point of time there will be only one denomination for the Equity Shares. The Floor Price of the Equity Shares is ₹[•] and the Cap Price of the Equity Shares is ₹[•], being the Price Band. The Anchor Investor Offer Price is ₹[•] per Equity Share.

The Offer Price, Price Band and the minimum Bid Lot will be decided by our Company and Promoter Selling Shareholders, in consultation with the BRLMs, and advertised at least two Working Days prior to the Bid/ Offer Opening Date in all editions of [•], an English national daily newspaper, all editions of [•], a Hindi national daily newspaper and all editions of [•], a Marathi national daily newspaper (Marathi being the regional language of Maharashtra, where our Registered Office is located), each with wide circulation, and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites. The Price Band, along with the relevant financial ratios calculated at the Floor Price and at the Cap Price, shall be pre-filled in the Bid cum Application Forms available on the respective websites of the Stock Exchanges. The Offer Price shall be determined by our Company and Promoter Selling Shareholders, in consultation with the BRLMs, after the Bid/Offer Closing Date, in terms of the Red Herring Prospectus and the Prospectus.

At any given point of time there shall be only one denomination for the Equity Shares.

Compliance with disclosure and accounting norms

Our Company shall comply with all applicable disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholders

Subject to applicable law and our Articles of Association, the equity Shareholders will have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy or e-voting;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive any surplus on liquidation subject to any statutory and preferential claims being satisfied;
- Right of free transferability of their Equity Shares, subject to applicable laws; and
- Such other rights as may be available to a shareholder of a listed public company under the Companies Act 2013, the terms of the SEBI Listing Regulations and our Memorandum of Association and Articles of Association and other applicable laws.

For a detailed description of the main provisions of our Articles of Association relating to voting rights, dividend, forfeiture, lien, transfer, transmission, consolidation and splitting, see "*Main Provisions of the Articles of Association*" on page 471.

Market Lot and Trading Lot and Allotment of securities in dematerialised form

In terms of Section 29 of the Companies Act 2013, and the SEBI ICDR Regulations, the Equity Shares shall be Allotted only in dematerialized form. As per the SEBI ICDR Regulations, the trading of the Equity Shares shall only be in dematerialised form. In this context, tripartite agreements had been signed among the Company, the respective Depositories and the Registrar to the Offer:

- Agreement dated August 30, 2022 amongst NSDL, our Company and the Registrar to the Offer; and
- Agreement dated August 6, 2022 amongst CDSL, our Company and the Registrar to the Offer.

Since trading of our Equity Shares is in dematerialized form, the tradable lot is one Equity Share. Allotment in the Offer will be only in electronic form in multiples of [•] Equity Shares, subject to a minimum Allotment of [•] Equity Shares. For the method of Basis of Allotment, see "*Offer Procedure*" on page 452.

Joint Holders

Subject to the provisions of the Articles of Association, where two or more persons are registered as the holders of any Equity Shares, they will be deemed to hold such Equity Shares as joint-tenants with benefits of survivorship.

Nomination facility to investors

In accordance with Section 72 of the Companies Act 2013, read with Companies (Share Capital and Debentures) Rules, 2014, the sole or 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, will vest to the exclusion of the other persons, unless the nomination is varied or cancelled in the prescribed manner. A nominee entitled to the Equity Shares by reason of the death of the original holder(s), will, in accordance with Section 72 of the Companies Act 2013, be entitled to the same benefits to which he or she will be entitled if he or she were the registered holder of the Equity Shares. 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 the holder's death during minority. A nomination may be cancelled, or varied by nominating any other person in place of the present nominee, by the holder of the Equity Shares who has made the nomination, by giving a notice of such cancellation or variation to our Company in the prescribed form. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered and Corporate Office or to the registrar and transfer agents of our Company.

Further, any person who becomes a nominee by virtue of Section 72 of the Companies Act 2013, will, on the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as holder of Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividend, interests, 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 dematerialized form, there is no need to make a separate nomination with our Company. Nominations registered with the respective Depository Participant of the Bidder will prevail. If Bidders want to change their nomination, they are advised to inform their respective Depository Participant.

Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

Bid/Offer Period

BID/OFFER OPENS ON	[•][(1)]
BID/OFFER CLOSES ON	[•][(2)]

(1) *Our Company and the Promoter Selling Shareholders, in consultation with the BRLMs, may consider participation by Anchor Investors. The Anchor Investor Bid/Offer Period shall be one Working Day prior to the Bid/Offer Opening Date in accordance with the SEBI ICDR Regulations*

(2) *Our Company and the Promoter Selling Shareholders, in consultation with the BRLMs may, consider closing the Bid/Offer Period for QIBs one day prior to the Bid/Offer Closing Date in accordance with the SEBI ICDR Regulations*

An indicative timetable in respect of the Offer is set out below:

Event	Indicative Date
Bid/Offer Closing Date*	[•]
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about [•]
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	On or about [•]
Credit of Equity Shares to demat accounts of Allottees	On or about [•]
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about [•]

**In case of any delay in unblocking of amounts in the ASBA Accounts (including amounts blocked through the UPI Mechanism) 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 BRLMs shall, in their sole discretion, identify and fix the liability on such intermediary or entity responsible for 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. The Bidder shall be compensated in the manner specified in the SEBI circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/47 dated March 31, 2021 and 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, SEBI Circular No: SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022 which for the avoidance of doubt, shall be deemed to be incorporated in the deemed agreement of the Company with the SCSBs, to the extent applicable.
The processing fees for applications made by the 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/CIR/2021/570 dated June 2, 2021 read with SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022.

This above timetable is indicative in nature and does not constitute any obligation or liability on our Company, the Promoter Selling Shareholders or the BRLMs.

While our Company and the Promoter Selling Shareholders 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 or such period as may be prescribed, the timetable may change due to various factors, such as extension of the Bid/Offer Period by our Company and the Promoter Selling Shareholders, revision of the Price Band or any delays in receiving the final listing and trading approval from the Stock Exchanges. The commencement of trading of the Equity Shares will be entirely at the discretion of the Stock Exchanges and in accordance with the applicable laws.

In terms of the SEBI UPI Circulars, in relation to the Offer, the Book Running Lead Managers 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.

SEBI is in the process of streamlining and reducing the post issue timeline for IPOs. Any circulars or notifications from SEBI after the date of this Draft Red Herring Prospectus may result in changes to the above mentioned timelines. Further, the offer procedure is subject to change to any revised SEBI circulars to this effect.

Submission of Bids (other than Bids from Anchor Investors):

Bid/Offer Period (except the Bid/Offer Closing Date)	
Submission and Revision in Bids	Only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time (“**IST**”)
Bid/Offer Closing Date	
Submission and Revision in Bids	Only between 10.00 a.m. and 3.00 p.m. IST

On the Bid/Offer Closing Date, the Bids shall be uploaded until:

(i) 4.00 p.m. (Indian Standard Time) for Bids by QIBs and Non-Institutional Investors; and

(ii) until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges, in case of Bids by UPI Bidders.

On the Bid/Offer Closing Date, extension of time may be granted by the Stock Exchanges only for uploading Bids received from UPI Bidders after taking into account the total number of Bids received and as reported by the BRLMs to the Stock Exchanges.

The Registrar to the Offer shall submit the details of cancelled/withdrawn/deleted applications to the SCSBs on a daily basis within 60 minutes of the bid closure time from the Bid/Offer Opening Date till the Bid/Offer Closing Date by obtaining such information from the Stock Exchanges. The SCSBs shall unblock such applications by the closing hours of the Working Day.

To avoid duplication, the facility of re-initiation provided to Syndicate Members shall preferably be allowed only once per bid/batch and as deemed fit by the Stock Exchanges, after closure of the time for uploading Bids.

It is clarified that Bids not uploaded on the electronic bidding system or in respect of which the full Bid Amount is not blocked by SCSBs or not blocked under the UPI Mechanism in the relevant ASBA Account, as the case may be, would be rejected.

Due to limitation of time available for uploading the Bids on the Bid/Offer Closing Date, Bidders are advised to submit their Bids one day prior to the Bid/Offer Closing Date. Any time mentioned in this Draft Red Herring Prospectus is IST. Bidders are cautioned that, in the event a large number of Bids are received on the Bid/Offer Closing Date, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Offer. Bids will be accepted only during Monday to Friday (excluding any public holiday). None of our Company, the Promoter Selling Shareholders or any member of the Syndicate is liable for any failure in uploading the Bids due to faults in any software or hardware system or blocking of application amount by SCSBs on receipt of instructions from the Sponsor Bank due to any errors, omissions, or otherwise non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in the UPI Mechanism.

In case of any 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 shall be taken as the final data for the purpose of Allotment.

Our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers, reserves the right to revise the Price Band during the Bid/Offer Period in accordance with the SEBI ICDR Regulations. The revision in the Price Band shall not exceed 20% on either side, i.e. the Floor Price can move up or down to the extent of 20% of the Floor Price and the Cap Price will be revised accordingly, but the Floor Price shall not be less than the Face Value of the Equity Shares. In all circumstances, the Cap Price shall be less than or equal to 105% of the Floor Price.

In case of any revision to the Price Band, the Bid/Offer Period will be extended by at least three additional Working Days following such revision of the Price Band, subject to the Bid/Offer Period not exceeding 10 Working Days. In cases of force majeure, banking strike or similar circumstances, our Company may, for reasons to be recorded in writing, extend the Bid/Offer Period for a minimum of three Working Days, subject to the Bid/Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/Offer Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice, and also by indicating the change on the respective websites of the Book Running Lead Managers and at the terminals of the Syndicate Members and by intimation to Self-Certified Syndicate Banks ("SCSBs"), other Designated Intermediaries and the Sponsor Bank, as applicable. In case of revision of Price Band, the Bid Lot shall remain the same.

Minimum Subscription

If our Company does not receive the minimum subscription in the Offer as specified under Rule 19(2)(b) of the SCRR or; the minimum subscription of 90% of the Fresh Issue on the date of closure of the Offer; or withdrawal of applications; or after technical rejections; or if the listing or trading permission is not obtained from the Stock Exchanges for the Equity Shares so offered under the offer document, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond four days, our Company and our Directors, who are officers in default, shall pay interest at the rate of 15% per annum.

In case of under-subscription in the Offer, after meeting the minimum subscription requirement of 90% of the Fresh Issue, the balance subscription in the Offer will be met in the following order of priority: (i) through the sale of Offered Shares being offered by the Promoter Selling Shareholders in the Offer for Sale on a proportionate basis; and (ii) through the issuance of balance part of the Fresh Issue.

Each of the Promoter Selling Shareholders shall, severally and not jointly, reimburse, in proportion to their respective Offered Shares, any expenses and interest incurred by our Company on behalf of the Promoter Selling Shareholders for any delays in making refunds as required under the Companies Act and any other applicable law, provided that no Promoter Selling Shareholders shall 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 such Promoter Selling Shareholder.

Undersubscription, if any, in any category except the QIB Category, would be met with spill-over from the other categories at the discretion of our Company, the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers, and the Designated Stock Exchange.

Further, in terms of Regulation 49(1) of the SEBI ICDR Regulations, our Company shall ensure that the number of Bidders to whom the Equity Shares will be Allotted will be not less than 1,000.

Arrangement for disposal of odd lots

Since our Equity Shares will be traded in dematerialised form only and the market lot for our Equity Shares will be one Equity Share, no arrangements for disposal of odd lots are required.

Restriction, if any, on transfer and transmission of Equity Shares

Except for lock-in of the pre-Offer capital of our Company, lock-in of the Promoter's minimum contribution and the Anchor Investor lock-in in the Offer as detailed in "*Capital Structure*" on page 81, and except as provided in the Articles of Association as detailed in "*Main Provisions of the Articles Of Association*" on page 471, there are no restrictions on transfers and transmission of Equity Shares and on their consolidation/ splitting. Further, there are no restrictions on transmission of any shares/debentures of our Company and on their consolidation or splitting, except as provided in the Articles of Association.

New Financial Instruments

Our Company is not issuing any new financial instruments through this Offer.

Option to receive Equity Shares in Dematerialized Form

Allotment of Equity Shares to successful Bidders will only be in the dematerialized form. Bidders will not have the option of Allotment of the Equity Shares in physical form. The Equity Shares on Allotment will be traded only in the dematerialized segment of the Stock Exchanges.

Withdrawal of the Offer

Our Company, in consultation with the Book Running Lead Managers, reserve the right not to proceed with the Fresh Issue, and each Promoter Selling Shareholder, in consultation with the Book Running Lead Managers, reserves the right to not proceed with the Offer for Sale, in whole or in part thereof, to the extent of its respective portion of the Offered Shares after the Bid/Offer Opening Date but before the Allotment. In such an event, our Company would issue a public notice in the newspapers in which the pre-Offer advertisements were published, within two days of the Bid/Offer Closing Date or such other time as may be prescribed by SEBI, providing reasons for not proceeding with the Offer. The Book Running Lead Managers through the Registrar to the Offer, shall notify the SCSBs and the Sponsor Bank, in case of UPI Bidders using the UPI Mechanism, to unblock the bank accounts of the ASBA Bidders (other than Anchor Investors) shall notify the Escrow Collection Banks to release the Bid Amounts to the Anchor Investors, within one Working Day from the date of receipt of such notification. Our Company shall also inform the same to the Stock Exchanges on which Equity Shares are proposed to be listed.

Notwithstanding the foregoing, the Offer is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. If our Company and the Promoter Selling Shareholders in consultation with the Book Running Lead Managers, withdraw the Offer after the Bid/Offer Closing Date and thereafter determines that it will proceed with a public offering of the Equity Shares, our Company shall file a fresh draft red herring prospectus with SEBI and the Stock Exchanges.

OFFER STRUCTURE

The Offer of [•] Equity Shares for cash at price of ₹[•] per Equity Share (including a premium of ₹[•] per Equity Share) aggregating up to ₹[•] million comprising of a Fresh Issue of [•] Equity Shares aggregating up to ₹7,500 million by our Company and an Offer of Sale of up to [•] Equity Shares, aggregating up to ₹8,500 million by the Promoter Selling Shareholders. The Offer includes an Employee Reservation Portion of up to [●] Equity Shares aggregating up to ₹[●] million, for subscription by Eligible Employees. The Employee Reservation Portion shall not exceed 5% of our post-Offer paid-up Equity Share capital. The Offer less the Employee Reservation Portion is the Net Offer. The Offer and the Net Offer shall constitute [•]% and [•]%, respectively, of the post-Offer paid-up equity share capital of our Company.

Our Company may, at the discretion of the Company and the Promoter Selling Shareholders, consider issuing Equity Shares on a private placement basis for cash consideration aggregating up to ₹1,500 million, prior to filing of the Red Herring Prospectus with the RoC. The price of the securities allotted pursuant to the Pre-IPO Placement shall be determined by our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers. If the Pre-IPO Placement is completed, the amount raised pursuant to the Pre-IPO Placement will be reduced from the Fresh Issue, subject to compliance with Rule 19(2)(b) of the SCRR.

The Offer is being made through Book Building Process.

Particulars	Eligible Employees#	QIBs(1)	Non-Institutional Investors	Retail Individual Investors
Number of Equity Shares available for Allotment or allocation*(2)	Up to [•] Equity Shares	Not more than [•] Equity Shares	Not less than [•] Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and RIBs	Not less than [•] Equity Shares available for allocation or Net Offer less allocation to QIB Bidders and Non-Institutional Investors
Percentage of Offer Size available for Allotment or allocation	Up to [•]% of the Net Offer	Not more than 50% of the Net Offer shall be Allotted to QIBs. However, up to 5% of the Net QIB Category (excluding Anchor Investor Portion) will be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion will also be eligible for allocation in the remaining Net QIB Category. The unsubscribed portion in the Mutual Fund Portion will be available for allocation to other QIBs in the remaining Net QIB Category	Not less than 15% of the Net Offer out of which i) one third shall be reserved for Bidders with Bids exceeding ₹ 200,000 and up to ₹ 1,000,000; and ii) two-thirds shall be reserved for Bidders with Bids exceeding ₹ 1 million.(5)	Not less than 35% of the Net Offer
Basis of Allotment if respective category is oversubscribed*	Proportionate; unless the Employee Reservation Portion is under-subscribed, the value of allocation to an Eligible Employee shall not exceed ₹200,000 (net of Employee Discount, if any). In the event of under-subscription in the Employee Reservation Portion, the	Proportionate as follows (excluding the Anchor Investor Portion): a) [•] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only; and b) [•] Equity Shares shall be available for allocated on a	The Allotment to each Non-Institutional Investor shall not be less than ₹200,000, subject to the availability of Equity Shares in Non-Institutional Portion, and the remaining available Equity Shares, if any, shall be Allotted on a proportionate basis, in	The allotment to each Retail Individual Bidder shall not be less than the minimum Bid Lot, subject to availability of Equity Shares in the Retail Portion and the remaining available Equity Shares if any, shall be Allotted on a proportionate basis. For

Particulars	Eligible Employees#	QIBs(1)	Non-Institutional Investors	Retail Individual Investors
	unsubscribed portion may be allocated, on a proportionate basis, to Eligible Employees Bidding in the Employee Reservation Portion for value exceeding ₹200,000 (net of Employee Discount, if any), subject to total Allotment to an Eligible Employee not exceeding ₹500,000 (net of Employee Discount if any).	proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above. c) Our Company and the Promoter Selling Shareholders, in consultation with the BRLMs, may allocate up to 60% Equity Shares of the QIB Category may be allocated on a discretionary basis to Anchor Investors of which one-third shall be available for allocation to Mutual Funds only, subject to valid Bid received from domestic Mutual Funds at or above the Anchor Investor Allocation Price	accordance with SEBI ICDR Regulations.	further details, see "*Offer Procedure*" on page 452
Mode of Bid^	Through ASBA process only (including the UPI Mechanism, as applicable) (except for Anchor Investors)			
Minimum Bid	[•] Equity Shares	Such number of Equity Shares in multiples of [•] Equity Shares, that the Bid Amount exceeds ₹200,000	Such number of Equity Shares in multiples of [•] Equity Shares that the Bid Amount exceeds ₹200,000	[•] Equity Shares
Maximum Bid	Such number of Equity Shares and in multiples of [•] Equity Shares, so that the maximum Bid Amount by each Eligible Employee in the Employee Reservation Portion does not exceed ₹500,000, less Employee Discount, if any	Such number of Equity Shares in multiples of [•] Equity Shares does not exceed the size of the Net Offer, subject to applicable limits, applicable to each Bidder	Such number of Equity Shares in multiples of [•] Equity Shares not exceeding the size of the Net Offer, (excluding the QIB Category) subject to limits applicable to the Bidder	Such number of Equity Shares in multiples of [•] Equity Shares so that the Bid Amount does not exceed ₹200,000
Mode of Allotment	Compulsorily in dematerialised form			
Bid Lot	[•] Equity Shares and in multiples of [•] Equity Shares thereafter			
Allotment Lot	A minimum of [•] Equity Shares and in multiples of one Equity Share thereafter For Retail Individual Investors, [•] Equity Shares and in multiples of one Equity Share thereafter, subject to availability in the Retail Category			
Trading Lot	One Equity Share			
Who can apply(3)	Eligible Employees	Public financial institutions as specified in Section 2(72) of as the Companies Act, 2013, scheduled commercial banks, multilateral and bilateral development financial institutions,	Resident Indian individuals, Eligible NRIs, HUFs (in the name of the Karta), companies, corporate bodies, scientific institutions, societies, trusts, family offices and FPIs who are	Resident Indian individuals, Eligible NRIs and HUFs (in the name of the Karta)

Particulars	Eligible Employees#	QIBs(1)	Non-Institutional Investors	Retail Individual Investors
		Mutual Funds, FPIs (other than individuals, corporate bodies and family offices), VCFs, AIFs, FVCIs, state industrial development corporation, insurance company registered with IRDAI, provident funds(subject to applicable law) with minimum corpus of ₹ 250.00 million, pension funds with minimum corpus of ₹ 250.00 million, National Investment Fund set up by the GoI, 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 NBFC-SI	individuals, corporate bodies and family offices. which are re-categorised as Category II FPIs and registered with SEBI	
Terms of Payment	**In case of Anchor Investors:** Full Bid Amount shall be payable by the Anchor Investors at the time of submitting their Bids. (4) **In case of all other Bidders:** Full Bid Amount shall be blocked in the bank account of the ASBA Bidder (other than Anchor Investors) or by the Sponsor Bank(s) through the UPI Mechanism (for Eligible Employees, RIBs or individual investors bidding under the Non-Institutional Portion for an amount of more than ₹200,000 and up to ₹500,000, using the UPI Mechanism) that is specified in the ASBA Form at the time of submission of the ASBA Form			

**Assuming full subscription in the Offer.*

 # Eligible Employees Bidding in the Employee Reservation Portion can Bid up to a Bid Amount of ₹500,000. However, a Bid by an Eligible Employee in the Employee Reservation Portion will be considered for allocation, in the first instance, for a Bid Amount of up to ₹200,000. In the event of under-subscription in the Employee Reservation Portion, the unsubscribed portion will be available for allocation and Allotment, proportionately to all Eligible Employees who have Bid in excess of ₹200,000, subject to the maximum value of Allotment made to such Eligible Employee not exceeding ₹500,000. An Eligible Employee Bidding in the Employee Reservation Portion (subject to Bid Amount being up to ₹200,000) can also Bid in the Retail Category, and such Bids shall not be considered multiple Bids. However, Bids by Eligible Employees Bidding in the Employee Reservation Portion and in the Non-Institutional Category shall be treated as multiple Bids. The unsubscribed portion if any, in the Employee Reservation Portion shall be added back to the Net Offer. In case of under-subscription in the Net Offer, spill-over to the extent of such under-subscription shall be permitted from the Employee Reservation Portion. Further, one-third of the Non-Institutional Category will be made available for allocation to Bidders with an application size of more than ₹200,000 and up to ₹1,000,000 and two-thirds of the Non-Institutional Category will be available for allocation to Bidders with an application size of more than ₹1,000,000 and under-subscription in either of these two sub-categories of Non-Institutional Category may be allocated to Bidders in the other sub-category of Non-Institutional Category in accordance with SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price.

^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, NIIs and RIIs 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 Promoter Selling Shareholders, in consultation with the BRLMs, allocate up to 60% of the QIB Category to Anchor Investors at the Anchor Investor Offer Price, on a discretionary basis, subject to there being (i) a maximum of two Anchor Investors, where allocation in the Anchor Investor Portion is up to ₹100.00 million, (ii) minimum of two and maximum of 15 Anchor Investors, where the allocation under the Anchor Investor Portion is more than ₹100.00 million but up to ₹2,500.00 million under the Anchor Investor Portion, subject to a minimum Allotment of ₹50.00 million per Anchor Investor, and (iii) in case of allocation above ₹2,500.00 million under the Anchor Investor Portion, a minimum of five such investors and a maximum of 15 Anchor Investors for allocation up to ₹2,500.00 million, and an additional 10 Anchor Investors for every additional ₹2,500.00 million or part thereof will be permitted, subject to minimum allotment of ₹50.00 million per Anchor Investor. An Anchor Investor will make a minimum Bid of such number of Equity Shares, that the Bid Amount is at least ₹100.00 million. One-third of the Anchor Investor Portion will be reserved for domestic Mutual Funds, subject to valid Bids being received at or above the price at which allocation is made to Anchor Investors, which price shall be determined by the Company and Promoter Selling Shareholders in consultation with the BRLMs.*
2. *Subject to valid Bids being received at or above the Offer Price. This Offer is being made in accordance with Rule 19(2)(b) of the SCRR and Regulation 6(1) of the SEBI ICDR Regulations, In case of joint Bids, the Bid cum Application Form should contain only the name of the first Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. The signature of only such first Bidder would be required in the Bid cum Application Form and such first Bidder would be deemed to have signed on behalf of the joint holders. The signature of only such first Bidder would be required in the Bid cum Application Form and such first Bidder would be deemed to have signed on behalf of the joint holders.*

3. *Bidders will be required to confirm and will be deemed to have represented to our Company, the Promoter 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.*
4. *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 Anchor Investor Allocation Price and the Anchor Investor Offer Price shall be payable by the Anchor Investor pay-in date as indicated in the CAN.*

Bidders will be required to confirm and will be deemed to have represented to our Company, the Promoter 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.

Subject to valid Bids being received at or above the Offer Price, undersubscription, if any, in any category except the QIB Portion, would be allowed to be met with spill-over from any other category or a combination of categories at the discretion of our Company, in consultation with the BRLMs, and the Designated Stock Exchange. However, under-subscription, if any, in the QIB Portion will not be allowed to be met with spill over from other categories or a combination of categories.

OFFER PROCEDURE

*All Bidders should read the General Information Document for Investing in Public Issues prepared and issued in accordance with the circular CIR/CFD/DIL/12/2013 dated October 23, 2013 notified by SEBI and updated pursuant to the circular CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015, the circular CIR/CFD/DIL/1/2016 dated January 1, 2016, the circular SEBI/HO/CFD/DIL/CIR/P/2016/26 dated January 21, 2016, the circular SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018, the circular SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, the circular SEBI/HO/CFD/DIL2/CIR/P/2019/76 dated June 28, 2019, the circular SEBI/HO/CFD/DIL2/CIR/P/2019/85 dated July 26, 2019, and the circular SEBI/HO/CFD/DCR2/CIR/P/2019/133 dated November 8, 2019, and the circular SEBI/HO/CFD/DIL1/CIR/P/2020/37 dated March 17, 2020 (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. 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 Form); (vii) Submission of Bid cum Application Form; (viii) Other Instructions (limited to joint bids in cases of individual, multiple bids and instances when an application would be rejected on technical grounds); (ix) applicable provisions of the Companies Act, 2013 relating to punishment for fictitious applications; (x) mode of making refunds;(xi) Designated Date and (xii) interest in case of delay in allotment or refund.

*SEBI vide its circular no. SEBI/HO/CFD/DIL2/CIR/P/2018/138 dated November 1, 2018 read with its circular no. SEBI/HO/CFD/DIL2/CIR/P/2019/50 dated April 3, 2019, has introduced an alternate payment mechanism using Unified Payments Interface ("**UPI**") and consequent reduction in timelines for listing in a phased manner. From January 1, 2019, the UPI Mechanism for UPI Bidders 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 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 UPI Bidders through Designated Intermediaries (other than SCSBs), the existing process of physical movement of forms from such Designated Intermediaries to SCSBs for blocking of funds has been discontinued and only the UPI Mechanism for such Bids with existing timeline of T+6 days was mandated for a period of three months or launch of five main board public issues, whichever is later ("**UPI Phase II**"). 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 will be made effective using the UPI Mechanism for applications by UPI Bidders ("**UPI Phase III**"), as may be prescribed by SEBI. Additionally, 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 ("**UPI Streamlining Circular**") has instituted certain mechanisms towards the streamlining of applications made through the UPI Mechanism as well as redressal of investor grievances. This UPI Streamlining 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 Draft Red Herring Prospectus. The SEBI vide its circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022 which specified that ASBA applications shall only be processed after the application monies have been blocked in the bank accounts of the investors. This circular shall come into force for initial public offers opening on/or after September 1, 2022.*

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 Promoter Selling Shareholders and the Book Running Lead Managers do not accept any responsibility for the completeness and accuracy of the information stated in this section, and are not liable for any amendment, modification or change in the applicable law which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids are submitted in accordance with applicable laws and do not exceed the investment limits or maximum number of the Equity Shares that can be held by them under applicable law or as specified in this Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus.

Further, our Company, the Promoter Selling Shareholders and the Members of the Syndicate do not accept any responsibility for any adverse occurrences consequent to the implementation of the UPI Mechanism for application in the Offer.

Book Building Procedure

The Offer is being made through the Book Building Process in accordance with Regulation 6(1) of the SEBI ICDR Regulations wherein not more than 50% of the Net Offer shall be allocated on a proportionate basis to QIBs, provided that our Company and the Promoter Selling Shareholders may, in consultation with the BRLMs, allocate up to 60% of the QIB Category to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations, of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription, or non-allocation in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Category. Further, 5% of the net QIB Category (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis only to Mutual Funds, and the remainder of the QIB Category shall be available for allocation on a proportionate basis to all QIBs (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. Further, not less than 15% of the Net Offer shall be available for allocation to Non-Institutional Investors, of which one-third of the Non-Institutional Portion will be available for allocation to Bidders with an application size of more than ₹ 200,000 up to ₹ 1,000,000 and two-thirds of the Non-Institutional Portion will be available for allocation to Bidders with an application size of more than ₹ 1,000,000 and under-subscription in either of these two sub-categories of Non-Institutional Portion may be allocated to Bidders in the other sub-category of Non-Institutional Portion. Further, not less than 35% of the Net Offer shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price.

The Offer includes a reservation of up to [•] Equity Shares, aggregating up to ₹[•] million, for subscription by Eligible Employees. The Employee Reservation Portion shall not exceed 5% of our post-Offer paid-up Equity Share capital subject to valid Bids being received at or above the Offer Price, net of Employee Discount, if any.

Subject to valid Bids being received at or above the Offer Price, undersubscription, if any, in any category, except the QIB Category, would be allowed to be met with spill-over from any other category or a combination of categories at the discretion of our Company and the Promoter Selling Shareholders, in consultation with the BRLMs, and the Designated Stock Exchange. However, under-subscription, if any, in the QIB Category will not be allowed to be met with spill-over from other categories or a combination of categories. In accordance with Rule 19(2)(b) of the SCRR, the Offer will constitute at least 10% of the post Offer paid-up Equity Share capital of our Company. 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 IPO.

Under-subscription, if any, in any category, including the Employee Reservation Portion, except in the QIB Category, would be allowed to be met with spill over from any other category or combination of categories of Bidders at the discretion of our Company and the Promoter Selling Shareholders, in consultation with the Book Running Lead Managers and the Designated Stock Exchange subject to receipt of valid Bids at or above the Offer Price. Under-subscription, if any, in the QIB Category, would not be allowed to be met with spill-over from any other category or a combination of categories.

The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bidders should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialized form. The Bid cum Application Forms which do not have the details of the Bidders' depository account, including DP ID, Client ID and PAN, and UPI ID, for UPI Bidders Bidding through the UPI Mechanism

shall be treated as incomplete and will be rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. However, they may get the Equity Shares rematerialized subsequent to Allotment of the Equity Shares in the Offer, subject to compliance with Applicable Law.

Phased implementation of UPI Mechanism

SEBI has issued the SEBI UPI Circulars in relation to streamlining the process of public issue of inter alia, equity shares. Pursuant to the SEBI 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 RIIs through Designated Intermediaries with the objective to reduce the time duration from public issue closure to listing from six Working Days to upto 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 SEBI 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 RII had the option to submit the ASBA Form with any of the Designated Intermediary and use his/ her UPI ID for the purpose of blocking of funds. The time duration from public issue closure to listing continued to be six Working Days.

Phase II: This phase has become applicable from July 1, 2019 and the continuation of this phase has been extended until March 31, 2020. Under this phase, submission of the ASBA Form by RIIs through Designated Intermediaries (other than SCSBs) to SCSBs for blocking of funds has been discontinued and is replaced by the UPI Mechanism. However, the time duration from public issue closure to listing continues to be six Working Days during this phase. Further, pursuant to SEBI circular dated March 30, 2020, this phase has been extended till further notice. Under this phase, submission of the ASBA Form by RIIs through Designated Intermediaries (other than SCSBs) to SCSBs for blocking of funds has been discontinued and replaced by the UPI Mechanism. However, the time duration from public issue closure to listing continues to be six Working Days during this phase.

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 is proposed to be reduced to three Working Days.

The Offer will be made under UPI Phase II of the SEBI UPI Circular, unless UPI Phase III of the SEBI UPI Circular becomes effective and applicable on or prior to the Bid/Offer Opening Date.

Pursuant to the UPI Streamlining Circular, 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 Streaming 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 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. Additionally, if there is any delay in the redressal of investors' complaints, the relevant SCSB as well as the post–Offer BRLM will be required to compensate the concerned investor.

All SCSBs offering facility of making application in public issues shall also provide facility to make application using UPI.

Our Company will be required to appoint one of the SCSBs as a sponsor bank to act as a conduit between the Stock Exchanges and NPCI in order to facilitate collection of requests and / or payment instructions of the UPI Bidders using the UPI mechanism.

For further details, please refer to the General Information Document available on the websites of the Stock Exchanges and the BRLMs**.**

Bid cum Application Form

Copies of the Bid cum Application Form (other than for Anchor Investors) and the abridged prospectus will be available with the Designated Intermediaries at relevant Bidding Centers and at our Registered and Corporate

Office. The Bid cum Application Forms will also be available for download on the websites of the NSE (www.nseindia.com) and the BSE (www.bseindia.com) at least one day prior to the Bid/Offer Opening Date.

For Anchor Investors, the Bid cum Application Forms will be available at the offices of the BRLMs.

All Bidders (other than Anchor Investors) must compulsorily use the ASBA process to participate in the Offer. Anchor Investors are not permitted to participate in this Offer through the ASBA process. The UPI Bidders can additionally Bid through the UPI mechanism.

ASBA Bidders (other than UPI Bidders using the UPI Mechanism) must provide bank account details and authorisation by the ASBA account holder to block funds in their respective ASBA Accounts in the relevant space provided in the Bid cum Application Form and the Bid cum Application Form that does not contain such details are liable to be rejected.

Further, ASBA Bidders shall ensure that the Bids are submitted at the Bidding Centres only on ASBA Forms bearing the stamp of a Designated Intermediary (except in case of electronic ASBA Forms) and ASBA Forms not bearing such specified stamp maybe liable for rejection. UPI Bidders using UPI Mechanism, may submit their ASBA Forms, including details 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 (except UPI Bidders using the UPI Mechanism) ASBA Bidders must ensure that the ASBA Account has sufficient credit balance such that an amount equivalent to the full Bid Amount can be blocked therein. In order to ensure timely information to investors SCSBs are required to send SMS alerts to investors intimating them about the Bid Amounts blocked/unblocked.

ASBA Bidders are also required to ensure that the ASBA Account has sufficient credit balance as an amount equivalent to the full Bid Amount which can be blocked by the SCSB or the Sponsor Bank, as applicable, at the time of submitting the Bid. In order to ensure timely information to investors, SCSBs are required to send SMS alerts to investors intimating them about Bid Amounts blocked/ unblocked.

The prescribed colour of the Bid cum Application Forms for various categories is as follows:

Category	**Colour of Bid cum Application Form***
Resident Indians, including resident QIBs, Non-Institutional Investors, RIIs and Eligible NRIs applying on a non-repatriation basis^	[•]
Eligible NRIs, FVCIs, FPIs and registered bilateral and multilateral institutions	[•]
Anchor Investors**	[•]
Eligible Employees Bidding in the Employee Reservation Portion$	[•]

* *Excluding electronic Bid cum Application Forms*

Notes:

^Electronic Bid cum Application forms and the abridged prospectus will also be available for download on the website of NSE (www.nseindia.com) and BSE (www.bseindia.com)

***Bid cum Application Forms for Anchor Investors shall be available at the offices of the BRLMs*

$ Bid cum Application Forms for Eligible Employees Bidding in the Employee Reservation Portion shall be available at the Registered and Corporate Office of our Company.

In case of ASBA Forms, the relevant Designated Intermediaries shall upload the relevant Bid details in the electronic bidding system of the Stock Exchanges. For UPI Bidders using UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Bank on a continuous basis to enable the Sponsor Bank to initiate UPI Mandate Request to UPI Bidders for blocking of funds. For ASBA Forms (other than UPI Bidders using UPI Mechanism) Designated Intermediaries (other than SCSBs) shall submit/deliver the ASBA Forms to the respective SCSB, where the Bidder has a bank account and shall not submit it to any non-SCSB bank or any Escrow Collection Bank(s).

For UPI Bidders using the UPI Mechanism, the Stock Exchanges shall share the Bid details (including UPI ID) with the Sponsor Bank(s) on a continuous basis to enable the Sponsor Bank(s) to initiate a UPI Mandate Request to such UPI Bidders for blocking of funds. The Sponsor Bank(s) shall initiate request for blocking of funds through NPCI to UPI Bidders, who shall accept the UPI Mandate Request for blocking of funds on their respective mobile applications associated with UPI ID linked bank account. The NPCI shall maintain an audit trail for every Bid entered in the Stock Exchanges bidding platform, and the liability to compensate UPI Bidders (Bidding through UPI Mechanism) in case of failed transactions shall be with the concerned entity (i.e., the Sponsor Bank, NPCI or the issuer bank) at whose end the lifecycle of the transaction has come to a halt. The NPCI shall share the audit trail of all disputed transactions/ investor complaints to the Sponsor Bank and the issuer bank. The Sponsor Bank and the Bankers to the Offer shall provide the audit trail to the BRLMs for analysing the same and fixing liability. 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 and SEBI Circular No: SEBI/HO/CFD/DIL2/CIR/P/2022/51 dated April 20, 2022 and SEBI circular no. SEBI/HO/CFD/DIL2/P/CIR/2022/75 dated May 30, 2022.

Pursuant to NSE circular dated July 22, 2022 with reference no. 23/2022 and BSE circular dated July 22, 2022 with reference no. 20220722-30, has mandated that Trading Members, Syndicate Members, Registrar and Transfer Agent and Depository Participants shall submit Syndicate ASBA bids above ₹500,000 and NII & QIB bids above ₹200,000, are uploaded through SCSBs only.

Pursuant to NSE circular dated August 3, 2022 with reference no. 25/2022, 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 pm on the initial public offer closure day.

d. Exchanges shall display initial public offer demand details on its website and for UPI bids the demand shall include/consider UPI bids only with latest status as RC 100 – Black Request Accepted by Investor/ Client, based on responses/status received from the Sponsor Bank.

The Sponsor Bank will undertake a reconciliation of Bid responses received from Stock Exchanges and sent to NPCI and will also ensure that all the responses received from NPCI are sent to the Stock Exchanges platform with detailed error code and description, if any. Further, the Sponsor Bank will undertake reconciliation of all Bid requests and responses throughout their lifecycle on daily basis and share reports with the BRLMs in the format and within the timelines as specified under the SEBI UPI Circulars. Sponsor Bank and issuer banks shall download UPI settlement files and raw data files from the NPCI portal after every settlement cycle and do a three-way reconciliation with Banks UPI switch data, CBS data and UPI raw data. NPCI is to coordinate with issuer banks and Sponsor Banks on a continuous basis.

The Sponsor Bank shall host a web portal for intermediaries (closed user group) from the date of Bid/Offer Opening Date till the date of listing of the Equity Shares with details of statistics of mandate blocks/unblocks, performance of apps and UPI handles, down-time/network latency (if any) across intermediaries and any such processes having an impact/bearing on the Offer Bidding process.

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.

Participation by Promoters, Promoter Group, the BRLMs, associates and affiliates of the BRLMs and the Syndicate Members

The BRLMs and the Syndicate Members shall not be allowed to purchase the Equity Shares in any manner, except towards fulfilling their underwriting obligations. However, the respective associates and affiliates of the BRLMs and the Syndicate Members may purchase Equity Shares in the Offer in the QIB Category where the allocation is on a proportionate basis and such subscription may be on their own account or on behalf of their clients. All categories of investors, including respective associates or affiliates of the BRLMs and Syndicate Members, shall be treated equally for the purpose of allocation to be made on a proportionate basis.

Except for Mutual Funds, AIFs or FPIs other than individuals, corporate bodies and family offices sponsored by entities which are associates of the BRLMs or insurance companies promoted by entities which are associates of the BRLMs, no BRLMs or its respective associates can apply in the Offer under the Anchor Investor Portion.

Further, an Anchor Investor shall be deemed to be an "associate of the Lead Manager" if: (i) 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 (ii) either of them, directly or indirectly, by itself or in combination with other persons, exercises control over the other; or (iii) there is a common director, excluding nominee director, amongst the Anchor Investors and the BRLMs.

Further, the Promoters and members of the Promoter Group shall not participate by applying for Equity Shares in the Offer, except in accordance with the applicable law. Furthermore, persons related to a Promoter and the Promoter Group shall not apply in the Offer under the Anchor Investor Portion. It is clarified that a qualified institutional buyer who has rights under a shareholders' agreement or voting agreement entered into with any of the Promoters or members of the Promoter Group of our Company, veto rights or a right to appoint any nominee director on our Board, shall be deemed to be a person related to a Promoter or member of the Promoter Group of our Company.

Bids by Mutual Funds

With respect to Bids by Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof.

Bids made by asset management companies or custodians of Mutual Funds shall specifically state names of the concerned schemes for which such Bids are made.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No Mutual Fund scheme shall invest more than 10% of its NAV in equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in case of index funds or sector or industry specific schemes. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Bids by HUFs

Bids by Hindu Undivided Families or HUFs, should be made in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form/Application Form as follows: "Name of sole or first Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids/Applications by HUFs will be considered at par with Bids/Applications from individuals.

Bids by Eligible NRIs

Eligible NRIs may obtain copies of Bid cum Application Form from the Designated Intermediaries. Only Bids accompanied by payment in Indian Rupees or freely convertible foreign exchange will be considered for Allotment. Eligible NRI Bidders bidding on a repatriation basis by using the Non-Resident Forms should authorize their SCSB (if they are Bidding directly through the SCSB) or confirm or accept the UPI Mandate Request (in case of Bidding through the UPI Mechanism) to block their Non-Resident External ("**NRE**") accounts, or Foreign Currency Non-Resident ("**FCNR**") Accounts, and eligible NRI Bidders bidding on a non-repatriation basis by using Resident Forms should authorize their SCSB (if they are Bidding directly through SCSB) or confirm or accept the UPI Mandate Request (in case of Bidding through the UPI Mechanism) to block their Non-Resident Ordinary ("**NRO**") accounts for the full Bid Amount, at the time of the submission of the Bid cum Application Form. Participation of Eligible NRIs in the Offer shall be subject to the FEMA Rules.

Eligible NRIs Bidding on non-repatriation basis are advised to use the Bid cum Application Form for residents ([•] in color). Eligible NRIs Bidding on a repatriation basis are advised to use the Bid cum Application Form meant for Non-Residents ([•] in color).

NRIs will be permitted to apply in the Offer through Channel I or Channel II (as specified in the SEBI UPI Circulars). Further, subject to applicable law, NRIs may use Channel IV (as specified in the SEBI UPI Circulars) to apply in the Offer, provided the UPI facility is enabled for their NRE/ NRO accounts.

NRIs applying in the Offer using UPI Mechanism are advised to enquire with the relevant bank whether their bank account is UPI linked prior to making such application. For details of investment by NRIs, see "*Restrictions on Foreign Ownership of Indian Securities*" on page 469. Participation of eligible NRIs shall be subject to FEMA Non-debt Instruments Rules.

Bids by FPIs

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same multiple entities having common ownership directly or indirectly of more than 50% or common control) must be below 10% of our post-Offer Equity Share capital. Further, in terms of the FEMA Non-debt Instruments Rules, with effect from April 1, 2020, the aggregate FPI investment limit is the sectoral cap applicable to an Indian company as prescribed in the FEMA Non-debt Instruments Rules with respect to its paid-up equity capital on a fully diluted basis. Currently, the sectoral cap for NBFCs is 100% under the automatic route and accordingly, the applicable limit with respect to our Company is 100%.

FPIs are permitted to participate in the Offer subject to compliance with conditions and restrictions which may be specified by the Government from time to time. In case of Bids made by FPIs, a certified copy of the certificate of registration issued under the SEBI FPI Regulations is required to be attached to the Bid cum Application Form, failing which our Company reserves the right to reject any Bid without assigning any reason. FPIs who wish to participate in the Offer are advised to use the Bid cum Application Form for Non-Residents ([•] in colour).

In terms of the FEMA, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

The FEMA NDI Rules were enacted on October 17, 2019 in supersession of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017, except as respects things done or omitted to be done before such supersession. FPIs are permitted to participate in the Offer subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 21 of the SEBI FPI Regulations, an FPI, may issue, subscribe to or otherwise deal in offshore derivative instruments(as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only by persons registered as Category I FPIs; (ii) such offshore derivative instruments are issued only to persons eligible for registration as Category I FPIs; (iii) such offshore derivative instruments are issued after compliance with 'know your client' norms; and (iv) such other conditions as may be specified by SEBI from time to time.

An FPI issuing offshore derivate instruments is also required to ensure that any transfer of offshore derivative instruments issued by, or on behalf of it subject to, *inter alia*, the following conditions:

(i) such offshore derivative instruments are transferred to persons subject to fulfilment of SEBI FPI Regulations; and

(ii) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred are pre-approved by the FPI.

Bids by FPIs which utilise the multi investment manager structure in accordance with the Operational Guidelines for Foreign Portfolio Investors and Designated Depository Participants issued to facilitate implementation of the SEBI FPI Regulations (the "**Operational FPI Guidelines**"), submitted with the same PAN but with different beneficiary account numbers, Client IDs and DP IDs shall not be treated as multiple Bids ("**MIM Bids**"). As specified in 4.1.4.2 (b)(i) and 4.1.4.2 (c)(iv) of the General Information Document, it hereby clarified that FPIs bearing the same PAN may be treated as multiple Bids by a Bidder and may be rejected, except for Bids from FPIs that utilise the multi investment manager structure in accordance with the Operational FPI Guidelines (such structure referred to as "**MIM Structure**"). In order to ensure valid Bids, FPIs making MIM Bids using the same PAN and with different beneficiary account numbers, Client IDs and DP IDs, are required to submit a confirmation that their Bids are under the MIM Structure and indicate the name of their investment managers in such confirmation which shall be submitted along with each of their Bid cum Application Forms. In the absence of such confirmation from the relevant FPIs, such MIM Bids shall be rejected.

Further, in the following cases, the bids by FPIs will not be considered as multiple Bids: involving (i) the MIM Structure and indicating the name of their respective investment managers in such confirmation; (ii) offshore derivative instruments ("**ODI**") which have obtained separate FPI registration for ODI and proprietary derivative investments; (iii) sub funds or separate class of investors with segregated portfolio who obtain separate FPI registration; (iv) FPI registrations granted at investment strategy level/sub fund level where a collective investment scheme or fund has multiple investment strategies/sub-funds with identifiable differences and managed by a single investment manager; (v) multiple branches in different jurisdictions of foreign bank registered as FPIs; (vi) Government and Government related investors registered as Category 1 FPIs; and (vii) Entities registered as Collective Investment Scheme having multiple share classes.

Please note that in terms of the General Information Document, the maximum Bid by any Bidder including QIB Bidder should not exceed the investment limits prescribed for them under applicable laws. Further, MIM Bids by an FPI Bidder utilising the MIM Structure shall be aggregated for determining the permissible maximum Bid. Further, please note that as disclosed in this Red Herring Prospectus read with the General Information Document, Bid Cum Application Forms are liable to be rejected in the event that the Bid in the Bid cum Application Form "*exceeds the Offer size and/or investment limit or maximum number of the Equity Shares that can be held under applicable laws or regulations or maximum amount permissible under applicable laws or regulations, or under the terms of the Red Herring Prospectus.*"

For example, an FPI must ensure that any Bid by a single FPI and/ or an investor group (which means the same multiple entities having common ownership directly or indirectly of more than 50% or common control) (collective, the "**FPI Group**") shall be below 10% of the total paid-up Equity Share capital of our Company on a fully diluted basis. Any Bids by FPIs and/ or the FPI Group (including but not limited to (a) FPIs Bidding through the MIM Structure; or (b) FPIs with separate registrations for offshore derivative instruments and proprietary derivative instruments) for 10% or more of our total paid-up post Offer Equity Share capital shall be liable to be rejected.

Bids by SEBI-registered AIFs, VCFs and FVCIs

The SEBI FVCI Regulations, SEBI VCF Regulations and the SEBI AIF Regulations prescribe, *inter alia*, the investment restrictions on the FVCIs, VCFs and AIFs registered with SEBI respectively. FVCIs can invest only up to 33.33% of the investible funds by way of subscription to an initial public offering. Category I AIF and Category II AIF cannot invest more than 25% of the investible funds in one investee company directly or through investment in the units of other AIFs. A Category III AIF cannot invest more than 10% of the investible funds in one investee company directly or through investment in the units of other AIFs. AIFs which are authorized under the fund documents to invest in units of AIFs are prohibited from offering their units for subscription to other AIFs. A VCF registered as a Category I AIF, as defined in the SEBI AIF Regulations, cannot invest more than 1/3rd of its investible funds by way of subscription to an initial public offering of a venture capital undertaking. Additionally, a VCF that has not re-registered as an AIF under the SEBI AIF Regulations shall continue to be regulated by the SEBI VCF Regulations (and accordingly shall not be allowed to participate in the Offer) until the existing fund or scheme managed by the fund is wound up and such funds shall not launch any new scheme after the notification of the SEBI AIF Regulations.

There is no reservation for Eligible NRIs, FPIs and FVCIs and all Bidders will be treated on the same basis with other categories for the purpose of allocation.

Further, the shareholding of VCFs, category I AIFs or category II AIFs and FVCIs holding Equity Shares prior to

Offer, shall be locked-in for a period of at least one year from the date of purchase of such Equity Shares.

All non-resident investors should note that refunds (in case of Anchor Investors), dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and commission.

The Company, the Promoter 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 Eligible Employees

The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter so as to ensure that the Bid Amount payable by the Eligible Employee does not exceed ₹500,000 (net of Employee Discount, if any). The Allotment in the Employee Reservation Portion will be on a proportionate basis. Eligible Employees under the Employee Reservation Portion may Bid at Cut-off Price provided that the Bid does not exceed ₹500,000 (net of Employee Discount, if any).

However, Allotments to Eligible Employees in excess of ₹200,000 (net of Employee Discount, if any), shall be considered on a proportionate basis, in the event of undersubscription in the Employee Reservation Portion, subject to the total Allotment to an Eligible Employee not exceeding ₹500,000 (net of Employee Discount if any). Subsequent undersubscription, if any, in the Employee Reservation Portion shall be added back to the Net Offer. Eligible Employees Bidding in the Employee Reservation Portion may Bid at the Cut-off Price.

Bids under Employee Reservation Portion by Eligible Employees shall be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form (i.e. [•] colour form).

(b) The Bidder should be an Eligible Employee as defined herein. In case of joint bids, the first Bidder shall be an Eligible Employee.

(c) Only Eligible Employees would be eligible to apply in this Offer under the Employee Reservation Portion.

(d) Only those Bids, which are received at or above the Offer Price, net of Employee Discount, if any, would be considered for Allotment under this category.

(e) Eligible Employees can apply at Cut-off Price.

(f) If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Offer Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

(g) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Offer.

In case of under-subscription in the Net Offer, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion. If the aggregate demand in this category is greater than [•] Equity Shares at or above the Offer Price, the allocation shall be made on a proportionate basis.

Please note that any individuals who are directors, employees or promoters of (a) the Book Running Lead Managers, Registrar to the Offer, or the Syndicate Members, or of the (b) 'associate companies' (as defined in the Companies Act, 2013, as amended) and 'group companies' of such Book Running Lead Managers, Registrar to the Offer or Syndicate Members are not eligible to bid in the Employee Reservation Portion.

Bids by Limited Liability Partnerships

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached to the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserve the right to reject any Bid without assigning any reason thereof.

Bids by Banking Companies

In case of Bids made by banking companies registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, and (ii) the approval of such banking company's investment committee are required to be attached to the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof. The investment limit for banking companies in non-financial services companies as per the Banking Regulation Act, the Reserve Bank of India (Financial Services provided by Banks) Directions, 2016, as amended and Master Circular on Basel III Capital Regulations dated July 1, 2014, as amended, is 10% of the paid up share capital of the investee company, not being its subsidiary engaged in non-financial services, or 10% of the bank's own paid-up share capital and reserves, whichever is lower.

However, a banking company would be permitted to invest in excess of 10% but not exceeding 30% of the paid up share capital of such investee company, subject to prior approval of the RBI if (i) the investee company is engaged in non-financial activities permitted for banking companies in terms of Section 6(1) of the Banking Regulation Act; or (ii) the additional acquisition is through restructuring of debt, or to protect the banking company's interest on loans/investments made to a company. The bank is required to submit a time bound action plan to the RBI for the disposal of such shares within a specified period. The aggregate investment by a banking company along with its subsidiaries, associates or joint ventures or entities directly or indirectly controlled by the bank; and mutual funds managed by asset management companies controlled by the bank, more than 20% of the investee company's paid up share capital engaged in non-financial services. However, this cap doesn't apply to the cases mentioned in (i) and (ii) above. The aggregate equity investments made by a banking company in all subsidiaries and other entities engaged in financial services and non-financial services, including overseas investments shall not exceed 20% of the bank's paid-up share capital and reserves.

Bids by SCSBs

SCSBs participating in the Offer are required to comply with the terms of the circulars issued by the SEBI dated September 13, 2012 and January 2, 2013. Such SCSBs are required to ensure that for making applications on their own account using ASBA, they should have a separate account in their own name with any other SEBI registered SCSBs. Further, such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for such applications.

Bids by Systemically Important NBFCs

In case of Bids made by Systemically Important NBFCs registered with RBI, certified copies of: (i) the certificate of registration issued by RBI, (ii) the last audited financial statements on a standalone basis, (iii) a net worth certificate from its statutory auditors, and (iv) such other approval as may be required by the Systemically Important NBFCs are required to be attached to the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof.

Systemically Important NBFCs participating in the Offer shall comply with all applicable regulations, directions, guidelines and circulars issued by the RBI from time to time.

The investment limit for Systemically Important NBFCs shall be as prescribed by RBI from time to time.

Bids by Insurance Companies

In case of Bids made by insurance companies registered with the IRDAI, a certified copy of certificate of registration issued by IRDAI must be attached to the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof.

The exposure norms for insurers are prescribed under the IRDAI Investment Regulations, based on investments in equity shares of the investee company, the entire group of the investee company and the industry sector in which the investee company operates. Insurance companies participating in the Offer are advised to refer to the IRDAI Investment Regulations for specific investment limits applicable to them and comply with all applicable regulations, guidelines and circulars issued by the IRDAI from time to time.

Bids by Provident Funds/Pension Funds

In case of Bids made by provident funds/pension funds, subject to applicable laws, with minimum corpus of ₹250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be attached to the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs, reserves the right to reject any Bid without assigning any reason thereof.

Bids under power of attorney

In case of Bids made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, eligible FPIs, AIFs, Mutual Funds, insurance companies, NBFC-SI, insurance funds set up by the army, navy or air force of the India, insurance funds set up by the Department of Posts, India or the National Investment Fund and provident funds with a minimum corpus of ₹250 million (subject to applicable laws) and pension funds with a minimum corpus of ₹250 million, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company, 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 Promoter 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 Promoter Selling Shareholders in consultation with the BRLMs, may deem fit.

Bids by provident funds/pension funds

In case of Bids made by provident funds/pension funds, with minimum corpus of ₹250 million, subject to applicable laws, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be attached to the Bid cum Application Form. Failing this, our Company, in consultation with the BRLMs reserves the right to reject any Bid, without assigning any reason therefor.

The above information is given for the benefit of the Bidders. Our Company, the respective Promoter 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, when filed. 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 laws or regulation and as specified in the Red Herring Prospectus, when filed.

In accordance with RBI regulations, OCBs cannot participate in the Offer.

Information for Bidders

The relevant Designated Intermediary will enter a maximum of three Bids at different price levels opted in the Bid cum Application Form and such options are not considered as multiple Bids. It is the Bidder's responsibility to obtain the acknowledgment slip from the relevant Designated Intermediary. The registration of the Bid by the Designated Intermediary does not guarantee that the Equity Shares shall be allocated/Allotted. Such Acknowledgement Slip will be non-negotiable and by itself will not create any obligation of any kind. When a Bidder revises his or her Bid, he /she shall surrender the earlier Acknowledgement Slip and may request for a revised acknowledgment slip from the relevant Designated Intermediary as proof of his or her having revised the previous Bid.

In relation to electronic registration of Bids, the permission given by the Stock Exchanges to use their network and software of the electronic bidding system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLMs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements, nor does it take any responsibility for the financial or other soundness of our Company, the management or any scheme or project of our Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus or the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

Pre-Offer Advertisement

Subject to Section 30 of the Companies Act, 2013, our Company shall, after filing the Red Herring Prospectus with the RoC, publish a pre-Offer advertisement, in the form prescribed by the SEBI ICDR Regulations, in all editions of [•], an English national daily newspaper, all editions of [•], a Hindi national daily newspaper and all editions of [•], a Marathi national daily newspaper (Marathi being the regional language of Maharashtra, where our Registered Office is located), each with wide circulation.

In the pre-Offer advertisement, we shall state the Bid/Offer Opening Date and the Bid/Offer Closing Date. This advertisement, subject to the provisions of Section 30 of the Companies Act, 2013, shall be in the format prescribed in Part A of Schedule X of the SEBI ICDR Regulations.

Signing of Underwriting Agreement and filing of Prospectus with the RoC

Our Company and the Promoter Selling Shareholders intend to enter into an Underwriting Agreement with the Underwriters on or immediately after the determination of the Offer Price. After signing the Underwriting Agreement, the Company will file the Prospectus with the RoC. The Prospectus would have details of the Offer Price, Anchor Investor Offer Price, Offer size and underwriting arrangements and would be complete in all material respects.

Electronic Registration of Bid

For information, please see the General Information Document.

General Instructions

Please note that QIBs and Non-Institutional Investors are 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. UPI Bidders can revise their Bid(s) during the Bid/ Offer Period and withdraw their Bid(s) until Bid/ Offer Closing Date. Anchor Investors are not allowed to withdraw or lower the size of their Bids after the Anchor Investor Bidding Date.

***Do's*:**

(A) Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable law, rules, regulations, guidelines and approvals;

(B) Ensure that you have Bid within the Price Band

(C) Ensure that you have mentioned the correct ASBA Account number (for all Bidders other than UPI Bidders Bidding using the UPI Mechanism) in the Bid cum Application Form (with maximum length of 45 characters. Further, UPI Bidders using the UPI Mechanism must mention their UPI ID;

(D) UPI Bidders Bidding using UPI through the SCSBs and mobile applications shall ensure that the name of the bank appears in the list of SCSBs which are live on UPI, as displayed on the SEBI website. UPI Bidders shall ensure that the name of the app and the UPI handle which is used for making the application appears in Annexure 'A' to the SEBI circular no. SEBI/HO/CFD/DIL2/COR/P/2019/85 dated July 26, 2019;

(E) Read all the instructions carefully and complete the Bid cum Application Form in the prescribed form;

(F) Ensure that the details about the PAN, DP ID, Client ID and UPI ID (where applicable) are correct and the Bidders depository account is active, as Allotment of the Equity Shares will be in dematerialized form only;

(G) 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;

(H) 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;

(I) 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);

(J) All Bidders (other than Anchor Investors) should submit their Bids through the ASBA process only;

(K) 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;

(L) Ensure that you request for and receive a stamped acknowledgement in the form of a counterfoil or by specifying the application number for all your Bid options as proof of registration of the Bid cum Application Form from the concerned Designated Intermediary;

(M) Ensure that you have funds equal to the Bid Amount in the ASBA Account maintained with the SCSB before submitting the Bid cum Application Form under the ASBA process to any of the Designated Intermediaries;

(N) Ensure that you submit revised Bids to the same Designated Intermediary, through whom the original Bid was placed and obtain a revised acknowledgment;

(O) Except for Bids (i) on behalf of the Central or State Governments and the officials appointed by the courts, who, in terms of a SEBI circular dated June 30, 2008, may be exempt from specifying their PAN for transacting in the securities market, (ii) 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, and (iii) any other category of Bidders, including without limitation, multilateral/ bilateral institutions, which may be exempted from specifying their PAN for transacting in the securities market, all Bidders should mention their PAN allotted under the Income Tax Act. The exemption for the Central or the State Government and officials appointed by the courts and for investors residing in the State of Sikkim is subject to (a) the Demographic Details received from the respective depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in “active status”; and (b) in the case of residents of Sikkim, the address as per the Demographic Details evidencing the same. All other applications in which PAN is not mentioned will be rejected;

(P) Ensure that the Demographic Details are updated, true and correct in all respects;

(Q) 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;

(R) Ensure that the category and the investor status is indicated in the Bid cum Application Form;

(S) Ensure that in case of Bids under power of attorney or by limited companies, corporates, trust etc., relevant documents, including a copy of the power of attorney, are submitted;

(T) Ensure that Bids submitted by any person outside India should be in compliance with applicable foreign and Indian laws;

(U) ASBA Bidders (except UPI Bidders using the UPI Mechanism) should instruct their respective banks to release the funds blocked in the ASBA Account under the ASBA process. UPI Bidders using the UPI Mechanism, should ensure that they approve the UPI Mandate Request generated by the Sponsor Bank prior to 12:00 pm of the Working Day immediately after the Bid / Offer Closing Date;

(V) Note that in case the DP ID, UPI ID (where applicable), Client ID and the PAN mentioned in their Bid cum Application Form and entered into the online IPO system of the Stock Exchanges by the relevant Designated Intermediary, as the case may be, do not match with the DP ID, UPI ID (where applicable), Client ID and PAN available in the Depository database, then such Bids are liable to be rejected;

(W) Ensure that you have correctly signed the authorization /undertaking box in the Bid cum Application Form, or have otherwise provided an authorization to the SCSB or the Sponsor Bank, as applicable via the electronic mode, for blocking funds in the ASBA Account equivalent to the Bid Amount mentioned in the Bid cum Application Form at the time of submission of the Bid;

(X) UPI Bidders using the UPI Mechanism shall ensure that details of the Bid are reviewed and verified by opening the attachment in the UPI Mandate Request and then proceed to authorise the UPI Mandate Request using his/her UPI PIN. Upon the authorization of the mandate using his/her UPI PIN, the UPI Bidders shall be deemed to have verified the attachment containing the application details of the UPI Bidders using the UPI Mechanism in the UPI Mandate Request and have agreed to block the entire Bid Amount and authorized the Sponsor Bank to issue a request to block the Bid Amount mentioned in the Bid Cum Application Form in his/her ASBA Account;

(Y) UPI Bidders using the UPI Mechanism should mention valid UPI ID of only the Bidder (in case of single account) and of the first Bidder (in case of joint account) in the Bid cum Application Form;

(Z) UPI Bidders using the UPI Mechanism, who have revised their Bids subsequent to making the initial Bid, should also approve the revised UPI Mandate Request generated by the Sponsor Bank to authorise blocking of funds equivalent to the revised Bid Amount in his/her account and subsequent debit of funds in case of allotment in a timely manner; and

(AA) Ensure that Anchor Investors submit their Bid cum Application Forms only to the BRLMs.

Don’ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/revise Bid Amount to less than the Floor Price or higher than the Cap Price;

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to a Designated Intermediary;

(d) Do not pay the Bid Amount in cash, by money order, cheques or demand drafts or by postal order or by stock invest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to the Designated Intermediary only;

(f) Anchor Investors should not Bid through the ASBA process;

(g) Do not submit the Bid cum Application Forms to any non-SCSB bank or to our Company or at a location other than the Bidding Centers;

(h) Do not Bid on a physical Bid cum Application Form that does not have the stamp of the relevant Designated Intermediary;

(i) Do not Bid at Cut-off Price (for Bids by QIBs, Eligible Employees Bidding under the Employee Reservation Portion (subject to the Bid Amount being above ₹200,000) and Non-Institutional Investors);

(j) Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Offer/Issue size and/ or investment limit or maximum number of the Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of this Draft Red Herring Prospectus;

(k) Do not submit your Bid after 3.00 pm on the Bid/Offer Closing Date;

(l) If you are a QIB, do not submit your Bid after 3.00 p.m. on the QIB Bid/Offer Closing Date;

(m) Do not Bid for a Bid Amount exceeding ₹200,000 (for Bids by Retail Individual Investors) and ₹ 500,000 for Bids by Eligible Employees Bidding in the Employee Reservation Portion;

(n) Do not submit the General Index Register (GIR) number instead of the PAN;

(o) Do not submit incorrect details of the DP ID, Client ID, PAN and UPI ID (where applicable) or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Offer;

(p) 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 using the UPI Mechanism, in the UPI-linked bank account where funds for making the Bid are available;

(q) 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 Investor. RIIs and Eligible Employees Bidding in the Employee Reservation Portion can revise or withdraw their Bids on or before the Bid/Offer Closing Date;

(r) 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 Bidder;

(s) 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;

(t) Do not submit a Bid in case you are not eligible to acquire Equity Shares under applicable law or your relevant constitutional documents or otherwise;

(u) Do not Bid if you are not competent to contract under the Indian Contract Act, 1872 (other than minors having valid depository accounts as per Demographic Details provided by the depository);

(v) Do not submit more than one Bid cum Application Form per ASBA Account;

(w) Do not submit a Bid using UPI ID, if you are not a UPI Bidder; and

(x) Do not submit a Bid cum Application Form with third party UPI ID or using a third party bank account (in case of Bids submitted by UPI Bidders using the UPI Mechanism)

For helpline details of the Book Running Lead Managers pursuant to the SEBI circular bearing reference number SEBI/HO.CFD.DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, see "*General Information*" on page 72.

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with.

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 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 to public 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 Investors 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 Investor shall not be less than the minimum bid lot, subject to the availability of shares in Retail Individual Investor Portion, and the remaining available shares, if any, shall be allotted on a proportionate basis.

Payment into Escrow Account(s) for Anchor Investors

Our Company and the Promoter Selling Shareholders in consultation with the BRLMs, in their absolute discretion, will decide the list of Anchor Investors to whom the CAN will be sent, pursuant to which the details of the Equity Shares allocated to them in their respective names will be notified to such Anchor Investors. 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 or NEFT). The payment instruments for payment into the Escrow Accounts should be drawn in favour of:

(a) In case of resident Anchor Investors: "[•]"

(b) In case of non-resident Anchor Investors: "[•]"

Anchor Investors should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Promoter Selling Shareholders, the Syndicate, the Bankers to the Offer and the Registrar to the Offer to facilitate collection of Bid Amounts from Anchor Investors.

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 442.

Undertakings by our Company

Our Company undertakes the following:

(A) The complaints received in respect of the Offer shall be attended to by our Company expeditiously and satisfactorily;

(B) That all steps will be taken for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within six Working Days of the Bid/Offer Closing Date or such other timeline as may be prescribed by SEBI;

(C) That funds required for making refunds to unsuccessful Bidders as per the mode(s) disclosed shall be made available to the Registrar to the Offer by the Company;

(D) That 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 time period as specified by SEBI, giving details of the bank where the refunds shall be credited along with the amount and the expected date of electronic credit of refund;

(E) The decisions with respect to the Price Band and the Minimum Bid lot as applicable, revision of Price Band, Offer Price, will be taken by our Company and the Promoter Selling Shareholders, in consultation with the BRLMs; and

(F) That adequate arrangements shall be made to collect all Bid cum Application Forms submitted by Bidders and Anchor Investor Application Forms from Anchor Investor

Undertakings by the Promoter Selling Shareholders

Each Promoter Selling Shareholder undertakes the following severally and not jointly in respect of itself as a Selling Shareholder and its respective portion of the Offered Shares offered by it in the Offer for Sale that:

(A) it is the legal and beneficial owner of and holds clear and marketable title to its respective portion of the Offered Shares, which have been acquired and held by it in compliance with applicable law;

(B) its Offered Shares shall be transferred pursuant to the Offer for Sale, free and clear of any encumbrance;

(C) it shall not have recourse to the proceeds of the Offer until final approvals for listing and trading of the Equity Shares from the Stock Exchanges have been received; and

Only the statements and undertakings specifically made or confirmed by the respective Promoter Selling Shareholders in relation to itself and its portion of the Equity Shares offered in the Offer for Sale which are confirmed or undertaken by such Promoter Selling Shareholders in this Draft Red Herring Prospectus, shall be deemed to be "statements and undertakings specifically made or confirmed" by the respective Promoter Selling Shareholders. No other statement in this Draft Red Herring Prospectus will be deemed to be "made or confirmed" by a Promoter Selling Shareholder, even if such statement relates to such Promoter Selling Shareholder.

The filing of this Draft Red Herring Prospectus also does not absolve the Promoter 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.

Utilisation of Offer Proceeds

Our Board certifies that:

(a) 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 2013;

(b) details of all monies utilised out of the Fresh Issue shall be disclosed, and continue to be disclosed till the time any part of the Fresh Issue proceeds remains unutilised, under an appropriate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised; and

(c) details of all unutilised monies out of the Fresh Issue, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested.

Impersonation

(i) 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 one per cent of the turnover of the company, whichever is lower, includes imprisonment for a term which shall not be less than six months extending up to 10 years and fine of an amount not less than the amount involved in the fraud, extending up to three times such amount (provided that where the fraud involves public interest, such term shall not be less than three years.) Further, where the fraud involves an amount less than ₹1 million or one per cent of the turnover of the company, whichever is lower, and does not involve public interest, any person guilty of such fraud shall be punishable with imprisonment for a term which may extend to five years or with fine which may extend to ₹5 million or with both.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The RBI and the concerned ministries/departments are responsible for granting approval for foreign investment. The Government has from time to time made policy pronouncements on foreign direct investment ("**FDI**") through press notes and press releases. The DPIIT, issued the Consolidated FDI Policy Circular of 2020 ("**Consolidated FDI Policy**"), which, with effect from October 15, 2020, subsumes and supersedes all press notes, press releases, clarifications, circulars issued by the DPIIT, which were in force as on October 15, 2020. The Consolidated FDI Policy will be valid until the DPIIT issues an updated circular.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the RBI, provided that: (i) the activities of the investee company are under the automatic route under the foreign direct investment policy and transfer does not attract the provisions of the SEBI Takeover Regulations; (ii) the non-resident shareholding is within the sectoral limits under the Consolidated FDI policy; and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

On October 17, 2019, Ministry of Finance, Department of Economic Affairs, had notified the FEMA Rules, which had replaced the Foreign Exchange Management (Transfer and Issue of Security by a Person Resident Outside India) Regulations 2017. Foreign investment in this Offer shall be on the basis of the FEMA Rules. 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 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, as prescribed in the Consolidated FDI Policy and the FEMA Rules. 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 aforesaid restriction/ purview, such subsequent change in the beneficial ownership will also require approval of the Government. Pursuant to the Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2020 issued on December 8, 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 of fund in India.

As per the Consolidated FDI Policy, read with FEMA Rules, 100% foreign direct investment is permitted under the automatic route for NBFCs, however, investments under the foreign direct investment route by entities of a country which shares 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 per the existing policy of the Government of India, OCBs cannot participate in this Offer. For further details, see "*Offer Procedure*" on page 452.

The Equity Shares offered in the Offer have not been and will not be registered under the U.S. Securities Act or any other applicable law 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 state securities laws. Accordingly, the Equity Shares are being offered and sold (i) within the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act and referred to in this Draft Red Herring Prospectus as "U.S. QIBs") in transactions exempt from the registration requirements of the U.S. Securities Act, THAT ARE QPs as defined in Section 2(a)(51) of the U.S. Investment Company Act (persons who are both a U.S. QIB and a QP are referred to as "Entitled QPs") 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. For the avoidance of doubt, the term "U.S. QIBs" does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Draft Red Herring Prospectus as "QIBs".

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.

Our Company has not been and will not be registered under the U.S. Investment Company Act and investors will not be entitled to the benefits of the U.S. Investment Company Act. Our Company is relying on the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act, and as a result the Equity Shares are being offered and sold in the United States and to U.S. Persons only to persons who are Entitled QPs.

Our Company may be a "covered fund" for purposes of the "Volcker Rule" contained in the Dodd-Frank Act (Section 619:Prohibitions on Proprietary Trading and Certain Relationships with Hedge Funds and Private Equity Funds). Accordingly, entities that may be "covered banking entities" for the purposes of the Volcker Rule may be restricted from holding the Company's securities and should take specific advice before making an investment in our Company.

The above information is given for the benefit of the Bidders. Our Company, the Promoter Selling Shareholders and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations, seek independent legal advice about its ability to participate in the Offer and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII - MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meanings that have been given to such terms in the Articles of Association of our Company. Pursuant to the SEBI ICDR Regulations, the main provisions of the Articles of Association of our Company are detailed below:

*The Articles of Association of the Company have been adopted by the Board pursuant to a resolution dated October 14, 2022 and approved by the Shareholders pursuant to a special resolution dated October 15, 2022, comprise of two parts, Part A and Part B, which parts shall, unless the context otherwise requires, co-exist with each other until listing and commencement of trading of the equity shares of the Company on a recognized stock exchange in India pursuant to an initial public offering of its equity shares ("**IPO**"). Part A shall automatically terminate and cease to have any force and effect from, and upon the earlier of the following dates: (a) within 12 months from the date of receipt of final observations on the draft red herring prospectus by SEBI or such other date for the closing of the IPO as may be mutually agreed in writing among the Parties to the Amendment Agreement dated October 18, 2022 relating to the amended and restated shareholders' agreement dated February 22, 2022 and (b) date on which the IPO is withdrawn and any offer document filed with any regulator in respect of an IPO, including any draft offer document filed with the Securities and Exchange Board of India is withdrawn. Except with respect to Articles 117, 164 and 183 in Part A, in case of inconsistency between Part A and Part B, the provisions of Part B shall prevail. Articles 164 and 183 shall prevail over provisions of the Part B. However, Part B shall automatically terminate and cease to have any force and effect from the date of receipt of final approval for trading of equity shares of the Company on the recognized stock exchanges in India subsequent to an initial public offering of the equity shares of the Company without any further action by the Company or by the Shareholders and Part A shall continue to be in effect. Further, as long as Part B remains a part of these Articles and notwithstanding what is stated elsewhere in these Articles, Part B shall be read with the Amendment Agreement dated October 18, 2022 relating to the amended and restated shareholders' agreement dated February 22, 2022.*

Part A

I. APPLICABILITY OF TABLE F

Subject as hereinafter provided and in so far as these presents do not modify or exclude them, the regulations contained in Table 'F' of Schedule I of the Companies Act, 2013, as amended, shall apply to the Company only so far as they are not inconsistent with any of the provisions contained in these Articles or modifications thereof or are not expressly or by implication excluded from these Articles.

The regulations for the management of the Company and for the observance of the members thereto and their representatives, shall, subject to any exercise of the statutory powers of the Company with reference to the deletion or alteration of or addition to its regulations by Special Resolution as prescribed or permitted by the Companies Act, 2013, as amended, be such as are contained in these Articles.

II. DEFINITIONS AND INTERPRETATION

1. In these Articles:

1.1 Unless the context otherwise requires, words or expressions contained in these Articles shall bear the same meaning as in the Act or any statutory modifications thereof in force at the date on which the Articles become binding on the Company. In these Articles:

"**Act**" means Companies Act, 2013 and any amendments, re-enactments or other statutory modifications thereof for the time being in force and rules made thereunder, as amended.

"**Alternate Director**" shall have the meaning assigned to it in Article 151 of these Articles.

"**Annual General Meeting**" means the Annual General Meeting held in accordance with Section 96 of the Act.

"Arpwood Consortium" means Arpwood Capital Private Limited, Arpwood Partners Investment Advisors LLP and Eight45 Services LLP.

"**Articles**" means the articles of association of the Company as amended from time to time in accordance with the Act.

"**Auditors" or "Auditor**" shall mean and include those persons appointed as such for the time being by the Company.

"Beneficial Owner" means the beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996, as amended.

"**Board**" or "**Board of Directors**" means the Board of Directors of the Company as constituted from time to time in accordance with the terms of these Articles.

"Board Meeting" means a meeting of the Directors duly called, constituted and held or as the case may be, the Directors assembled at a Board, or the requisite number of Directors entitled to pass a circular resolution in accordance with these Articles and the Act.

"**Company**" means SBFC FINANCE LIMITED, a company incorporated under the Companies Act, 1956.

"Chairman" or **"Chairperson"** means the chairperson of the Board of Directors for the time being of the Company or the person elected or appointed to preside over the Board and/ or General Meetings of the Company.

"Clermont" means SBFC Holdings Pte. Limited or its assignees within the group.

"**Debenture**" includes debenture stock, bonds or any other instrument evidencing a debt, whether constituting a charge on the assets of the Company, or not.

"**Depositories Act**" means the Depositories Act, 1996, as amended or any statutory modification or re-enactment thereof, the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018, as amended and other applicable law

"**Depository**" means a Depository as defined under clause (e) of sub-Section (1) of Section 2 of the Depositories Act and includes a company registered under the Act, which has been granted a Certificate of Registration under sub section 1(A) of section 12 of the Securities and Exchange Board of India Act, 1992, as amended.

"**Director**" means a director of the Board appointed from time to time in accordance with the terms of these Articles and the provisions of the Act.

"Dividend" means the dividend including the interim dividend, as defined under the Act.

"**Equity Share Capital**" means in relation to the Company, its equity Share capital within the meaning of Section 43 of the Act, as amended from time to time.

"**General Meeting**" means any duly convened meeting of the Shareholders of the Company and includes an extra-ordinary General Meeting.

"**Independent Director**" shall have the meaning assigned to the said term under the Act and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

"**INR**" or "**Rs.**" means the Indian Rupee, the currency and legal tender of the Republic of India.

"**Law**" includes all Indian statutes, enactments, acts of legislature or parliament, laws, ordinances, rules, bye-laws, regulations, notifications, guidelines, policies, directions, determinations, directives, writs, decrees, injunctions, judgments, rulings, awards, clarifications and other delegated legislations and orders of any governmental authority (including but not limited to the Reserve Bank of India Act, 1934, as amended and any applicable rules, regulations and directives of the Reserve Bank of India), statutory authority, tribunal, board, court, stock exchange or other judicial or quasi-judicial adjudicating authority and, if applicable, foreign law, international treaties, protocols and regulations.

"Managing Director" means a director who, by virtue of these Articles or an agreement with the Company or a resolution passed in the General Meeting, or by the Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

"**Member**" means a member of the Company within the meaning of sub-Section 55 of Section 2 of the Act, as amended from time to time.

"Memorandum" means the memorandum of association of the Company.

"**Ordinary Resolution**" shall have the meaning assigned to it in Section 114 of the Act.

"**Original Director**" shall have the meaning assigned to it in Article 151 of these Articles.

"**Person**" means any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, partnership, unlimited or limited liability company, joint venture, governmental authority, Hindu undivided family, trust, union, organization or any other entity that may be treated as a person under applicable Law.

"**Preference Share Capital**" means in relation to the Company, its preference Share capital within the meaning of Section 43 of the Act, as amended from time to time.

"**Proxy**" means an instrument whereby any person is authorized to vote for a member at a General Meeting on a poll and shall include an attorney duly constituted under a power-of-attorney.

"**Registrar**" or "**RoC**" or "**Registrar of Companies**" means the Registrar of Companies, Maharashtra at Mumbai.

"**RBI**" means the Reserve Bank of India.

"**Seal**" means the common seal of the Company.

"**SEBI**" means the Securities and Exchange Board of India.

"**Secretary**" or "**Company Secretary**" means company secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980, as amended, who is appointed by the Company to perform the functions of a company secretary under the Act.

"**Securities**" means and includes equity Shares, scrips, stocks, bonds, Debentures, warrants or options whether or not, directly or indirectly convertible into, or exercisable or exchangeable into or for equity Shares, and any other marketable securities as may be defined and specified under Securities Contract Regulation Act, 1956, as amended.

"**Shares**" means a share in the Share Capital of the Company and includes stock.

"**Share Capital**" means the Equity Share Capital and Preference Share Capital of any face value together with all rights, differential rights, obligations, title, interest and claim in such Shares and includes all subsequent issue of such Shares of whatever face value or description, bonus Shares, conversion Shares and Shares issued pursuant to a stock split or the exercise of any warrant, option or other convertible security of the Company.

"**Shareholder**" or "**Shareholders**" shall mean a Member(s) of the Company.

"**Special Resolution**" shall have the meaning assigned to it in Section 114 of the Act.

1.2 The terms "*writing*" or "*written*" include printing, typewriting, lithography, photography and any other mode or modes (including electronic mode) of representing or reproducing words in a legible and non-transitory form.

1.3 Any reference to a particular statute or provisions of the statute shall be construed to include reference to any rules, regulations or other subordinate legislation made under the statute and shall, unless the context otherwise requires, include any statutory amendment, modification or re-enactment thereof.

1.4 Any reference to an agreement or other document shall be construed to mean a reference to the agreement or other document, as amended or novated from time to time.

1.5 Words importing the masculine gender shall include the feminine gender and vice versa.

1.6 Words importing the singular shall include the plural, and vice versa.

1.7 The headings and titles herein are used for convenience of reference only and shall not affect the construction of these Articles.

1.8 Reference to days, months and years are to Gregorian days, months and calendar years respectively.

1.9 Notwithstanding anything contained in these Articles, any reference to a "person" in these Articles shall, unless the context otherwise requires, be construed to include a reference to a body corporate or an association, any individual, company, partnership, joint venture, firm, trust or body of individuals (whether incorporated or not).

1.10 The words "include" and "including" are to be construed without limitation.

1.11 Unless the context thereof otherwise requires, words or expressions contained in these Articles shall bear the same meaning as in the Act or any statutory modification thereof in force.

III. PUBLIC COMPANY

2 The Company is a public company within the meaning of the Act.

IV. SHARE CAPITAL AND VARIATION OF RIGHTS

3 The authorized Share Capital of the Company shall be as set out in Clause V of the Memorandum of Association with the power to increase or reduce such capital from time to time in accordance with the Articles and the legislative provisions for the time being in force in this regard and with the power also to divide the Shares in the Share Capital for the time being into Equity Share Capital and Preference Share Capital, and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions, in accordance with the provisions of the Act and these Articles.

4 Subject to the provisions of Section 62 of the Act and these Articles, the Shares in the capital of the Company for the time being shall be under the control of the Board, which may issue, allot or otherwise dispose of the Shares or any of them to such persons, in such proportion, on such terms and conditions, either at a premium or at par or at a discount (subject to compliance with Section 52 and 53 and other provisions of the Act), at such time as it may from time to time deem fit, and with the sanction of the Company in a General Meeting, to give to any person or persons the option or right to call for any Shares, either at par or premium during such time and for such consideration as the Board deems fit, and may issue and allot Shares on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business. Any Shares so allotted may be issued as fully paid-up Shares and if so issued, shall be deemed to be fully paid-up Shares. *Provided that*, the option or right to call for Shares shall not be given to any person or persons without the sanction of the Company in a General Meeting. As regards all allotments, from time to time made, the Board shall duly comply with Sections 23 and 39 of the Act, as the case may be.

5 Subject to these Articles and the provisions of the Act, the Company may, from time to time, by Ordinary Resolution, increase the Share Capital by such sum, to be divided into Shares of such amount, as may be specified in the resolution.

6 Subject to the provisions of Section 61 of the Act, the Company may from time to time by Ordinary Resolution, undertake any of the following:

6.1 consolidate and divide all or any of its Share Capital into Shares of larger amount than its existing Shares;

6.2 convert all or any of its fully paid-up Shares into stock, and reconvert that stock into fully paid-up Shares of any denomination;

6.3 sub-divide its Shares, or any of them, into Shares of smaller amount, such that the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; or

6.4 cancel any Shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any Person, and diminish the amount of its Share Capital by the amount of Shares so cancelled. A cancellation of Shares pursuant to this Article shall not be deemed to be a reduction of the Share Capital within the meaning of the Act.

7 Subject to the provisions of these Articles, the Act, other applicable Law and subject to such other approvals, permissions or sanctions as may be necessary, the Company may issue any Shares with or without differential rights upon such terms and conditions and with such rights and privileges (including with regard to voting rights and dividend) as may be permitted by the Act or the applicable Law or guidelines issued by the statutory authorities and/ or listing requirements and that the provisions of these Articles.

8 Subject to the provisions of Section 55 of the Act, any preference Shares may, with the sanction of an Special Resolution, be issued on the terms that they are, or at the option of the Company are, liable to be redeemed on such terms and in such manner as the Company before the issue of the Shares may, by Special Resolution determine.

9 The period of redemption of such preference Shares shall not exceed the maximum period for redemption provided under the Act.

10 Where at any time, it is proposed to increase its subscribed Share Capital by the allotment of further Shares then, such further Shares may be offered to:

10.1 Persons who, at the date of offer, are holders of equity Shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those Shares by sending a letter of offer subject to the following conditions, namely: (a) the offer shall be made by notice specifying the number of Shares offered and limiting a time not being less than 15 (fifteen) days, or such lesser number of days as may be prescribed under the Act, and not exceeding 30 (thirty) days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined; (b) 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 (a) shall contain a statement of this right, *provided that* the Board may decline, without assigning any reason therefore, to allot any Shares to any Person in whose favour any Member may renounce the Shares offered to him; and (c) after expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the Person to whom such notice is given that he declines to accept the Shares offered, the Board may dispose of them in such manner which is not disadvantageous to the Members and the Company;

Notwithstanding anything contained in sub-Article (i) (b) above shall be deemed to extend the time within which the offer should be accepted; or to authorize any Person to exercise the right of renunciation for a second time on the ground that the Person in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation. The notice referred to in sub-Article (i)(a) above 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 3 (three) days before the opening of the offer.

10.2 employees under a scheme of employees' stock option, subject to Special Resolution passed by the Company in a general meeting and subject to such conditions as may be prescribed under the Act and other applicable Laws; or

10.3 where no such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the company..

11 Nothing in Article 10 above 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 loan raised by the Company to convert such Debentures or loans into Shares in the Company or to subscribe for Shares in the

Company; *provided that* the terms of issue of such Debentures or loan containing such an option have been approved before the issue of such Debentures or the raising of loan by a Special Resolution adopted by the Company in a General Meeting.

12 Notwithstanding anything contained in Article 11 above, where any debentures have been issued, or loan has been obtained from any Government by our 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; p*rovided that* where the terms and conditions of such conversion are not acceptable to the Company, it may, within 60 (sixty) days from the date of communication of such order, appeal to the National Company Law Tribunal which shall after hearing the Company and the Government pass such order as it deems fit.

13 Save as otherwise provided in the Articles, the Company shall be entitled to treat the registered holder of the Shares in records of the depository as the absolute owner thereof as regards receipt of dividend or bonus or service of notices and all or any other matters connected with the Company, and accordingly, the Company shall not, except as ordered by a Court of competent jurisdiction, or as by Law required, be bound to recognize any equitable, contingent, future or other claim to or any interest in any fractional part of such Shares or any other right in respect of such Shares on the part of any other Person.

14 Any Debentures, debenture-stock or other Securities may be issued at a discount, premium or otherwise, if permissible under the Act, and may be issued on the condition that they shall be convertible into Shares of any denomination and with any privileges and conditions as to redemption, surrender, drawings, allotment of Shares, attending (but not voting) at General Meetings, appointment of Directors and otherwise. Debentures with the rights to conversion into or allotment of Shares shall not be issued except with the sanction of the Company in General Meeting by a Special Resolution and subject to the provisions of the Act.

15 The Company shall, subject to the applicable provisions of the Act, compliance with all the Laws, consent of the Board, and consent of its Shareholders' by way of Special Resolution, have the power to issue American Depository Receipts or Global Depository Receipts on such terms and in such manner as the Board deems fit including their conversion and repayment. Such terms may include at the discretion of the Board, limitations on voting by holders of American Depository Receipts or Global Depository Receipts, including without limitation, exercise of voting rights in accordance with the directions of the Board.

16 If at any time the Share Capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, subject to the provisions of Section 48 of the Act, and whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths 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 Shares of that class accordingly. To every such separate General Meeting of the holders of the Shares of that class, the provisions of these Articles relating to General Meetings shall *mutatis mutandis* apply, but so that the necessary quorum shall be at least two persons holding at least one-third of the issued Shares of the class in question.

17 The rights conferred upon the holders of the Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

18 Subject to the provisions of the Act, the Company may issue bonus Shares to its Members out of (i) its free reserves; (ii) the securities premium account; or (iii) the capital redemption reserve account, in any manner as the Board may deem fit.

19 Subject to the provisions of the Act, the Company shall have the power to make compromise or make arrangements with creditors and Members, consolidate, demerge, amalgamate or merge with other company or companies in accordance with the provisions of the Act and any other applicable Laws.

20 Subject to the provisions of the Act, the Company may, from time to time, by Special Resolution reduce in any manner and with, and subject to, any incident authorised and consent required under applicable Law:

20.1 the Share Capital;

20.2 any capital redemption reserve account; or

20.3 any securities premium account.

V. CAPITALISATION OF PROFITS

21 The Company in General Meeting may, upon the recommendation of the Board, resolve –

21.1 that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts, or to the credit of the profit and loss account or otherwise available for distribution; and

21.2 . that such sum be accordingly set free for distribution in the manner specified in Article 22 below amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.

22 The sum aforesaid shall not be paid in cash, but shall be applied, subject to the provision contained in Article 24 below, either in or towards:

22.1 paying of any amounts for the time being unpaid on any Shares held by such Members respectively; or

22.2 paying up in full, un-issued Shares of the company to be allotted and distributed, credited as fully paid, to and amongst such Members in the proportions aforesaid; or

22.3 partly in the way specified in Article 22.1 and partly in that specified in Article 22.2 above.

22.4 A securities premium account and a capital redemption reserve account may, for the purposes of this Article, only be applied in the paying up of un-issued Shares to be issued to Members of the Company as fully paid bonus Shares.

22.5 The Board shall give effect to the resolution passed by the Company in pursuance of this Article.

23 Whenever such a resolution as specified in Article 22 above is passed, the Board shall:

23.1 make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid Shares, if any; and

23.2 generally, do all acts and things required to give effect thereto.

24 The Board shall have power to:

24.1 make such provision, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, for the case of Shares or Debentures becoming distributable in fractions; and

24.2 authorise any Person to enter, on behalf of all the Members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further Shares to which they may be entitled upon such capitalisation, or (as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of profits resolved to be capitalised, of the amount or any part of the amounts remaining unpaid on their existing Shares.

25 Any agreement made under such authority shall be effective and binding on such Members.

VI. BUY-BACK OF SHARES

26 Subject to the provisions of Sections 68 to 70 and other applicable provisions of the Act or any other law for the time being in force, the Company shall have the power to buy-back its own Shares or other Securities, as it may consider necessary.

VII. COMMISSION AND BROKERAGE

27 The Company may exercise the powers of paying commissions conferred by Section 40(6) of the Act (as amended from time to time), *provided that* the rate per cent or amount of the commission paid or agreed to be paid shall be disclosed in the manner required by that section and rules made thereunder.

28 The rate or amount of the commission shall not exceed the rate or amount prescribed under the applicable rules made under Section 40(6) of the Act.

29 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.

30 The Company may also, on any issue of Shares or Debentures, pay such brokerage as may be lawful.

VIII. LIEN

31 The Company shall have a first and paramount lien upon all the Shares/ Debentures (other than fully paid up Shares/ Debentures) registered in the name of each Member (whether solely or jointly with others) to the extent of monies called or payable in respect thereof, 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 such Shares/ Debentures and no equitable interest in any Share shall be created except upon the footing and condition that this Article will have full effect. Such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares/ Debentures. Fully paid up Shares shall be free from all liens. Unless otherwise agreed, the registration of a transfer of Shares/ Debentures shall operate as a waiver of the Company's lien if any, on such Shares/ Debentures. In case of partly-paid Shares, Company's lien shall be restricted to the monies called or payable at a fixed time in respect of such Shares. *Provided that* the Board may at any time declare any Shares/ Debentures wholly or in part to be exempt from the provisions of this Article. *Provided further that* the Board of directors may at any time declare any share to be wholly or in part exempt from the provisions of this clause.

32 Subject to the provisions of the Act, 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 -

32.1 unless a sum in respect of which the lien exists is presently payable; or

32.2 until the expiration of 14 (fourteen) 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 the person entitled thereto by reason of his death or insolvency.

33 A Member shall not exercise any voting rights in respect of the Shares in regard to which the Company has exercised the right of lien.

34 To give effect to any such sale, the Board may authorise some Person to transfer the Shares sold to the purchaser thereof.

34.1 The purchaser shall be registered as the holder of the Shares comprised in any such transfer.

34.2 The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the Shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

35 The proceeds of the 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. 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.

IX. CALLS ON SHARES

36 Subject to the provisions of the Act, the Board may, from time to time, make calls upon the Members in respect of any money unpaid on their Shares (whether on account of the nominal value of the Shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times.

Provided that no call shall exceed one-fourth of the nominal value of the Share or be payable at less than one month from the date fixed for the payment of the last preceding call.

37 Each Member shall, subject to receiving at least 14 (fourteen) days' notice specifying the time or times and place of payment, pay to the Company, at the time or times and place so specified, the amount called on his Shares.

38 A call may be revoked or postponed at the discretion of the Board.

39 A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be required to be paid by instalments.

40 The joint-holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

41 If a sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the Person from whom the sum is due shall pay interest thereof from the day appointed for payment thereof to the time of actual payment at 10% (ten per cent) per annum or at such lower rate, if any, as the Board may determine. The Board shall be at liberty to waive payment of any such interest wholly or in part.

42 Any sum which by the terms of the issue of a Share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the Share or by way of premium, shall, for the purposes of these Articles, be deemed to be a call duly made and payable on the date on which by the terms of issue, such sum becomes payable. In case of non-payment of such sum, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

43 The Board may, if it thinks fit, subject to the provisions of the Section 50 of the Act, agree to and receive from any Member willing to advance the same, whole or any part of the moneys due upon the Shares held by him beyond the sums actually called for and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the Shares in respect of which such advance has been made, the Company may pay interest at twelve per cent per annum. *Provided that* money paid in advance of calls shall not confer a right to dividend or to participate in profits. The Board may at any time repay the amount so advanced.

The Member shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would, but for such payment, become presently payable.

The provisions of these Articles shall *mutatis mutandis* apply to any calls on Debentures of the Company.

44 The option or right to make calls on shares shall not be given to any person, except with the approval of the Company in the General Meeting.

X. DEMATERIALIZATION OF SHARES

45 The Company shall be entitled to treat the Person whose name appears on the register of Members as the holder of any Share or whose name appears as the beneficial owner of Shares in the records of the Depository, as the absolute owner thereof.

Provided however that provisions of the Act or these Articles relating to distinctive numbering shall not apply to the Shares of the Company, which have been dematerialized.

46 Notwithstanding anything contained herein, the Company or the investor shall be entitled to dematerialize its Shares, Debentures and other Securities with a depository pursuant to the Depositories Act and offer (in case of a Company) its Shares, Debentures and other Securities for subscription in a dematerialized form. The Company shall be further entitled to maintain a register of Members with the details of Members holding Shares both, in material and dematerialized form, in any medium as permitted by Law including any form of electronic medium. 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.

47 Every Person subscribing to the Shares offered by the Company shall receive such Shares in dematerialized form. Such a Person who is the beneficial owner of the Shares can at any time opt-out of a Depository, if permitted by the Law, in respect of any Shares in the manner provided by the Depositories Act and the regulations made thereunder and the Company shall in the manner and within the time prescribed, issue to the beneficial owner the required certificate of Shares.

48 If a Person opts to hold his Shares with a depository, the Company shall intimate such Depository the details of allotment of the Shares, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the Shares.

49 All Shares held by a Depository shall be dematerialized and shall be in a fungible form.

49.1 Notwithstanding anything to the contrary contained in the Act or the Articles, a depository shall be deemed to be the registered owner for the purposes of effecting any transfer of ownership of Shares on behalf of the beneficial owner.

49.2 Save as otherwise provided in (i) above, the depository as the registered owner of the Shares shall not have any voting rights or any other rights in respect of Shares held by it.

50 Every Person holding Shares of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be the owner of such Shares and shall also be deemed to be a Shareholder of the Company. The beneficial owner of the Shares shall be entitled to all the liabilities in respect of his Shares which are held by a Depository.

51 Notwithstanding anything in the Act or the Articles to the contrary, where Shares are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of disks, drives or any other mode as prescribed by Law from time to time.

52 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 shall apply.

XI. TRANSFER OF SHARES

53 The Securities or other interest of any Member shall be freely transferable, *provided that* any contract or arrangement between 2 (two) or more Persons in respect of transfer of Securities shall be enforceable as a contract. The instrument of transfer of any Share in the Company shall be duly executed by or on behalf of both the transferor and transferee. The transferor shall be deemed to remain a holder of the Share until the name of the transferee is entered in the register of Members in respect thereof. A common form of transfer shall be used in case of transfer of Shares. The instrument of transfer shall be in writing and shall be executed by or on behalf of both the transferor and transferee and shall be in conformity with all the provisions of Section 56 of the Act and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of Shares and the registration thereof.

54 Where Shares are converted into stock:

54.1 the holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulations under which, the Shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit; *Provided that* the Board may, from time to time, fix the minimum amount of stock transferable, so, however, that such minimum shall not exceed the nominal amount of the Shares from which the stock arose.

54.2 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.

54.3 such of the Articles of the Company as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" in these Articles shall include "stock" and "stock-holder" respectively.

55 Save as otherwise provided in the Act or any applicable Law, no transfer of a Share shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee has been delivered to the Company together with the certificate or certificates of Shares, and is no such certificate is in existence, then the letter of allotment of the Shares. Application for the registration of the transfer of a Share may be made either by the transferor or by the transferee *provided that* where such application is made by the transferor, no registration shall, in the case of a partly paid Share be affected unless the Company gives notice of the application to the transferee in the manner prescribed under the Act, and subject to the provisions of these Articles, the Company shall, unless objection is made by the transferee, within 2 (two) weeks from the date of receipt of the notice, enter in the register the name of the transferee in the same manner and subject to the same conditions as if the application for registration of the transfer was made by the transferee. On giving not less than 7 (seven) days previous notice in accordance with the Act or any other time period as may be specified by Law, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine, *provided that* such registration shall not be suspended for more than 30 (thirty) days at any one time or for more than 45 (forty-five) days in the aggregate in any year.

56 Subject to the provisions of Section 58 of the Act, these Articles, the Securities (Contracts) Regulation Act, 1956, as amended, any listing agreement entered into with any recognized stock exchange and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any Shares or interest of a Member in or Debentures of the Company. The Company shall within 1 (one) month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. *Provided that* the registration of a transfer shall not be refused on the ground of the transferor being either 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 or other securities.

57 Only fully paid Shares or Debentures shall be transferred to a minor acting through his/ her legal or natural guardian. Under no circumstances, Shares or Debentures be transferred to any insolvent or a person of unsound mind.

58 The instrument of transfer shall after registration be retained by the Company and shall remain in their custody. All instruments of transfer which the Directors may decline to register, shall on demand be returned to the persons depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company after such period as they may determine.

59 The Board may, subject to the right of appeal conferred by Section 58 of the Act decline to register—

59.1 the transfer of a Share, not being a fully paid Share, to a person of whom they do not approve; or

59.2 any transfer of Shares on which the company has a lien.

60 The Board may decline to recognize any instrument of transfer unless—

60.1 the instrument of transfer is in the form as prescribed in rules made under sub-section (1) of section 56 of the Act;

60.2 the instrument of transfer is accompanied by the certificate of the Shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and

60.3 the instrument of transfer is in respect of only one class of Shares.

61 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 documents.

62 The Company may close the register of Members or the register of debenture-holders or the register of other security holders for any period or periods not exceeding in the aggregate forty-five days in each year, but not exceeding thirty days at any one time, subject to giving of previous notice of at least 7 (seven) days or such lesser period as may be specified by SEBI.

XII. TRANSMISSION OF SHARES

63 On the death of a Member, the survivor or survivors where the Member was a joint holder of the Shares, and his nominee or nominees or legal representatives where he was a sole holder, shall be the only Person(s) recognised by the Company as having any title to his interest in the Shares. Nothing in this Article shall release the estate of the deceased joint holder from any liability in respect of any Share which had been jointly held by him with other Persons.

64 Any Person becoming entitled to a Share in consequence of the death or insolvency of a Member may, upon such evidence being produced as the Board may from time to time require, and subject as hereinafter provided, elect, either:

64.1 to be registered as holder of the Share; or

64.2 to make such transfer of the Share as the deceased or insolvent Member could have made.

All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers 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.

65 The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent Member had transferred the Share before his death or insolvency.

66 If the Person so becoming entitled shall elect to be registered as holder of the Shares, such person shall deliver or send to the Company a notice in writing signed by him stating that he so elects.

67 If the Person aforesaid shall elect to transfer the Share, he shall testify his election by executing an instrument of transfer in accordance with the provisions of these Articles relating to transfer of Shares.

68 All the limitations, restrictions and provisions contained in these Articles relating to the right to transfer and the registration of transfers 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.

69 A Person becoming entitled to a Share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the Share, except that he shall not, before being registered as a Member in respect of the Share, be entitled in respect of it to exercise any right conferred by membership in relation to the General Meetings of the Company, *provided that* the Board may, at any time, give notice requiring any such Person to elect either to be registered himself or to transfer the Share, and if the notice is not complied with within 90 (ninety) days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Share, until the requirements of the notice have been complied with.

XIII. FORFEITURE OF SHARES

70 If a Member fails to pay any call, or instalment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.

71 The notice issued under Article 70 shall:

71.1 name a further day (not being earlier than the expiry of 14 (fourteen) days from the date of service of the notice) on or before which the payment required by the notice is to be made; and

71.2 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 will be liable to be forfeited.

72 If the requirements of any such notice as aforesaid is 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.

73 A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

74 At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

75 A Person whose Shares have been forfeited shall cease to be a Member in respect of the forfeited Shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which, at the date of forfeiture, were presently payable by the Person to the Company in respect of the Shares.

76 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.

77 A duly verified declaration in writing that the declarant is a Director, the manager or the Secretary of the Company, and that a Share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all Person claiming to be entitled to the Share.

78 The Company may receive the consideration, if any, given for the Share on any sale or disposal thereof and may execute a transfer of the Share in favour of the Person to whom the Share is sold or otherwise disposed of.

79 The transferee shall thereupon be registered as the holder of the Share.

80 The transferee shall not be bound to ascertain or confirm the application of the purchase money, if any, nor shall his title to the Share be affected by any irregularity to invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.

81 The provision of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, become payable at a fixed time, whether on account of the nominal value of the Share or by way of premium, as the same had been payable by virtue of a call duly made and notified.

XIV. SHARES AND SHARE CERTIFICATES

82 The Company shall cause to be kept a register of Members in accordance with Section 88 of the Act. The Company shall be entitled to maintain in any country outside India a “foreign register” of Members or Debenture holders resident in that country.

83 A Person subscribing to Shares of the Company shall have the option either to receive certificates for such Shares or hold the Shares with a Depository in electronic form. Where the Person opts to hold any Share with the Depository, the Company shall intimate such Depository of details of allotment of the Shares to enable the Depository to enter in its records the name of such Person as the beneficial owner of such Shares.

84 Unless the Shares have been issued in dematerialized form, every person whose name is entered as a member in the register of members shall be entitled to receive within two months after incorporation, in case of subscribers to the memorandum or after allotment or within one month after the application for the registration of transfer or transmission or sub-division or consolidation or renewal of any of its Shares

as the case may be or within a period of six months from the date of allotment in the case of any allotment of Debenture or within such other period as the conditions of issue shall be provided –

84.1 one certificate for all his Shares without payment of any charges; or

84.2 several certificates, each for one or more of his Shares, upon payment of such fees as the directors may from time to time determine for each certificate after the first.

85 Every Member shall be entitled, without payment to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors so determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates, unless prohibited by any provision of law or any order of court, tribunal or other authority having jurisdiction, within two (2) months from the date of allotment unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission , sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of Shares shall be under the seal of the Company, if any, and shall specify the number and distinctive numbers of Shares to which it relates and amount paid-up thereon and shall be in such form as the directors may prescribe and approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one or several joint holders shall be a sufficient delivery to all such holders..

86 If any Share stands in the names of 2 (two) or more Persons, the Person first named in the Register of Members of the Company shall as regards voting at General Meetings, service of notice and all or any matters connected with the Company, except the transfer of Shares and any other matters herein otherwise provided, be deemed to be sole holder thereof but joint holders of the Shares shall be severally as well as jointly liable for the payment of all deposits, instalments and calls due in respect of such Shares and for all incidents thereof according to these Articles.

87 The Board may subject to the provisions of the Act, accept from any member on such terms and conditions as they think fit, a surrender of his Shares or stock or any part thereof.

88 If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer or in case of sub-division or consolidation of Shares, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deems adequate, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.50/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is not further space on the back thereof for endorsement of transfer or in case of sub-division or consolidation of Shares and debenture certificates and for subdivision of Letters of Allotment and Split, Consolidation and Renewal and Transfer Receipts into denominations of the market units of trading.

Provided that notwithstanding what is stated above, the Directors shall comply with such rules or regulations and requirements of any stock exchange or the rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956, as amended or any other act or rules applicable in this behalf.

The provisions of this Article shall *mutatis mutandis* apply to issue of certificates for any other Securities, including Debentures, of the Company.

89 The Board may, in its discretion, allow for sub-division or consolidation of Share certificates.

90 Subject to the provisions of Section 89 of the Act, a Person whose name is entered in the register of Members of the Company as the holder of the Shares but who does not hold the beneficial interest in such Shares shall file with the Company, a declaration to that effect in the form prescribed under the Act and the Company shall make necessary filings with the Registrar as may be required, within a prescribed period as set out in the Act and the rules framed thereunder.

91 Subject to provisions of Section 90 of the Act, every individual, who acting alone or together, or through one or more persons or trust, including a trust and Persons resident outside India, holds beneficial interests, of not less than twenty-five per cent. or such other percentage as may be prescribed under the Act, in Shares of the Company or the right to exercise, or the actual exercising of significant influence or control as defined in clause (27) of Section 2 of the Act, over the Company shall make a declaration to the Company, specifying the nature of his interest and other particulars, in such manner and within such period of acquisition of the beneficial interest or rights and any change thereof. The Company shall maintain a register of the interest declared by such individuals and changes therein which shall include the name of individual, his date of birth, address, details of ownership in the company and such other details as may be prescribed under the Act.

XV. SHAREHOLDERS' MEETINGS

92 An Annual General Meeting shall be held each year within the period specified by the Law. Not more than 15 (fifteen) months shall elapse between the date of one Annual General Meeting of the Company and that of the next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 96 of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called during business hours on a day that is not a national holiday (declared as such by the Central Government), and shall be held either at the registered office or at some other place within the city in which the registered office of the Company is situate, as the Board may determine. Every Member of the Company shall be entitled to attend every General Meeting either in person or by proxy.

93 All notices of, and other communications relating to, any General Meeting shall be forwarded to the Auditor of the Company, and the Auditor shall, unless otherwise exempted by the Company, attend either by himself or through his authorised representative, who shall also be qualified to be an Auditor, any General meeting and shall have right to be heard at such meeting on any part of the business which concerns him as the Auditor.

94 All General Meetings other than the Annual General Meeting shall be called extraordinary General Meetings.

95 The business of an Annual General Meeting shall be the consideration of financial statements and the reports of the Board of Directors and Auditors; the declaration of any dividend; the appointment of Directors in place of those retiring; the appointment of, and the fixing of the remuneration of, the Auditors; in the case of any other meeting, all business shall be deemed to be special.

96 No business shall be discussed at any General Meeting except election of a Chairperson while the chair is vacant.

97 The Board may, whenever it thinks fit, call an extraordinary General Meeting.

97.1 If at any time Directors capable of acting who are sufficient in number to form a quorum are not within India, any Director or any two Members of the Company may call an extraordinary General Meeting in the same manner, as nearly as possible, as that in which such a meeting may be called by the Board.

97.2 The Board shall on the requisition of such number of Member or Members of the Company as is specified in Section 100 of the Act, forthwith proceed to call an extra-ordinary General Meeting of the Company and in respect of any such requisition and of any meeting to be called pursuant thereto, all other provisions of Section 100 of the Act shall for the time being apply.

97.3 A General Meeting of the Company may be convened by giving not less than clear 21 (twenty-one) days' notice either in writing or through electronic mode in such manner as prescribed under the Act, *provided that* a General Meeting may be called after giving a shorter notice if consent is given in writing or by electronic mode by majority in number of members entitled to vote and who represent not less than 95% (ninety-five percent) of such part of the paid-up Share Capital of the Company as gives a right to vote at such General Meeting.

97.4 Notice of every General Meeting shall be given to the Members and to such other Person or Persons as required by and in accordance with Section 101 and 102 of the Act and it shall be served in the manner authorized by Section 20 of the Act.

97.5 A General Meeting may be called after giving shorter notice if consent, in writing or by electronic mode, is accorded thereto in accordance to the provisions of Section 101 of the Act. *Provided that* where any Member of the Company is entitled to vote only on some resolution or resolutions to be moved at a meeting and not on the others, those Members shall be taken into account for the purposes of this Article in respect of the former resolution or resolutions and not in respect of the latter.

97.6 Any accidental omission to give notice to, or the non-receipt of such notice by, any Member or other Person who is entitled to such notice for any meeting shall not invalidate the proceedings of the meeting.

97.7 Subject to the provisions contained under Section 115 of the Act, where, by any provision contained in the Act or in these Articles, special notice is required of any resolution, notice of the intention to move such resolution shall be given to the Company by such number of Members holding not less than one per cent of total voting power or holding Shares on which such aggregate sum not exceeding five lakh rupees, has been paid-up and the Company shall immediately after receipt of the notice, give its members notice of the resolution at least 7 (seven) days before the meeting, exclusive of the day of dispatch of notice and day of the meeting, in the same manner as it gives notice of any General Meetings.

XVI. PROCEEDINGS AT SHAREHOLDERS' MEETINGS

98 No business shall be transacted at any General Meeting, unless a quorum of Members is present at the time when the meeting proceeds to transact business.

99 Save as otherwise provided herein, the quorum for the General Meetings shall be as provided in Section 103 of the Act.

100 In the event a quorum as required herein is not present within 30 (thirty) minutes of the appointed time, then subject to the provisions of Section 103 of the Act, the General Meeting shall stand adjourned to the same place and time 7 (seven) days later or to such other date and such other time and place as the Board may determine, *provided that* the agenda for such adjourned General Meeting shall remain the same. The said General Meeting if called by requisitionists under Section 100 of the Act shall stand cancelled.

101 In case of an adjourned meeting or of a change of day, time or place of meeting, the Company shall give not less than 3 (three) days' notice to the Members either individually or by publishing an advertisement in the newspapers (one in English and one in vernacular language) which is in circulation at the place where the registered office of the Company is situated.

102 The required quorum at any adjourned General Meeting shall be the same as that required at the original General Meeting.

103 If at the adjourned meeting also a quorum is not present within 30 (thirty) minutes from the time appointed for holding such meeting, the Members present shall be the quorum and may transact the business for which the meeting was called.

104 Before or on the declaration of the results of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairperson of the meeting on his/ her own motion and shall be ordered to be taken by him/ her on a demand made in accordance with Section 109 of the Act.

105 The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

106 Notwithstanding anything contained elsewhere in these Articles, the Company:

106.1 shall, in respect of such items of business as the Central Government may, by notification, declare or which are under any other applicable Law required to be transacted only by means of postal ballot; and

106.2 may, in respect of any item of business, other than ordinary business and any business in respect of which Directors or Auditors have a right to be heard at any meeting, transact by means of postal ballot, in such manner as may be prescribed, instead of transacting such business at a General Meeting and any resolution approved by the requisite majority of the Members by means of such postal ballot, shall be deemed to have been duly passed at a General Meeting convened in that behalf and shall have effect accordingly.

107 Directors may attend and speak at General Meetings, whether or not they are Shareholders.

108 A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 113 of the Act and the Articles.

109 The Chairperson of the Board of Directors or in his absence the vice-Chairperson of the Board shall, preside as chairperson at every General Meeting, annual or extraordinary.

110 If there is no such Chairperson or if he is not present within 15 (fifteen) minutes after the time appointed for holding the General Meeting or is unwilling to act as the Chairperson of the General Meeting, the Directors present shall elect one of their members to be the Chairperson of the General Meeting.

111 If at any General Meeting no Director is willing to act as the Chairperson or if no Director is present within 15 (fifteen) minutes after the time appointed for holding the General Meeting, the Members present shall choose one of their Members to be the Chairperson of the General Meeting. If a poll is demanded on the election of the Chairperson, it shall be taken forthwith in accordance with the provisions of the Act and the Chairperson elected on show of hands, shall exercise all the powers of the Chairperson under the said provisions. If some other person is elected Chairperson as a result of the poll, he shall be the Chairperson for the rest of the meeting.

XVII. ADJOURNMENT OF MEETINGS

112 The Chairperson may, with the consent of Members at any meeting at which a quorum is present, and shall, if so directed at the meeting, adjourn the meeting, from time to time and from place to place.

113 No business shall be transacted at any adjourned General Meeting other than the business left unfinished at the meeting from which the adjournment took place.

114 When a meeting is adjourned for 30 (thirty) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

115 Save as aforesaid, and as provided in Section 103 of the Act, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

XVIII. VOTING RIGHTS

116 Subject to any rights or restrictions for the time being attached to any class or classes of Shares:

116.1 on a show of hands, every Member present in Person shall have 1 (one) vote; and

116.2 on a poll, the voting rights of Members shall be in proportion to their Share in the paid-up Share Capital.

117 The Chairperson shall not have a second or casting vote in the event of an equality of votes at General Meetings of the Company.

118 At any General Meeting, a resolution put to vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the voting on any resolution on show of hands) demanded by any Member or Members present in Person or by proxy, and having not less than one-tenth of the total voting power or holding Shares on which an aggregate sum of not less than Rs. 5,00,000 lakhs (Rupees Five Lakh) or such higher amount as may be prescribed has been paid up.

119 Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.

120 A Member may exercise his vote at a meeting by electronic means in accordance with Section 108 of the Act and shall vote only once.

121 In case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names are stated in the register of Members of the Company.

122 A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

123 No Member shall be entitled to exercise any voting rights either personally or by proxy at any General Meeting or meeting of a class of Shareholders either upon a show of hands or upon a poll in respect of any Shares registered in his/ her name on which any calls or other sums presently payable by him in respect of Shares in the Company have not been paid.

124 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 General Meeting and whether given personally or by proxy or otherwise shall be deemed valid for all purpose. Any such objection made in due time shall be referred to the Chairperson of the General Meeting whose decision shall be final and conclusive.

125 A declaration by the Chairperson of the meeting of the passing of a resolution or otherwise by show of hands and an entry to that effect in the books containing the minutes of the meeting of the Company shall be conclusive evidence of the fact of passing of such resolution or otherwise.

126 Any poll duly demanded on the question of adjournment shall be taken forthwith. A poll demanded on any other question (not being a question relating to the election of a Chairperson or adjournment of the meeting) shall be taken at such time not exceeding 48 (forty-eight) hours from the time when the demand was made, as the Chairperson may direct.

127 The Chairperson of a General Meeting, may with the consent of the meeting, adjourn the same 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.

128 The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question of which a poll has been demanded.

129 Where a poll is to be taken, the Chairperson of the meeting shall appoint two scrutinisers to scrutinise the votes given on the poll and to report thereon to him/ her in accordance with Section 109 of the Act.

130 The Chairperson shall have power, at any time before the result of the poll is declared to remove a scrutiniser from office and to fill vacancies in the office of scrutiniser arising from such removal or from any other cause.

131 Of the two scrutinisers, one shall always be a Member (not being an officer or employee of the Company) present at the meeting, provided such a Member is available and willing to be appointed.

132 The Chairperson of the meeting shall have power to regulate the manner in which a poll shall be taken.

133 The result of the poll shall be deemed to be decision of the meeting on the resolution on which the poll was taken.

134 The Chairperson of any meeting shall be the sole judge of the validity of every vote tendered at such meeting.

135 On a poll taken at meeting of the Company, a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

136 Where a resolution is passed at an adjourned meeting of the Company, the resolution shall, for all purposes, be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on any earlier date.

137 At every Annual General Meeting of the Company, there shall be laid on the table the Directors' report, audited statements of accounts, Auditor's report (if not already, incorporated in the audited statements of accounts), the proxy register with proxies and the register of Directors' holdings.

XIX. PROXY

138 Subject to the provisions of the Act and these Articles, any Member of the Company entitled to attend and vote at a General Meeting of the Company shall be entitled to appoint a proxy to attend and vote instead of himself and the proxy so appointed shall have no right to speak at the meeting.

139 The proxy shall not be entitled to vote except on a poll.

140 The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarised copy of that power or authority, shall be deposited at the registered office not less than 48 (forty-eight) hours before the time for holding the meeting or adjourned meeting at which the Person named in the instrument proposes to vote; or in the case of a poll, not less than 24 (twenty-four) hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid.

141 An instrument appointing a proxy shall be in the form as prescribed under Section 105 of the Act and the rules framed thereunder.

142 A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Shares in respect of which the proxy is given; *provided that* no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its office before the commencement of the meeting or the adjourned meeting at which the proxy is used.

XX. BOARD OF DIRECTORS

143 The business of the Company shall be managed by the Directors who may pay expenses incurred in setting up and registering the Company and may exercise all such powers of the Company as are not restricted by the Act or by these Articles. The Board may pay all expenses incurred in getting up and registering the Company.

144 The number of the Directors and the names of the first Directors shall be determined in writing by the subscribers of the Memorandum of Association or a majority of them.

145 Subject to the provisions of the Act, the number of Directors shall not be less than 3 (three) and more than 15 (fifteen), *provided that* the Company may appoint more than 15 (fifteen) directors after passing a Special Resolution. At least one Director shall reside in India for a total period of not less than 182 (one hundred and eighty-two) days in each financial year. Subject to the provisions of the Act three Independent Directors or such number of Independent Directors shall be appointed by the Board as may be required under the provisions of the applicable laws.

146 The Directors need not hold any qualification Shares in the Company.

147 Subject to the provisions of the Act, each Director shall be paid sitting fees for each meeting of the Board or a Committee thereof attended by him, subject to the ceiling prescribed under the Act.

148 The remuneration of the Directors shall, insofar as it consists of a monthly payment, be deemed to accrue from day-to-day. The Directors shall also be paid travelling and other expenses for attending and returning from meeting of the Board of Directors or any committee thereof or General Meetings of the Company (including hotel expenses) and any other expenses properly incurred by them in connection with the business of the Company. The Directors may also be remunerated for any extra services done by them outside their ordinary duties as Directors, subject to the provisions of Section 197 of the Act.

149 Subject to the applicable provisions of the Act, if any Director, being willing shall be called upon to perform extra services for the purposes of the Company, the Company shall remunerate such Director by such fixed sum or percentage of profits or otherwise as may be determined by the Directors and such remuneration may be either in addition to or in substitution for his remuneration provided above.

150 Subject to the provisions of Section 197 and the other applicable provisions of the Act, the remuneration of Directors may be fixed at a particular sum or a percentage of the net profits or partly by one way and partly by the other.

151 In the event that a Director is absent for a continuous period of not less than 3 (three) months from India (an "**Original Director**"), subject to these Articles and the Act, the Board may appoint another Director (an "**Alternate Director**"), not being a person holding any alternate directorship for any other Director or holding directorship in the Company, for and in place of the Original Director. The Alternate Director shall be entitled to receive notice of all meetings and to attend and vote at such meetings in place of the Original Director and generally to perform all functions of the Original Director in the Original Director's absence. Any Person so appointed as Alternate Director shall not hold office for a period longer than that permissible to the Original Director and shall vacate the office if and when the Original Director returns to India. No Person shall be appointed or continue as an Alternate Director to an Independent Director.

152 The office of a Director shall automatically become vacant, if he is disqualified under any of the provisions of the Act. Further, subject to the provisions of the Act, a Director may resign from his office at any time by giving a notice in writing to the Company and the Board shall on receipt of such notice take note of the same and the Company shall intimate the Registrar and also place the fact of such resignation in the report of Directors laid in the immediately following General Meeting. Such Director may also forward a copy of his resignation along with detailed reasons for the resignation to the Registrar within 30 (thirty) days of resignation. The resignation of a Director shall take effect from the date on which the notice is received by the Company or the date, if any, specified by the Director in the notice, whichever is later.

153 At any Annual General Meeting at which a Director retires, the Company may fill up the vacancy by appointing the retiring Director who is eligible for re-election or some other Person if a notice for the said purpose has been left at the office of the Company in accordance with the provisions of the Act.

154 No Person shall be appointed as a Director unless he furnishes to the Company his Director Identification Number under Section 154 of the Act or any other number as may be prescribed under Section 153 of the Act and a declaration that he is not disqualified to become a Director under the Act.

155 No Person appointed as a Director shall act as a Director unless he gives his consent to hold the office as a Director and such consent has been filed with the Registrar within 30 (thirty) days of his appointment in the manner prescribed in the Act.

156 Subject to the provisions of the Act, the Directors shall have the power, at any time and from time to time to appoint any Persons as Additional Director in addition to the existing Directors so that the total number of Directors shall not at any time exceed the number fixed for Directors in these Articles. Any Director so appointed shall hold office only until the next following Annual General Meeting or the last date on which the Annual General Meeting should have been held, whichever is earlier, but shall be eligible for re-appointment as Director.

157 The Company, may by Ordinary Resolution, of which special notice has been given in accordance with the Section 169 of the Act, remove any Director including the managing director, if any, before the expiration of the period of his office. Notwithstanding anything contained in these Articles or in any agreement between the Company and such Director, such removal shall be without prejudice to any contract of service between him and the Company.

158 If the office of any Director appointed by the Company in General Meeting, is vacated before his term of office expires in the normal course, the resulting casual vacancy may be filled up by the Board at a meeting of the Board but any Person so appointed shall retain his office so long only as the vacating Director would have retained the same if such vacancy had not occurred.

159 If at any meeting at which an election of Directors ought to take place, the places of the vacating directors are not filled up, the meeting shall stand adjourned till the same day in next week at the same time and place, and if at the adjourned meeting the place of the vacating Directors is not filled up the vacating directors or such of them as have not had their places filled, shall be deemed to have been re-elected at the adjourned meeting.

160 The Company may from time to time in General Meeting increase or reduce the number of Directors and may make any appointments necessary for affecting such increase.

161 In the event of the Company borrowing any money from any financial corporation or institution or government or any government body or a collaborator, bank, Person or Persons or from any other source, while any money remains due to them or any of them the lender concerned may have and may exercise the right and power to appoint, from time to time, any Person or Persons to be a Director or Directors of the Company and the Directors so appointed, shall not be liable to retire by rotation, subject however, to the limits prescribed by the Act. Any Person so appointed may at any time be removed from the office by the appointing authority who may from the time of such removal or in case of death or resignation of Person, appoint any other or others in his place. Any such appointment or removal shall be in writing, signed by the appointee and served on the Company. Such Director need not hold any qualification Shares.

162 The Company may take and maintain any insurance as the Board may think fit on behalf of its present and/ or former Directors and key managerial personnel for indemnifying all or any of them against any liability for any acts in relation to the Company for which they may be liable but have acted honestly or reasonably.

163 The Company may exercise the powers as prescribed under Section 88 of the Act, with regards to the keeping of a foreign register; and the Board may (subject to the provisions of the section) make and vary such Articles as it may think fit respecting the keeping of any such register.

Subject to the provisions of the Act, so long as any moneys remain owing by the Company to financial institutions regulated by the RBI, State Financial Corporation or any financial institution owned or controlled by the Central Government or State Government or any non-banking financial company regulated by the RBI or any such company from whom the Company has borrowed for the purpose of carrying on its objects or each of the above has granted any loans / or subscribes to the debentures of the Company or so long as any of the aforementioned companies of financial institutions holds or continues to hold debentures /shares in the Company as a result of underwriting or by direct subscription or private placement or so long as any liability of the Company arising out of any guarantee furnished on behalf of the Company remains outstanding, and if the loan or other agreement with such institution/ corporation/ company (the "**Corporation**") so provides, the Corporation may, in pursuance of the provisions of any law for the time being in force or of any agreement, have a right to appoint from time to time any person or persons as a Director or Directors, whether whole-time or otherwise ("**Corporation Nominee Director**") on the Board of the Company and to remove from such office any person or person so appointed and to appoint any person or persons in his place. The Corporation Nominee Director appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board meetings and of the meetings of the committee of which Corporation Nominee Director/s is/are member/s as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes. The Company may pay the Corporation Nominee Director (or the nominee appointer) sitting fees and expenses to which the other Directors of the Company are entitled.

164 Subject to the approval of the Shareholders by way of a Special Resolution in the first general meeting after the initial public offering of equity shares of the Company, Clermont and the Arpwood Consortium shall be entitled to nominate non-executive directors who shall be referred to as 'Nominee Directors'. The right to appoint nominee directors on the Board shall be subject to certain shareholding thresholds as follows:

a. So long as Clermont holds at least 30% (thirty percent) of the paid-up Share Capital on a fully diluted basis ("**Clermont Nomination Threshold 1**"), it shall be entitled to nominate 4 (four) Directors on the Board. Provided however, in the event the shareholding of the Arpwood Consortium goes below 5% (five percent) of the paid-up Share Capital on a fully diluted basis, and Clermont continues to maintain the Clermont Nomination Threshold 1, then Clermont shall be entitled to nominate 1 (one) additional nominee Director on the Board;

b. So long as Clermont holds at least 15% (fifteen percent) of the paid-up Share Capital on a fully diluted basis ("**Clermont Nomination Threshold 2**"), it shall be entitled to nominate 2 (two) Directors on the Board;

c. So long as Clermont holds at least 5% (five percent) of the paid-up Share Capital on a fully diluted basis ("**Clermont Nomination Threshold 3**"), it shall be entitled to nominate 1 (one) Director; and

d. So long as the Arpwood Consortium holds at least 5% (five percent) of the paid-up Share Capital on a fully diluted basis ("**Arpwood Nomination Threshold**"), it shall be entitled to nominate 1 (one) Director.

Provided however, if the shareholding of the Clermont goes below the Clermont Nomination Threshold 1, Clermont Nomination Threshold 2 or Clermont Nomination Threshold 3, or if the holding of the Arpwood Consortium goes below the Arpwood Nomination Threshold, then, such nomination rights as provided under this Article will be extinguished forever with respect to such Shareholder.

II. MANAGING DIRECTOR OR WHOLE TIME DIRECTOR, CHIEF EXECUTIVE OFFICER, COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

165 The Board may, from time to time, subject to Section 196 and other applicable provisions of the Act, appoint one or more of their body to the office of the managing director or whole time director for such period and on such remuneration and other terms, as they think fit and subject to the terms of any agreement entered into in any particular case, may revoke such appointment.

166 Subject to the provisions of any contract between him and the Company, the managing director/ whole-time director, shall be subject to the same provisions as to resignation and removal as the other Directors and his appointment shall automatically terminate if he ceases to be a Director.

167 Subject to the provisions of the Act, a managing director or whole time director may be paid such remuneration (whether by way of salary, commission or participation in profits or partly in one way and partly in other) as the Board may determine.

168 The Board, subject to Section 179 and any other applicable provisions of the Act, may entrust to and confer upon a managing director or whole-time director any of the powers exercisable by them upon such terms and conditions and with such transfers, as they may think fit and either collaterally with or to the exclusion of their own powers and may, from time to time, revoke, withdraw or alter or vary all or any of such powers.

169 Subject to the provisions of the Act —

(a) A chief executive officer, company secretary and chief financial officer may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit; and any chief executive officer, company secretary and chief financial officer so appointed may be removed by means of a resolution of the Board.

(b) A director may be appointed as chief executive officer, company secretary or chief financial officer. Further, an individual may be appointed or reappointed as the chairperson of the Company as well as the managing Director or chief executive officer of the Company at the same time.

(c) A provision of the Act or the Articles requiring or authorizing a thing to be done by or to a Director and chief executive officer, company secretary or chief financial officer shall not be satisfied by its being done by or to the same person acting both as a Director and as, or in place of, chief executive officer, company secretary or chief financial officer.

III. PROCEEDINGS OF THE BOARD

170 The Board may meet for the conduct of business, adjourn and otherwise regulate its meetings, as it thinks fit.

171 A Director may, and the manager or the Secretary of the Company upon the requisition of a Director shall, at any time convene a meeting of the Board.

172 Subject to the provisions the Act, the Board shall meet at least 4 (four) times in a year in such a manner that not more than 120 (one hundred and twenty) days shall intervene between 2 (two) consecutive meetings of the Board.

173 The quorum for the meeting of the Board shall be one third of its total strength or 2 (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 purpose of quorum. *Provided that* where at any time the number of interested Directors is equal to or exceeds two-thirds of the total strength of the Board, the number of remaining Directors, that is to say the number of Directors who are not interested and present at the meeting being not less than 2 (two), shall be the quorum during such time.

174 The continuing Directors may act notwithstanding any vacancy in the Board; but if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing Directors or Director may act for the purpose of increasing the number of Directors to that fixed for the quorum, or of summoning a General Meeting of the Company, but for no other purpose.

175 If quorum is found to be not present within 30 (thirty) minutes from the time when the meeting should have begun or if during the meeting, valid quorum no longer exists, the meeting shall be reconvened at the same time and at the same place 7 (seven) days later. At the reconvened meeting, the Directors present and not being less than 2 (two) Persons shall constitute the quorum and may transact the business for which the meeting was called and any resolution duly passed at such meeting shall be valid and binding on the Company.

176 Subject to the provisions of the Act allowing for shorter notice periods, a meeting of the Board shall be convened by giving not less than 7 (seven) days' notice in writing to every Director at his address registered with the Company and such notice shall be sent by hand delivery or by post or by electronic means.

177 Save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of votes.

178 The Board may elect a Chairperson for its meetings and determine the period for which he is to hold office. The Chairperson of the Board shall be an Independent Director, at all times, which Independent Director shall also be the Chairperson of the General Meeting The Board may likewise appoint a vice-chairman of the Board of Directors to preside over the meeting at which the chairman shall not be present. If at any meeting the Chairperson is not present within 5 (five) minutes after the time appointed for holding the meeting, the Directors present may choose one of their Member to be Chairperson of the meeting.

179 The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such Member or Members of its body as it thinks fit.

180 Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board.

181 A committee may elect a Chairperson of its meetings and may also determine the period for which he is to hold office. If no such Chairperson is elected, or if at any meeting the Chairperson is not present within 5 (five) minutes after the time appointed for holding the meeting, the Members present may choose one of their Members to be Chairperson of the meeting.

182 A committee may meet and adjourn as it thinks fit.

183 Questions arising at any meeting of a committee shall be determined by a majority of votes of the Directors present and in case of equality of votes the Chairman of the meeting shall not have a second or casting vote.

184 Subject to these Articles and Sections 175, 179 and other applicable provisions of the Act, a circular resolution in writing, executed by or on behalf of a majority of the Directors or members of the Committee, shall constitute a valid decision of the Board or committee thereof, as the case may be, *provided that* a draft of such resolution together with the information required to make a fully-informed good faith decision with respect to such resolution and appropriate documents required to evidence passage of such resolution, if any, was sent to all of the Directors or members of the committee (as the

case may be) at their addresses registered with the Company in India by hand delivery or by post or by courier, or through such electronic means as may be prescribed under the Act, and has been approved by a majority of the Directors or members who are entitled to vote on the resolution.

185 All acts done in any meeting of the Board or of a committee thereof or by any Person acting as a Director shall, notwithstanding that it may be afterwards discovered that his appointment was invalid by reason of any defect for disqualification or had terminated by virtue of any provisions contained in the Act, or in these Articles, be as valid as if every such Director or such Person had been duly appointed and was qualified to be a Director.

186 Subject to the provisions of the Act, no Director shall be disqualified by his office from contracting with the Company, nor shall any such contract entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided, nor shall any Director contracting or being so interested be liable to account to the Company for any profit realized by any such contract by reason only of such Director holding that office or of the fiduciary relations thereby established; *provided that* every Director who is in any way whether directly or indirectly concerned or interested in a contract or arrangement, entered into or to be entered into by or on behalf of the Company, shall disclose the nature of his concern or interest at a meeting of the Board and shall not participate in such meeting as required under Section 184 and other applicable provisions of the Act, and his presence shall not count for the purposes of forming a quorum at the time of such discussion or vote.

IV. POWERS OF THE DIRECTORS

187 The Directors shall have powers for the engagement and dismissal of managers, engineers, clerks and assistants and shall have power of general directions, management and superintendence of the business of the Company with full power or do all such acts, matters and things deemed necessary, proper or expedient for carrying on the business of the Company and to make and sign all such contracts, and other government papers and instruments that shall be necessary, proper or expedient, for the authority and direction of the Company except only such of them as by the Act or by these Articles are expressly directed to be exercised by the Members in the General Meeting.

188 Subject to Section 179 of the Act, the Directors shall have the right to delegate any of their powers covered under Section 179(3)(d) to Section 179(3)(f) to any committee of the Board, managers, or any other principal officer of the Company as they may deem fit and may at their own discretion revoke such powers.

189 The Board of Directors shall, or shall authorize Persons in their behalf, to make necessary filings with governmental authorities in accordance with the Act and other applicable Law, as may be required from time to time.

190 Subject to the provisions of the Act and these Articles, the Board shall be entitled to exercise all such powers, and to do all such acts and things as the Company is authorized to exercise and do; *provided that* the Board shall not exercise any power or do any act or thing which is directed or required, whether by the Act, or any other statute or by the Memorandum of Association or by these Articles or otherwise, to be exercised or done by the Company in a General Meeting; provided further that in exercising any such power or doing any such act or thing, the Board shall be subject to the provisions in that behalf contained in the Act or any other statute or in the Memorandum of Association of the Company or in these Articles, or in any regulations not inconsistent therewith and duly made thereunder, including regulations made by the Company in General Meeting, but no regulation made by the Company in General meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

191 Subject to the provisions of the Act and any other applicable Law for the time being in force, the Directors shall have the power, from time to time and at their discretion, to borrow, raise or secure the payment of any sum of money for and on behalf of the Company in such manner and upon such terms and conditions in all respects as they think fit and through the issue of Debentures or bonds of the Company or by mortgage or charge upon all or any of the properties of the Company both present and future including its uncalled capital then available.

192 The Directors shall have the power to open bank accounts, to sign cheques, promissory notes on behalf of the Company and to operate all banking accounts of the Company and to receive payments, make

endorsements, draw and accept negotiable instruments, *hundies* and bills or may authorise any other Person or Persons to exercise such powers.

V. BORROWING POWERS

193 Subject to the provisions of the Act, the Board may from time to time, at their discretion raise or borrow or secure the payment of any sum or sums of money for and on behalf of the Company. Any such money may be raised or the payment or repayment thereof may be secured in such manner and upon such terms and conditions in all respect as the Board may think fit by promissory notes or by opening loan or current accounts or by receiving deposits and advances at interest with or without security or otherwise and in particular by the issue of bonds, perpetual or redeemable Debentures of the Company charged upon all or any part of the property of the Company (both present and future) including its uncalled capital for the time being or by mortgaging or charging or pledging any lands, buildings, machinery, plant, goods or other property and Securities of the Company or by other means as the Board deems expedient.

194 The Board of Directors shall not, except with the consent of the Company by way of a Special Resolution, borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceeds the aggregate of paid-up Share Capital, free reserves and securities premium of the Company.

VI. DIVIDEND AND RESERVES

195 The Company in a General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.

196 Subject to the provisions of Section 123 of the Act, the Board may, from time to time, pay to the Members such interim dividends as appear to it to be justified by the profits of the Company.

197 The Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalising dividends; and pending such application, may, at a like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Board may, from time to time, think fit. The Board may also carry forward any profits which it may consider necessary not to divide, without setting them aside as a reserve.

198 Subject to the rights of Persons, if any, entitled to Shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the Shares in the Company, dividends may be declared and paid according to the amounts of the Shares.

199 No amount paid or credited as paid on a Share in advance of calls shall be treated for the purpose of these Articles as paid on the Share.

200 All dividends shall be apportioned and paid proportionately to the amounts, paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid, but if any Share is issued on terms providing that it shall rank for dividend as from a particular date such Share shall rank for dividend accordingly.

201 The Board may deduct from any dividend payable to any Member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the Shares.

202 Any dividend, interest or other monies payable in cash in respect of Shares may be paid by electronic mode or by cheque, demand draft or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of Members of the Company, or to such Person and to such address as the holder or joint holders may in writing direct.

203 Every such cheque or warrant shall be made payable to the order of the Person to whom it is sent.

204 Any one of two or more joint holders of a Share may give effectual receipts for any dividends, bonuses or other payments in respect of such Share.

205 Notice of any dividend, whether interim or otherwise, that may have been declared shall be given to the Persons entitled to Share therein in the manner mentioned in the Act.

206 No dividend shall bear interest against the Company.

207 A Shareholder can waive/ forgo the right to receive the dividend (either final and/ or interim) to which he is entitled, on some or all the equity Shares held by him in the Company. However, the Shareholder cannot waive/ forgo the right to receive the dividend (either final and/ or interim) for a part of percentage of dividend on Share(s).

208 Where a dividend has been declared by the Company but has not been paid or claimed within 30 (thirty) days from the date of the declaration to any Shareholder entitled to the payment of the dividend, the Company shall, within 7 (seven) days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the Company in that behalf in any scheduled bank to be called the 'Unpaid Dividend Account'.

209 The Company shall, within a period of ninety days of making any transfer of an amount under Article 219 to the Unpaid Dividend Account, prepare a statement containing the names, their last known addresses and the unpaid dividend to be paid to each person and place it on the website of the company, if any, and also on any other website approved by the Central Government for this purpose, in such form, manner and other particulars as may be prescribed.

210 If any default is made in transferring the total amount referred to in Article 219 or any part thereof to the Unpaid Dividend Account of the company, it shall pay, from the date of such default, interest on so much of the amount as has not been transferred to the said account, at the rate of twelve per cent. per annum and the interest accruing on such amount shall ensure to the benefit of the members of the company in proportion to the amount remaining unpaid to them.

211 Any money transferred to the 'Unpaid Dividend Account' of the Company which remains unpaid or unclaimed for a period of 7 (seven) years from the date of such transfer, shall be transferred by the Company along with the interest accrued, if any, to the Fund known as Investor Education and Protection Fund established under section 125 of the Act. There shall be no forfeiture of unclaimed dividends before the claim becomes barred by law.

212 All Shares in respect of which the Dividend has not been paid or claimed for 7 (seven) consecutive years or more shall be transferred by the Company in the name of Investor Education and Protection Fund along with a statement containing such details as may be prescribed. *Provided that*, any claimant of Shares so transferred shall be entitled to claim the transfer of Shares from Investor Education and Protection Fund in accordance with such procedure and on submission of such documents as may be prescribed.

213 The Company shall comply with the provisions of the Act in respect of any dividend remaining unpaid or unclaimed with the Company.

214 No unclaimed or unpaid dividend shall be forfeited by the Board.

VII. INSPECTION OF ACCOUNTS

215 215.1 The Board shall cause proper books of account to be maintained under Section 128 and other applicable provisions of the Act.

215.2 The Board shall, from time to time, in accordance with the Act, determine whether and to what extent and at what times and places and under what conditions or regulations all books of the Company or any of them, shall be open to the inspection of Members not being Directors.

215.3 No Member (not being a Director) or other Person shall have any right of inspecting any account book or document of the Company except as conferred by Law or authorised by the Board or by the Company in General Meetings.

215.4 Each Director shall be entitled to examine the books, accounts and records of the Company, and shall have free access, at all reasonable times and with prior written notice, to any and all properties and facilities of the Company.

VIII. SECRECY

216 Every manager, auditor, trustee, member of a Committee, officer, servant, agent, accountant or other Persons employed in the business of the Company shall, if so required by the Board, before entering upon the duties, sign a declaration pledging himself to observe strict secrecy respecting all *bona fide* transactions of the Company with its customers and the state of accounts with individuals and in matters relating thereto and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required to do so by the Directors or by any General Meeting or by the Law of the country and except so far as may be necessary in order to comply with any of the provisions in these Articles and the provisions of the Act.

IX. MEMBERS BOUND BY DOCUMENT GIVEN TO PREVIOUS HOLDERS

217 Every person, who by the operation of law, transfer or other means whatsoever, shall become entitled to any shares, shall be bound by every document in respect of such share which, previously to his name and address being entered in the Register of Members, shall have been duly served on or sent to the person from whom he derived his title to such share.

X. APPLICATION OF ASSETS

218 Subject to the provisions of the Act as to preferential payment, the assets of the Company shall, on its winding up, be applied in satisfaction of its liabilities *pari passu* and, subject to such application shall be distributed among the Members according to their rights and interests in the Company.

XXI. WINDING UP

219 Subject to the provisions of Chapter XX of the Act and rules made thereunder:

219.1 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 in kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.

219.2 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.

219.3 The liquidator may, with a 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.

220 The Company may be wound up in accordance with the Act and the Insolvency and Bankruptcy Code, 2016, as amended.

XXII. THE SEAL

221 221.1 The Board shall provide for the safe custody of the seal of the Company.

221.2 The seal shall not be affixed to any instrument except by the authority of resolution of the Board or a committee of the Board authorised by it in that behalf, and except in the presence of at least 2 (two) Directors and the Company Secretary or any other official of the Company as the Board may decide and that 2 (two) Directors and the Company Secretary or such official shall sign every instrument to which the Seal of the Company is so affixed in their presence. The Share certificates will, however, be signed and sealed in accordance with Rule 5 of the Companies (Share Capital and Debentures) Rules, 2014, as amended.

XXIII. AUDIT

222 Subject to the provisions of the Act, the Company shall appoint an Auditor at an Annual General Meeting to hold office from the conclusion of that Annual General Meeting until the conclusion of the sixth Annual General Meeting from such Annual General Meeting, and every Auditor so appointed shall be informed of his appointment within 15 days.

223 The Directors may fill up any casual vacancy in the office of the Auditors within 30 (thirty) days subject to the provisions of Section 139 and 140 of the Act and the rules framed thereunder.

224 The remuneration of the Auditors shall be fixed by the Company in the Annual General Meeting or in such manner as the Company may in the General Meeting determine.

225 The appointment, removal, remuneration, rights, obligations and duties of the Auditor shall be regulated by the provisions of this Act.

XXIV. GENERAL AUTHORITY

226 Wherever in the Act, it has been provided that the Company shall have any right, privilege or authority or that the Company cannot carry out any transaction unless the Company is so authorized by its Articles then in that case, these Articles hereby authorize and empower the Company to have such rights, privilege or authority and to carry out such transaction as have been permitted by the Act, without there being any specific Article in that behalf herein provided.

XXV. INDEMNITY

227 Every officer of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in which relief is granted to him by the court or the National Company Law Tribunal. Subject to the provisions of the Act, the Company shall procure and maintain suitable and customary directors and officers' liability insurance cover from a reputed insurance company for the Directors, for an amount of at least INR 30,000,000 per incident per Director. The amount of the insurance cover stated herein above can be increased by the Board depending upon the growth of the business of the Company and other circumstances.

PART B OF THE ARTICLES OF ASSOCIATION

Part B of the Articles of Association provide for, among other things, the rights of certain shareholders pursuant to the Shareholders' Agreement. For more details on the Shareholders' Agreement, see "*History and Certain Corporate Matters – Shareholders' agreements and other material agreements*" on page 234.

SECTION IX - OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following documents and contracts which are, or may be deemed material, have been entered or are to be entered into by our Company. These contracts, copies of which will be attached to the copy of the Red Herring Prospectus to be filed with the RoC, and also the documents for inspection referred to hereunder (i) may be inspected at the Registered and Corporate Office, from 10.00 a.m. to 5.00 p.m. on Working Days; and (ii) will also be available for inspection on the website of our Company at https://www.sbfc.com/for-investors, from the date of the Red Herring Prospectus until the Bid/Offer Closing Date (except for such agreements executed after the Bid/Offer Closing Date).

Material contracts to the Offer

1. Offer Agreement dated November 5, 2022 entered into among our Company, the Promoter Selling Shareholders and the Book Running Lead Managers.

2. Registrar Agreement dated October 21, 2022 entered into among our Company, the Promoter Selling Shareholders and the Registrar to the Offer.

3. Monitoring Agency Agreement dated [•] entered into between our Company and the Monitoring Agency.

4. Cash Escrow and Sponsor Bank Agreement dated [•] entered into among our Company, the Promoter Selling Shareholders, the Book Running Lead Managers, the Syndicate Members, the Banker(s) to the Offer, and the Registrar to the Offer.

5. Share Escrow Agreement dated [•] entered into among our Company, the Promoter Selling Shareholders, and the Share Escrow Agent.

6. Syndicate Agreement dated [•] entered into among our Company, the Promoter Selling Shareholders, the Book Running Lead Managers and Syndicate Members.

7. Underwriting Agreement dated [•] entered into among our Company, the Promoter Selling Shareholders, the Book Running Lead Managers and Syndicate Members.

Material documents

1. Certified copies of the Memorandum of Association and the Articles of Association, as amended until the date of this Draft Red Herring Prospectus.

2. Certificate of incorporation dated January 25, 2008 issued to our Company, under the name 'MAPE Finserve Private Limited' by the RoC.

3. Fresh certificate of incorporation dated August 31, 2017 issued by the RoC, consequent upon change of name from 'MAPE Finserve Private Limited' to 'Small Business Fincredit India Private Limited'.

4. Fresh certificate of incorporation dated January 13, 2020 issued by the RoC, consequent upon change of name from 'Small Business Fincredit India Private Limited' to 'SBFC Finance Private Limited'.

5. Certificate of incorporation dated September 30, 2022 issued by the RoC, consequent upon change from 'SBFC Finance Private Limited' to 'SBFC Finance Limited', upon conversion form a private company to a public company.

6. Certificate of registration dated September 24, 2008 granted by the RBI bearing registration number N-13.01913, to our Company under the former name 'MAPE Finserve Private Limited', pursuant to which our Company is allowed to carry on the business of a non-banking financial institution without accepting public deposits, subject to the conditions mentioned therein.

7. Certificate of registration dated September 21, 2017 granted by the RBI bearing registration number N-13.01913 to our Company under the former name 'Small Business Fincredit India Private 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.

8. Certificate of registration dated January 23, 2020 granted by the RBI bearing registration number N-13.01913 to our Company under the former name 'SBFC Finance Private 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.

9. Fresh certificate of registration dated October 19, 2022 granted by the RBI bearing registration number N-13.01913, pursuant to a change of name of our Company from 'SBFC Finance Private Limited' to SBFC 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.

10. Copies of the annual reports of the Company as of and for the Financial Years ended March 31, 2022, March 31, 2021 and March 31, 2020.

11. Resolution dated October 14, 2022 passed by the Board authorising the Offer and other related matters.

12. Resolution dated October 15, 2022 passed by the Shareholders authorising the Fresh Issue and other related matters.

13. Consent letters and resolutions passed by the respective boards of directors/ authorizations, as applicable, of the Promoter Selling Shareholders for participation in the Offer for Sale, as detailed in "*The Offer*" on page 65.

14. Resolution dated November 4, 2022 passed by the Board, approving this Draft Red Herring Prospectus.

15. Resolution of the IPO Committee dated November 5, 2022, approving this Draft Red Herring Prospectus.

16. Resolution dated October 14, 2022, passed by the Board, approving the compensation payable to Aseem Dhru, our Managing Director and Chief Executive Officer.

17. Report titled "*Analysis of NBFC sector and select asset classes in India*" dated November, 2022 issued by CRISIL, which has been commissioned exclusively for the purposes of the Offer for an agreed fee and is available on the website of our Company at https://www.sbfc.com/for-investors.

18. Consent letter dated November 5, 2022 issued by CRISIL with respect to the report titled "*Analysis of NBFC sector and select asset classes in India*" dated November, 2022.

19. The examination report dated November 3, 2022 of the Statutory Auditors on the Restated Financial Information.

20. The report dated November 5, 2022 of the Statutory Auditors, on the statement of possible special tax benefits.

21. Consent from the Statutory Auditors, M/s Suresh Surana & Associates LLP, Chartered Accountants, to include their name as the current statutory auditors of our Company and be named as an "expert" in their capacity as an auditor and in respect of (i) the examination report dated November 3, 2022 on the Restated Financial Information, and (ii) the report dated November 5, 2022 on the statement of possible special tax benefits, included in this Draft Red Herring Prospectus.

22. Consent from S K Patodia & Associates, Chartered Accountants, dated November 5, 2022, to include its name as an "expert" under Section 2(38) of the Companies Act, 2013, and other applicable provisions of the Companies Act, 2013 in its capacity as an independent chartered accountant, in respect of the certificates dated November 5, 2022.

23. Consents of the Book Running Lead Managers, the Registrar to the Offer, the legal counsel to the Company as to Indian law, legal counsel to the Clermont Group as to Indian law, legal counsel to the Book Running Lead Managers as to Indian law, the legal counsel to the Book Running Lead Managers as to international law, the Directors and the Company Secretary and Compliance Officer to act in their respective capacities.

24. Business Transfer Agreement dated August 1, 2017 by and amongst Company (then named MAPE Finserve Private Limited), Karvy Financial Services Limited and Karvy Stock Broking Limited.

25. Amended and Restated Shareholders' agreement dated February 22, 2022, by and amongst our Company, Arpwood Partners Investment Advisors LLP, Arpwood Capital Private Limited, Eight45 Services LLP, SBFC Holdings Pte. Ltd., Malabar India Fund Limited, Malabar Select Fund and Malabar Midcap Fund read with the amendment agreement dated October 18, 2022 entered into between the aforementioned parties.

26. Tripartite agreement dated August 30, 2022, among our Company, NSDL and the Registrar to the Offer.

27. Tripartite agreement dated August 6, 2022, among our Company, CDSL and the Registrar to the Offer.

28. Due diligence certificate to SEBI from the Book Running Lead Managers dated November 5, 2022.

29. In-principle listing approvals dated [•] and [•] from BSE and NSE, respectively.

30. Final observations letter bearing number [•] dated [•] issued by SEBI.

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders, subject to compliance with the provisions contained in the Companies Act, 2013 and other relevant statutes.

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with, and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, the SCRA and the SEBI Act, each as amended, or the rules, regulations or guidelines notified thereunder, as the case may be. I further certify that all the statements made in this Draft Red Herring Prospectus are true and correct.

SIGNED BY

____

Neeraj Swaroop
Independent Director and Chairperson
Place: Mumbai
Date: November 5, 2022

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with, and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, the SCRA and the SEBI Act, each as amended, or the rules, regulations or guidelines notified thereunder, as the case may be. I further certify that all the statements made in this Draft Red Herring Prospectus are true and correct.

SIGNED BY

Aseem Dhru
Managing Director and CEO
Place: Mumbai
Date: November 5, 2022

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with, and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, the SCRA and the SEBI Act, each as amended, or the rules, regulations or guidelines notified thereunder, as the case may be. I further certify that all the statements made in this Draft Red Herring Prospectus are true and correct.

SIGNED BY

Amol Jain
Non-Executive Director
Place: Mumbai
Date: November 5, 2022

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with, and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, the SCRA and the SEBI Act, each as amended, or the rules, regulations or guidelines notified thereunder, as the case may be. I further certify that all the statements made in this Draft Red Herring Prospectus are true and correct.

SIGNED BY

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Arjun Sakhuja
Non-Executive Nominee Director
Place: UAE
Date: November 5, 2022

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with, and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, the SCRA and the SEBI Act, each as amended, or the rules, regulations or guidelines notified thereunder, as the case may be. I further certify that all the statements made in this Draft Red Herring Prospectus are true and correct.

SIGNED BY

John Mescall
Non-Executive Nominee Director
Place: Dubai, UAE
Date: November 5, 2022

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with, and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, the SCRA and the SEBI Act, each as amended, or the rules, regulations or guidelines notified thereunder, as the case may be. I further certify that all the statements made in this Draft Red Herring Prospectus are true and correct.

SIGNED BY

Jonathan Tadeusz Tatur
Non-Executive Nominee Director
Place: Samui, Thailand
Date: November 5, 2022

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with, and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, the SCRA and the SEBI Act, each as amended, or the rules, regulations or guidelines notified thereunder, as the case may be. I further certify that all the statements made in this Draft Red Herring Prospectus are true and correct.

SIGNED BY

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Rajesh Mannalal Agrawal
Independent Director
Place: Mumbai
Date: November 5, 2022

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with, and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, the SCRA and the SEBI Act, each as amended, or the rules, regulations or guidelines notified thereunder, as the case may be. I further certify that all the statements made in this Draft Red Herring Prospectus are true and correct.

SIGNED BY

Surekha Marandi
Independent Director
Place: Mumbai
Date: November 5, 2022

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with, and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, the SCRA and the SEBI Act, each as amended, or the rules, regulations or guidelines notified thereunder, as the case may be. I further certify that all the statements made in this Draft Red Herring Prospectus are true and correct.

SIGNED BY

Robin Banerjee
Independent Director
Place: Mumbai
Date: November 5, 2022

DECLARATION

I hereby certify and declare that all relevant provisions of the Companies Act, 2013 and the rules, regulations and guidelines issued by the Government of India, or the regulations or guidelines issued by SEBI, established under Section 3 of the SEBI Act, as the case may be, have been complied with, and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 2013, the SCRA and the SEBI Act, each as amended, or the rules, regulations or guidelines notified thereunder, as the case may be. I further certify that all the statements made in this Draft Red Herring Prospectus are true and correct.

SIGNED BY

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Narayan Barasia
Chief Financial Officer
Place: Mumbai
Date: November 5, 2022

DECLARATION

SBFC Holdings Pte. Ltd., hereby confirms that all statements and undertakings specifically made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself as a Promoter Selling Shareholder and its portion of the Offered Shares, are true and correct. SBFC Holdings Pte. Ltd. assumes no responsibility for any other statements, disclosures or undertakings including, any of the statements made or confirmed by or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF SBFC HOLDINGS PTE. LTD.

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Name: John Mescall
Designation: Director
Place: Dubai, UAE
Date: November 5, 2022

DECLARATION

Arpwood Capital Private Limited, hereby confirms that all statements and undertakings specifically made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Arpwood Capital Private Limited assumes no responsibility for any other statements, disclosure or undertakings including, any of the statements made or confirmed by or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF ARPWOOD CAPITAL PRIVATE LIMITED

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Name: Raj Kataria
Designation: Director
Place: Mumbai
Date: November 5, 2022

DECLARATION

Arpwood Partners Investment Advisors LLP, hereby confirms that all statements and undertakings specifically made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Arpwood Partners Investment Advisors LLP assumes no responsibility for any other statements, disclosure or undertakings including, any of the statements made or confirmed by or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF ARPWOOD PARTNERS INVESTMENT ADVISORS LLP

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Name: Amol Jain
Designation: Designated Partner
Place: Mumbai
Date: November 5, 2022

DECLARATION

Eight45 Services LLP, hereby confirms that all statements and undertakings specifically made or confirmed by it in this Draft Red Herring Prospectus about or in relation to itself as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Eight45 Services LLP assumes no responsibility for any other statements, disclosure or undertakings including, any of the statements made or confirmed by or relating to the Company or any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

FOR AND ON BEHALF OF EIGHT45 SERVICES LLP

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Name: Amol Jain
Designation: Designated Partner
Place: Mumbai
Date: November 5, 2022

ANNEXURE A – US RESALE LETTER

[On the letterhead of an investor who is a U.S. Person or a person in the United States; to be executed after resale of the Equity Shares outside the United States which was not consummated on the BSE or the NSE; to be delivered to the Company prior to the settlement of any sale or other transfer of Shares]

SBFC FINANCE LIMITED
Unit 103, C&B Square
Sangam Carnival Cinemas
Chakala, Andheri East
Mumbai 400059
Maharashtra, India

Ladies and Gentlemen:

This letter ("**Resale Letter**") relates to the sale or other transfer by us of equity shares (the "**Shares**") of the Company, which is required to be in an "**offshore transaction**" pursuant to Regulation S ("**Regulation S**") under the Securities Act of 1933, as amended (the "**U.S. Securities Act**"). Terms used in this Resale Letter are used as defined in Regulation S, except as otherwise stated herein.

We hereby represent and warrant to you as follows:

(a) We previously purchased the Shares for our own account (or for one or more beneficial owners for which we have acted as fiduciary or agent, with complete investment discretion and with authority to bind each such person), as both a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act) and a "qualified purchaser" (as defined in Section 2(a)(51) and related rules of the Investment Company Act of 1940, as amended, and the rules thereunder (the "U.S. Investment Company Act"). We understand that the Shares have not been and will not be registered under the US Securities Act and that the Company has not registered and will not register as an investment company under the U.S. Investment Company Act).

(b) The offer and sale of the Shares by us was not made to a person in the United States or to a U.S. Person (as defined in Regulation S).

(c) Either:

(i) at the time the buy order for the sale of the Shares by us was originated, the buyer was outside the United States or we and any person acting on our behalf reasonably believed that the buyer was outside the United States; or

(ii) the transfer of the Shares by us was executed in, on or through the facilities of the [•] Stock Exchange or the [•] Stock Exchange, and neither we nor any person acting on our behalf has reason to believe that the transaction was pre-arranged with a buyer in the United States.

(d) Neither we, nor any of our affiliates, nor any person acting on our or their behalf, has made any directed selling efforts (as such term is defined in Regulation S) in the United States with respect to the Equity Sha res.

(e) The transfer of the Equity Shares by us was not and is not part of a plan or scheme to evade the registration requirements of the U.S. Securities Act or the U.S. Investment Company Act.

(f) None of the Company, any of its agents nor any of their respective affiliates participated in the sale of the Equity Shares by us.

(g) We agree that the Company, its agents and their respective affiliates may rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

Where there are joint transferors, each must sign this US Resale Letter. A US Resale Letter of a corporation must be signed by an authorized officer or be completed otherwise in accordance with such corporation's constitution (and evidence of such authority may be required).

Yours sincerely,

(Name of Transferor)
By:
Title:
Date