DIRECTORS' REPORT

TO
THE MEMBERS OF
KKR INDIA FINANCIAL SERVICES LIMITED

The Board of Directors of KKR India Financial Services Limited ("Company") present the Twenty Sixth Annual Report on the business and operations of the Company for the Financial Year ("FY") ended March 31, 2021. This was an unprecedented year, with the Covid-19 pandemic affecting the businesses and individuals in India and across the world. Lockdown and restrictions imposed on various activities due to the pandemic called for extraordinary changes in the way operations were managed by the Company.

FINANCIAL RESULTS

The Company's financial results for the FY ended March 31, 2021, as compared to previous FY ended March 31, 2020 are summarized in the table below:

(**Rupees in million)**

Particulars	**FY 2020-21**	**FY 2019-20**
Revenue from Operations	3,903.64	7,374.63
Other Income	235.95	2.70
Total Income	**4,139.59**	**7,377.33**
Profit before depreciation & Amortization and taxes	**368.78**	**(16,361.64)**
Depreciation and Amortization Expenses	**28.46**	**23.17**
Profit/ (loss) before Tax	**340.32**	**(16,384.81)**
Provision for Taxation (net)	1,734.33	(3,826.43)
Net Loss after Tax	(1,394.01)	(12,558.38)
Other Comprehensive Income	2.02	(3.46)
Total comprehensive income	**(1,391.99)**	**(12,561.84)**
Add: Balance brought forward	**(6,555.87)**	**6,005.97**
Amount available for appropriations	**(7,947.86)**	**(6,555.87)**
Appropriations:		
Transfer to Reserve fund under section 45-IC of the Reserve Bank of India Act, 1934	**Nil**	**Nil**
Dividend Paid	**Nil**	**Nil**
Dividend Tax thereon	**Nil**	**Nil**
Transfer to General Reserve	**Nil**	**Nil**
Balance carried forward to profit loss account	**(7,947.86)**	**(6,555.87)**

STATEMENT OF COMPANY'S AFFAIRS

The Company was incorporated as a private limited company on February 03, 1995 under the provisions of the Companies Act, 1956. In order to facilitate business plans, the Company was converted to a public limited company effective July 24, 2019. The Audited Financial Statements have been prepared in accordance with the requirements of the Companies (Indian Accounting Standards) Rules, 2015 "**Ind AS**" read with Section 133 of the Companies Act 2013 (**"Act**"). The Company being Non-Deposit Systemically Important Non-Banking Financial Company follows the RBI Master Directions with regards to various disclosures to be made in the audited accounts.

Revenue from operations of the Company for FY 2020-21 has been INR 3,903.64 million, as against INR 7,374.63 million in the previous FY. During the FY end, the Company has reported loss after tax amounting to INR 1,394.01 million as against the loss after tax of INR 12,558.38 million in the previous FY.

With the challenges in the non-banking financial sector-continuing, credit squeeze, several regulatory changes, the sector is expected to innovate and experiment to adapt to the changes. The Company witnessed a moderate scale of operations in FY 2020-21. With the Company's prudent systems, sound processes, conservative leverage philosophy, focus on prudent liquidity management, the Company during the year has adopted a cautious approach to new lending and, is striving to maintain a balanced and diversified portfolio across its credit segment.

CHANGE IN THE NATURE OF BUSINESS:

During the year under review, there has been no change in the nature of business of your Company.

LOANS AND INVESTMENTS

During the year under review, the Company's total outstanding loans and investments stood at INR 13,886.22 million at March 31, 2021 as against INR 33,549.19 million during the year ended March 31, 2020. The details of the same are reported in the Audited Financial Statements.

The Company has Nil Non-Performing Assets as on March 31, 2021.

FINANCE

During the year under review, the Company has not availed any new sanctions for its borrowings through bank loans. The total outstanding amount as on March 31, 2021 is INR 12,557.13 million as against INR 28,965.85 million as on March 31, 2020. The debt equity ratio of the Company as on March 31, 2021 is 1.17 times as against 2.39 times as on March 31, 2020. The Company has been regular in servicing all its debt obligations. Basis the consent received from the holders of the Non-Convertible Debentures (NCDs) of the Issuance maturing on July 9, 2020, October 4, 2020, March 14, 2021 and April 14, 2021, the Company has prepaid the NCDs having face value of INR 700 million in June 2020, face value of INR 1,000 million in August 2020, face of INR 450 million in October 2020 and face value of INR 750 million in March 2021 respectively.

As per Ind AS 109, the company is required to apply Expected Credit Loss (ECL) model on loans and trade receivables based on assessment of level of credit risk and recognize the impairment allowance. Consequent to this, the impairment on financial instruments stood at INR (1,866.19) million during the year as against INR 12,000.11 million during the previous year.

CAPITAL ADEQUACY

The Company is well capitalized and has a capital adequacy ratio of 53.42% as at March 31, 2021, compared to 21.13% in the previous FY ended March 30, 2020 and is significantly above the norms prescribed by RBI for Systemically Important Non-Banking Financial Company.

AMOUNT CARRIED TO RESERVES

Section 45-IC of the Reserve Bank of India Act, 1934 requires Non-Banking Finance Companies to transfer an amount not less than 20% of its net profit to Special Reserve Fund. In view of the losses during the year, the Company has not transferred any amount to the Special Reserve Fund for the year ended March 31, 2021 (Previous year amount was INR Nil mm).

EFFECT OF COVID-19 ON THE OVERALL PERFORMANCE OF NBFC VIS-VIS COMPANY

During the year under review, the COVID 19 pandemic developed rapidly into a global crisis and has caused a huge disruption creating an unprecedented impact on the financial well-being of nations, corporations and individuals. This forced the Government of India to lockdown all economic activities. A detailed discussion on impact of COVID-19 on the NBFC sector and operations of the Company is covered in the 'Management Discussion and Analysis.'

MORATORIUM OF LOANS

In accordance with the guidelines on the COVID-19 Regulatory Package announced by Reserve Bank of India, vide Circular No. DOR.No.BP.BC.47/21.04.048/2019-20 on March 27, 2020 and April 17, 2020 and the Board approved Moratorium Policy, the Company has granted a moratorium of upto 6 months on the repayment of principal and/or interest installment, as applicable, falling due between March 2020 and August 2020 to certain Borrowers.

Further in conformity with the judgement by the Hon'ble Supreme Court of India in the matter of Small- Scale Industrial Manufacturers Association vs UOI & Ors. and other connected matters on March 23, 2021 and as per the methodology given by IBA vide their Notification (CIB/ADV/MBR/9833) dated April 19, 2021, the Company has decided to refund Interest on interest/compound interest/penal interest, if any charged during the moratorium period.

REGISTRATION WITH RESERVE BANK OF INDIA

The Company continues to hold the registration with the Reserve Bank of India (RBI) as a Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Company, as the total assets of the Company are in excess of INR 500 crore.

AMOUNT CARRIED TO DEBENTURE REDEMPTION RESERVE

Pursuant to Rule 18(7) (c) of the Companies (Share Capital and Debentures) Rules, 2014, the Company is not required to maintain Debenture Redemption Reserve since the Company has issued privately placed debentures.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report forms an integral part of this Directors' Report and is set out in **'Annexure A'**.

ANNUAL RETURN

The Annual Return in Form MGT-7 for the FY ended March 31, 2021, is hosted on the Company's website at the web link: www.kkr.com/nbfc.

SUBSIDIARY/ JOINT VENTURE/ ASSOCIATE COMPANY

The Company does not have any Subsidiary, Joint Venture or Associate Companies in accordance with the provisions of the Act, and hence, disclosure regarding the same is not applicable.

CREDIT RATING

During FY 2020-21, the rating agencies CRISIL Limited (CRISIL) have reaffirmed / issued the following ratings for the various facilities availed by the Company, the details of which are as below:

Instruments	Amount	Ratings	Date
Long Term Rating	INR 3,400 crore	CRISIL AA/Stable (Reaffirmed)	May 2020
Non-Convertible Debentures	INR 3,100 crore	CRISIL AA/Stable (Reaffirmed)	May 2020
Commercial Paper	INR 500 crore	CRISIL A1+ (Reaffirmed)	May 2020

DIVIDEND

The Board of Directors has not recommended any dividend on the Equity Shares of the Company for the FY ended March 31, 2021.

TRANSFER OF AMOUNT TO INVESTOR EDUCATION AND PROTECTION FUND

During the year under review, the Company did not have any amount lying unpaid or unclaimed for a period of seven years, as contemplated under Section 125 of the Act and hence no amount was transferred to Investor Education and Protection Fund (IEPF).

SHARE CAPITAL

Authorized Share Capital:

As on March 31, 2021, the Authorized Share Capital (“ASC”) of the Company stood at INR 5,000,000,000 comprising of 500,000,000 Equity Shares of INR 10/- each.

Issued, Subscribed and Paid-up Share Capital:

As on March 31, 2021, the Issued, Subscribed and Paid up Share Capital of the Company stood at Rs. 4,602,265,380 comprising of 460,226,538 fully paid-up equity Shares of face value of INR 10/- each. KKR Capital Markets India Private Limited, holding company and its nominees hold the equity share capital of the Company and as required under the provisions of Act, the said shares are held in dematerialized form.

The Company has not issued shares under ESOP or as Sweat Equity to its employees.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

The Board comprises of the following Directors as on March 31, 2021:

Name	DIN	Designation
Mr. Jigar Shah	08496153	Whole time Director and Key Managerial Personnel
Mr. Anil Nagu	00110529	Executive Director, Chief Financial Officer and Key Managerial Personnel
Mr. Brian Wesley Dillard	08626376	Non-Executive Director
Mr. Karthik Krishna	06993503	Independent Non-Executive Director
Ms. Aparna Ravi	07935533	Independent Non-Executive Director

The following changes were made in the composition of the Board of Directors of the Company as on date of this Report:

a) Directors Appointments/Re-designation/Cessation:

- The following Directors resigned from the Board during the FY 2020-21:

Name of the Director	Position	Date of Retirement
Ms. Diane Raposio	Non- Executive Director	June 29, 2020
Mr. Sanjay Nayar	Managing Director	December 30, 2020

The Board of Directors places their sincere appreciation and gratitude for the valuable contribution appreciation made by Ms. Diane Raposio and Mr. Sanjay Nayar during their tenure to the growth and success of the Company.

- Mr. Karthik Krishna’s appointment as an Independent Director was regularized/approved by the Shareholders of the Company at the 25th Annual General Meeting held on September 29, 2020 for a period of five years with effect from March 12, 2020.

- Mr. Brian Dillard’s appointment was regularized/approved by the Shareholders of the Company at the 25th Annual General Meeting held on September 29, 2020 as a Non-Executive Director of the

Company.

- Ms. Aparna Ravi was appointed as an Additional Non-Executive Director with effect from February 24, 2021 and in accordance with the applicable provisions of the Act, Ms. Aparna Ravi holds office upto the date of ensuing Annual General Meeting of the Company. The Company has received in writing a notice from Member proposing her candidature for the office of Director in terms of Section 160(1) of the Act. Further, subject to the approval of the Shareholders of the Company, Ms. Aparna Ravi was also appointed as Independent Non- Executive Director with effect from February 24, 2021 for a period of five years not liable to retire by rotation from the date of appointment.

In the opinion of the Board, Ms. Aparna Ravi is person of high integrity and possess relevant experience and expertise to be appointed /reappointed as Independent Non-Executive Director of the Company and she fulfils the conditions specified in the Act and the Rules made thereunder and is Independent of the management. Brief profile of Ms. Aparna Ravi, proposed to be appointed / reappointed along with her experience and specific areas of expertise is annexed to the Notice convening Annual General Meeting. In accordance with the applicable provisions of the Act, the approval of the shareholders will be sought at the ensuing Annual General Meeting of the Company for the appointment of Ms. Aparna Ravi as an Independent Non- Executive Director, not liable by rotation, for a term of five years commencing from February 24, 2021 to February 23, 2026.

b) Director liable to retire by Rotation

Pursuant to the provisions of Section 152 of the Act and the Articles of Association of the Company, Mr. Anil Nagu will retire by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for reappointment.

Necessary details for re-appointment as required under the Act is given in the notice of ensuing Annual General Meeting.

c) Declaration by Directors

Each of the Directors of the Company have confirmed that they satisfy the “fit and proper” criteria as prescribed under Chapter XI of RBI Master Direction No. DNBR. PD. 008/ 03.10.119/2016-17 dated 1st September, 2016 (as amended from time to time) and that they are not disqualified from being appointed/ continuing as Directors in terms of section 164(2) of the Act.

The Board of Directors has confirmed that all existing Directors are fit and proper to continue to hold the appointment as Directors on the Board, as reviewed and recommended by the Nomination and Remuneration Committee on fit and proper criteria under RBI Master Directions.

d) Declaration by Independent Directors

The Company has received necessary declaration from each of the Independent Directors of the Company under Section 149(7) of the Act read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules 2014 that the Independent Directors of the Company meet with the criteria of their Independence laid down in Section 149(6) of the Act and also affirmed compliance to the code of conduct for independent directors as prescribed in Schedule IV to the Act.

Further, the Independent Directors have also confirmed the compliance with respect to sub rule (1) and sub-rule (2) of the Companies (Appointment and Qualifications of Directors) Rules, 2014 and during the year there has been no circumstance affecting their status as an Independent Director of the Company.

In accordance with the provisions of Section 150 of the Act read with the applicable Rules made thereunder, the Independent Directors of the Company have registered themselves in the data bank of Independent Directors maintained by the Indian Institute of Corporate Affairs, Manesar.

During the FY 2020-21, sitting fee of INR 100,000 per meeting was paid to Independent Directors of the Company for every meeting of the Board and/or Committee of the Board attended by them.

e) Key Managerial Personnel

Pursuant to the provisions of Sections 2(51) and 203 of the Act read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the following officials are the Key Managerial Personnel of the Company as on March 31, 2021 as well as on date of this report:

Name	**Designation**
Mr. Jigar Shah	Whole-time Director
Mr. Anil Nagu	Executive Director and Chief Financial Officer
Mr. Binoy Parikh	Company Secretary

During the year under review, the following changes took place in the Key Managerial Personnel of the Company:

- Mr. Binoy Parikh was appointed as Company Secretary and Key Managerial Personnel of the Company with effect from July 1, 2020 in place of Ms. Parul Sarda who ceased to be Company Secretary and Key Managerial Personnel with effect from June 30, 2020. Mr. Binoy Parikh was also appointed as Company Secretary and Key Managerial Personnel of the holding Company KKR Capital Markets India Private Limited with effect from July 1, 2020.

- The Shareholders in their Annual General Meeting held on September 29, 2020 approved re-designation of Mr. Anil Nagu from the position of Non-Executive Director to Executive Director of the Company with effect from September 29, 2020.

- The Shareholders in their Annual General Meeting held on September 29, 2020 approved appointment of Mr. Jigar Shah (DIN: 08496153) as the Whole Time Director and Key Managerial Personnel of the Company for a period of 5 (five) years with effect from December 10, 2019, not liable to retire by rotation.

- The Shareholders in their Annual General Meeting held on September 29, 2020 approved re-designation of Mr. Sanjay Nayar as Managing Director and Key Managerial Personnel with effect from December 10, 2019 for a period of five years. However, Mr. Sanjay Nayar ceased as Managing Director and Key Managerial Personnel with effect from December 30, 2020.

Mr. Anil Nagu does not draw any remuneration as Executive Director or Chief Financial Officer of the Company, However, he continues to be a Whole Time Director of holding Company M/s KKR Capital Markets Private Limited and he draws remuneration from the holding Company. The Remuneration payable to him is in accordance with the provisions of the Act and Rules made thereunder.

f) Board Diversity

The Company recognizes and embraces the importance of a diverse Board in its success. The Company believes that a truly diverse Board will leverage difference in thought, perspective, knowledge, skills, regional and industry experience, cultural and geographical backgrounds, age, ethnicity, race, gender that will help us retain our competitive advantage.

MEETINGS OF THE BOARD

During the FY 2020-21, the Board met five times on June 29, 2020, September 17, 2020, December 14, 2020, February 25, 2021 and March 24, 2021. The necessary quorum was present for all the Meetings and the maximum interval between any two meetings did not exceed 120 days.

Attendance record of Directors:

	Name of the Director	Category	No of Board Meeting attended	Whether attended AGM held on September 30, 2020
1.	Mr. Sanjay Nayar[1]	Managing Director	3 of 3	Yes
2.	Mr. Anil Nagu	Executive Director	5 of 5	Yes
3.	Mr. Jigar Shah	Whole-Time Director	5 of 5	Yes
4.	Mr. Brian Wesley Dillard	Non-Executive Director	5 of 5	Not applicable
5.	Mr. Karthik Krishna	Independent Director	5 of 5	Yes
6.	Ms. Aparna Ravi[2]	Independent Director	2 of 2	Not applicable

1. Mr. Sanjay Nayar ceased to be Managing Director w.e.f. December 30, 2020.

2. Ms. Aparna Ravi was appointed as an Independent Director w.e.f February 24, 2021

COMMITTEES OF THE BOARD

The Board has constituted the various following committees to support the Directors in discharging its responsibilities and ensure expedient resolution of diverse matters in accordance with the applicable provisions of the Act and RBI regulations:

1. Audit Committee
2. Asset Liability Management Committee
3. Risk Management Committee
4. Nomination Committee
5. Corporate Social Responsibility Committee
6. Investment and Credit Committee

7. Internal Complaints Committee
8. IT Strategy Committee
9. Information Technology Steering Committee
10. Borrowing Committee

The Company Secretary act as the Secretary of all the aforementioned Committees. The Board of Directors and the Committees also take decisions by circular resolutions, which are noted by the Board / respective Committees of the Board at their next meetings. Board notes the Minutes of meetings of all Committees at regular intervals.

The details of formation, constitution, terms of reference, meeting held and attendance of the Members is annexed as **'Annexure B'** with this report.

EVALUATION OF DIRECTORS, BOARD AND COMMITTEE

The Board of Directors for evaluating the effectiveness of its functioning, that of the Committees and of the individual Directors circulated following structured questionnaire, taking into consideration various aspects of the Board's functioning and Directors role and responsibilities:

- Self-Assessment;
- Evaluation of the Board as a whole;
- Chairperson of the Board; and
- Committee evaluation

Basis the filled in structured questionnaire / assessment template received from each of the Directors (as detailed below), the Board of Directors evaluated the performance of the Board as a whole, Committees of the Board, Individual Directors and the Chairman of the Company at their meeting held on March 24, 2021

- Performance of Non-Independent Directors and the Board as a whole;
- Performance of the Chairperson of the Company, taking into account the views of Executive Director and Non- Executive Directors;
- The quality, quantity and timeliness of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform their duties

The evaluation process endorsed the Board Members' confidence in the ethical standards of the Company, the cohesiveness that exists amongst the Board Members, the two-way candid communication between the Board and the Management and the openness of the Management in sharing strategic information to enable Board Members to discharge their responsibilities.

POLICY ON APPOINTMENT AND REMUNERATION FOR DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

Pursuant to the provisions of section 178 of the Act, the Nomination and Remuneration Committee of the Board has devised a policy which lays down the criteria for determining qualifications, competencies, positive attributes and independence for appointment of Directors, Key Managerial Personnel and

Senior Management and policies of the Company relating to their remuneration. The Company has also adopted a 'Fit and Proper' Policy with regard to ascertaining the 'fit and proper' criteria to be adopted at the time of appointment of directors and on a continuing basis, pursuant to the RBI Master Directions for NBFCs. Pursuant to applicable provisions of the Companies Act, 2013, the Nomination and Remuneration Policy has been hosted on the Company's website at the web link: www.kkr.com/nbfc.

We affirm that the remuneration paid to Directors, Key Managerial Personnel and Senior Management is in accordance with the remuneration policy of the Company.

DEPOSITS

The Company being a "Non-Deposit Accepting Non-Banking Financial Company" provisions of Section 73 and Section 74 of the Act read with Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014, are not applicable to the Company.

The Company has not accepted nor does it hold any public deposit as on the date of the balance sheet and shall not accept any deposits from the public without seeking prior written approval from the Reserve Bank of India.

AUDITORS AND THEIR AUDIT REPORT

Statutory Auditors:

Pursuant to the provision of Section 139, 142, and other applicable provisions of the Act read with Companies (Audit and Auditors) Rules, 2014 and in view of completion of Deloitte and Haskins Sells LLP's term as Statutory Auditors of the Company, the Shareholder of the Company at their Meeting held on September 30, 2019 had appointed MSKA & Associates, Chartered Accountants (ICAI Registration No. 105047W) Mumbai as Statutory Auditors to hold office for a term of five consecutive years from the conclusion of the 24th Annual General Meeting held in 2019 until the conclusion of the 29th Annual General Meeting to be held in 2024 of the Company.

The Statutory Auditors' in their Audit Report to the Members, have given qualified opinion and the response of the Company with respect to it is detailed below:-

Qualification	**Response**
As on March 31, 2021 and during financial year 2020-21 the company has exceeded the lending limit of single borrower of 15 % of its owned fund and group borrower of 25% of its owned fund as prescribed in the Master Direction. Accordingly, this resulted in non-compliance to the above-mentioned RBI circulars and the Master Direction.	SBL and GBL reduced due to significant credit losses during the year ended 31-March-2020. Consequently, 12 existing borrowers at that time exceeded SBL and 5 existing borrowers at that time exceeded GBL. As on Mar-2021, the SBL and GBL improved slightly to Rs.115.4 crores and Rs.192.4 crores respectively due to write back of provisions and improvement in net worth seen in FY21. No new borrowers have been taken on

	since Dec 2019.Due to concerted action by Management, the concentration position has significantly improved. There are only 3 borrowers who remain in excess. All borrowers are within the GBL as on date.

In compliance with Reserve Bank of India (RBI)'s Guidelines issued vide its circular No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 for appointment of Statutory Auditors (SAs) of Non-Banking Finance Companies (NBFCs) ("RBI Guidelines"), M/s MSKA & Associates, Chartered Accountants, (ICAI Firm Registration Number: 105047W) the existing statutory auditors has informed the Company that they will not be able to continue as the Statutory Auditors of the Company, as their limit to act as Statutory Auditors for NBFCs will be above the threshold prescribed under the said RBI Guidelines and hence tendered their resignation as the Statutory Auditors of the Company, resulting in a casual vacancy in the office of the Statutory Auditors of the Company with effect from September 28, 2021, as per section 139(8) of the Act.

In accordance of provisions of Section 139(8) of the Act and upon the recommendation from the Audit Committee and subject to the approval of the Shareholders at the ensuing Annual General Meeting, the Board of Directors had approved the appointment of M/s V.C. Shah & Co., Chartered Accountants (ICAI Firm Registration No. 109818W) as the Statutory Auditors of the Company with effect from September 29, 2021 to fill the casual vacancy caused by the resignation of M/s MSKA & Associates, Chartered Accountants and to hold the office as the Statutory Auditors up to the conclusion of the ensuing Annual General Meeting.

In terms of the aforesaid Guidelines, the Audit Committee and Board of Directors of the Company have also recommended the appointment of M/s V.C. Shah & Co.,, Chartered Accountants (ICAI Firm Registration No. 109818W), as the Statutory Auditors of the Company for a continuous period of three years from the conclusion of the 26th Annual General Meeting till the conclusion of 29th Annual General Meeting of the Company to be held in the year 2024, subject to the approval of the shareholders at the ensuing Annual General Meeting.

Pursuant to Section 139 (1) and 141 of the Act and in compliance with RBI Guidelines, the Company has received certificate from M/s V.C. Shah & Co., Chartered Accountants, for the fulfillment of their requisite eligibility criteria to act as the Statutory Auditors of the Company.

Secretarial Auditor:

Pursuant to the provisions of Section 204 (1) of the Act read with Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and on the recommendation from Audit Committee, the Board of Director had appointed M/s Nilesh Shah & Associates, Practicing Company Secretaries as the Secretarial Auditors of the Company, to conduct Secretarial Audit of the Company for the FY 2020-21.

The Secretarial Audit Report for the FY ended March 31, 2021 is appended to this Report as "**Annexure C**". The observations made by the Secretarial Auditors, in their Audit Report for the FY 2020-21 are self-explanatory.

Internal Auditors:

Pursuant to the requirements of Section 138 of the Act read with Rule 13 of the Companies (Accounts) Rules, 2014 and on the recommendation from Audit Committee, the Board of Directors had appointed M/s KPMG Assurance and Consulting Services LLP, Chartered Accountants, as Internal Auditors of the Company for conducting Internal Audits for the FY 2020-21.

The Internal Audit Report for the FY ended March 31, 2021 does not contain any qualifications, reservations, adverse remarks or disclaimer which require any clarifications/ explanations by the Board.

Reporting of frauds by auditors:

During the year under review the Statutory Auditors, have not reported any instance of frauds committed in the Company by its officers or employees to the Audit Committee/Board of Directors under Section 143(12) of the Act details of which needs to be mentioned in this Report.

INTERNAL CONTROL/INTERNAL FINANCIAL CONTROLS SYSTEMS AND THEIR ADEQUACY

The Company has in place adequate internal financial controls with reference to the financial statements commensurate with the size, scale and complexity of the operations of the Company as on March 31, 2021.

During the year under review, the Internal Auditors of the Company evaluated the adequacy of all internal controls and processes, and ensures strict adherence to clearly laid down processes and procedures as well as to the prescribed regulatory and legal framework and no material weaknesses in the design or operations were observed and reported by the Auditors.

The Audit Committee regularly reviews the internal audit reports and the adequacy and effectiveness of internal controls.

RELATED PARTY TRANSACTIONS

In terms of Section 188 of the Act there were no Related Party Transactions (RPTs), entered into by the Company during the FY under review. Accordingly, the disclosure of RPTs, as required under Section 134 (3) (h) of the Act in Form AOC-2 is not applicable to the Company.

However, a statement showing the disclosure with related party as per Ind AS 24 is set out in Note No. 36 to the Standalone Audited Financial Statements.

The Company has in place a RPT Policy as required under the applicable laws. The said Policy has been hosted on the Company's website at the web link: www.kkr.com/nbfc.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY REGULATORS OR COURTS

There are no significant and material orders passed by the regulators or courts or tribunals that would impact the going concern status of the Company and its future operations.

COMPLIANCE

The Company has complied with the Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 (as may be amended from time to time) issued to Non-Banking Financial Companies ("**NBFCs**") relating to accounting standards, prudential norms for asset classification, income recognition, provisioning norms and capital adequacy, as also the applicable circulars/guidelines/ notifications issued by the RBI to NBFCs.

The Company has also complied with the applicable provisions of the Act, the Reserve Bank of India Act, 1934 and other applicable rules/regulations/guidelines, issued from time to time.

SECRETARIAL STANDARDS

The Company complies with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India with respect to the Board Meetings & General Meetings.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company being a Non-Banking Finance Company, the provisions of Section 186 of the Act pertaining to granting of loans to any person or body corporate and giving of guarantees or providing security in connection with a loan to any other body corporate or persons are not applicable to the Company.

MATERIAL CHANGES AND COMMITMENTS OCCURRED BETWEEN THE END OF FY 2021 AND THE DATE OF REPORT

The material changes and commitments, affecting the financial position of the Company, which have occurred between the end of the financial year of the Company and the date of this Report are reported below:

KKR India Financial Services Limited ("KIFS") and InCred Financial Services ("InCred Finance"), the retail and micro, small and medium enterprise ("MSME") lending business of InCred have entered into a strategic transaction to create a diversified Indian lending company by combining both the entities. This transaction will bring together two of India's best-known non-banking finance companies and combine their resources to better meet the needs of retail borrowers, small businesses, and entrepreneurs across India. The existing equity shareholders of KIFs continue will be a long-term strategic partner to the newly formed business and the largest single investor. The combined business will be run by Bhupinder Singh, Founder and CEO of the InCred group.

RISK MANAGEMENT FRAMEWORK

The Company has in place a Risk Management Committee constituted in accordance with the RBI Master Directions to assist the Board in overseeing the Risk Management activities of the Company, approving measurement methodologies and suggesting appropriate risk management procedures mitigating all the risks that the organization faces such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks which have been identified and assessed. There is an adequate risk management framework in place capable of addressing those risks. The Company's management monitors and reports principal risks and uncertainties that can affect its ability to achieve its strategic objectives. The Company's management systems, organizational structures, policy, processes, standards, and code of conduct together form the risk management governance system of the Company. The Company has in place a Risk Management Policy and introduced several measures to strengthen the internal controls systems and processes. Details of the risks and concerns relevant to the Company are discussed in detail in the Management Discussion and Analysis Report which forms part of the Annual Report.

MAINTENANCE OF COST RECORDS

The Central Government has not specified maintenance of cost records for any services rendered by the Company under section 148(1) of the Act.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Act, the Board of Directors, to the best of its knowledge and ability, hereby confirm that:

a) in the preparation of the Audited Annual Accounts for the FY March 31, 2021, applicable accounting standards have been followed, with proper explanations provided for relating to material departures.
b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the FY and of the losses of the Company for that period.
c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
d) they have prepared the accounts for the FY ended March 31, 2021, on a 'going concern' basis.
e) they have laid down internal financial controls for the Company and such internal financial controls are adequate and operating effectively; and
f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

PARTICULARS OF EMPLOYEES AND RELATED INFORMATION

The provisions of Section 197 of the Act read with Rules 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 with respect to disclosure pertaining to remuneration and other details of the Employees is not applicable to the Company.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & EXCHANGE EARNINGS & OUTGO

Information pursuant to Section 134(3) of the Act read with the Rule 8(3) of Companies (Accounts) Rules 2014:

A. CONSERVATION OF ENERGY

Since the Company is engaged in the financial services industry, this disclosure is not applicable to the Company.

B. TECHNOLOGY ABSORPTION

Since the Company is engaged in the financial services industry, Rule 8(3)(B) of the Companies (Accounts) Rules, 2014 in relation to technology absorption is not applicable to the Company.

C. FOREIGN EXCHANGE EARNING & OUTGO

During the year under consideration, the Foreign Exchange Earnings and Expenditures were as follows:

(Rupees in million)

Particulars	2020-21	2019-20
Foreign exchange earning	-	-
Foreign exchange expenditure	59.08	56.33

INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has in place a policy on prevention of sexual harassment of women at workplace in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 (POSH Act). The Company has complied with the provisions of relating to the constitution of Internal Complaints Committee to redress complaints received regarding sexual harassment under POSH Act.

The following is a summary of Sexual Harassment complaint(s) received and disposed off during the Year 2020-21, pursuant to the POSH Act and Rules framed thereunder:

a) Number of complaints of Sexual Harassment received during the year – Nil

b) Number of complaints disposed off during the year – Nil

c) Number of cases pending for more than ninety days – Nil

d) Number of workshops / awareness programme against sexual harassment carried out – 1

e) Nature of action taken by the employer or District Officer – Nil

VIGIL MECHANISM

The Company has in place the Whistleblower Policy & Vigil Mechanism (“the Policy”) for Directors and Employees of the Company to approach the Chairperson of the Audit Committee for raising their concerns / grievances and report any allegations of misconduct or noncompliance in an anonymous and confidential way and prohibits retaliation against anyone who, in good faith, makes a report or provides assistance.

The policy provides for adequate safeguards against victimization of persons who avail the same and provides for direct access to the Chairperson of the Audit Committee. No employee has been denied access to the Audit Committee. The Members of the Audit Committee of the Company are responsible to oversee the implementation of the Whistle Blower Policy and vigil mechanism.

During the FY 2020-21, no cases under this mechanism were reported to the Company.

The Whistle-Blower policy & Vigil Mechanism has been hosted on the Company's website at the web link: www.kkr.com/nbfc.

APPLICATIONS UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016:

Below are the details of the application filed under insolvency and bankruptcy code 2016:

- The Company filed an insolvency application against SBAPL on 25 July 2020 under Section 7 of the Insolvency and Bankruptcy Code, 2016 (**Code**), based on defaults under the Facility Agreement and the DTD. KIFS also filed an Interim Application on 08 November 2020; seeking a stay over the transactions undertaken by various creditors and the management of SBAPL under the Trust and Retention Account (**TRA**) of SBAPL. The insolvency application and the Interim Application for stay were finally heard on 06 July 2021. The NCLT admitted the insolvency application filed by KIFS on 19 July 2021, and appointed Mr. Ashish Chhawchharia as the Interim Resolution Professional of SBAPL. In addition, KIFS has also filed various applications under the Code in the NCLT and NCLAT against withdrawl of SBAPL from the CIRP process as well as to protest appropriation of amounts by working capital creditors of SBAPL.

- The Company filed an insolvency application against Kwality Limited (Corporate Debtor) in Oct 2018 under Section 7 of the Insolvency and Bankruptcy Code, 2016 (Code), based on defaults under the Facility Agreement. The application was admitted w.e.f 11 December 2018 and Mr. Shailendra Ajmera from Ernst & Young was appointed as the Resolution Professional for the matter. The RP ran the process of inviting bids for sale of Corporate Debtor, however the Committee of Creditors (COC) rejected the sole bid received in the bidding process twice. The sole bidder filed an appeal with NCLT to reconsider the application and seek responses for rejection of the bid, however the application was dismissed by NCLT. Subsequently NCLT ordered for Liquidation of the company vide order dated 11 January 2021. Mr. Shailendra Ajmera continues to work as Liquidator for Kwality Limited. The Liquidator has commenced the process for inviting bids under e-auction for sale of company as a going concern. The process has been getting delayed due to extension of time sought by interested bidders in providing requisite documents and also depositing the bid amount. Currently, the Liquidator in process of rescheduling the E-Auction bidding date, pursuant to which, an Addendum 7 to be read with Process Memorandum dated 15th April 2021 will be shared with the members of the Stakeholders Consultation Committee (SCC) and prospective bidders defining the rescheduled date of the E-Auction bidding process.

DETAILS OF ONE-TIME SETTLEMENT WITH ANY BANK OR FINANCIAL INSTITUTION

During the year under review, there was no instance of one-time settlement with any Bank or Financial Institution.

ACKNOWLEDGEMENT

The Board of Directors would like to place on record their gratitude for the valuable guidance and support received from the Reserve Bank of India and other regulatory authorities and also wish to acknowledge with thanks all other stakeholders for their valuable sustained support and encouragement. The Board of Directors also places on record its deep and sincere appreciation for the commitment and integrity shown and hard work/dedication put in by the Management and the Employees of the Company in achieving continued robust performance on all fronts.

FOR AND ON BEHALF OF THE BOARD

JIGAR DINESHCHANDRA SHAH Digitally signed by JIGAR DINESHCHANDRA SHAH

ANIL NAGU Digitally signed by ANIL NAGU

Jigar Shah
Whole Time Director
(DIN: 08496153)

Anil Nagu
Executive Director and Chief Financial Officer
(DIN: 00110529)

Place: Mumbai
Date: September 29, 2021

KKR INDIA FINANCIAL SERVICES LIMITED

Annexure A- Management Discussion and Analysis

For the Year ended March 31, 2021

Industry Structure and Developments

Economy & Pandemic

The economy witnessed sharp degrowth owing to lockdowns with restrictions on travel and trade dampening business sentiment. As commerce started slowing down, the Indian Government promptly took measures, to announce fiscal and monetary policies to limit economic disruption. In the second half of the year, gradual un-locks and phased resumption of business across sectors boosted confidence. However, the second wave of COVID-19 once again pulled brakes on the otherwise improving economic scenario.

Given the impact of the pandemic, FY2021 was expected to be an extremely demanding year. The National Statistical Office's (NSO) provisional estimate of GDP for FY21 is contraction of 7.3%. No other large economy shrank so much during the pandemic.

In the past, India has seen a recession only thrice: in 1957-58, 1965-66 and 1979-80 largely affected by monsoon shocks affecting agriculture, which was then a sizeable part of the economy. The lockdown induced recession in FY2021 had agriculture being a bright spot, and severely affecting the manufacturing and service sectors. The manufacturing sector has since benefitted from some recovery aided by the pent-up demand and shifting consumer preferences. Long term impact on such trends are still to be assessed as we go into a second lockdown in FY2022.

To alleviate the economic stress induced by the pandemic the Government of India announced a Rs. 20.9 lakh crore economic package (or about 10% of GDP). Of this, 1.2% of GDP comprised direct fiscal spending, 5% of GDP in guarantee schemes and 3.8% of GDP being RBI liquidity measures.

RBI liquidity measures and growth-centric and expansionary Union Budget for FY2022 calmed sentiments in financial markets which had seen volatile conditions in March and April 2020. These timely measures announced by the Government and RBI helped revive confidence amongst investors resulting in sustained foreign capital inflows leading to sustained buoyancy thereafter. The vaccine rollout further added to this confidence.

Thus, the business model of the NBFC sector was severely tested in FY2021. This was the fourth large external stress that the sector has faced in the last few years, namely, (i) demonetisation, (ii) GST implementation, (iii) failure of a large NBFC, and (iv) the pandemic.

Through the pandemic, most NBFCs realigned their strategies to focus on cost optimisation and building stress absorption capacity through raising capital and increasing provision on balance sheet.

However, the challenges of availing capital from non-bank sources remain for the sector, specifically for the large wholesale focussed NBFCs and will be key to watch.

Regulatory Developments for the NBFC sector

The Reserve Bank of India ("RBI") continues to monitor the activity and performance of the NBFC sector with a focus on major entities, their inter-linkages with other sectors and has also been taking steps to improve the funding situation. Further, the government's willingness to go the extra mile for the sector's stability and growth in the larger interests of the economy has eased concerns somewhat. With this objective, in January 2021, RBI also suggested a multi-layer framework based on scale, to increase regulatory overview on NBFCs and prevent recurrence of any systemic risk to the financial system. Some of the aspects in the scale based regulations for NBFCs being considered are:

a. Single borrower & group borrower limit to be consolidated into one limit
b. Appointment of Chief Compliance Officer mandatory
c. Additional disclosures on breaches of covenants, governance structure, certifications by management, etc.

RBI continued its policy measures inter alia liquidity management regime for NBFCs, to improve bank governance culture, for resolution of stressed assets, liberalization of ECB framework, Statement of Development and Regulatory Policies to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic. Some of the notable regulatory measures for NBFCs during FY2021 were:

2. In March 2020 & May 2020 RBI had announced a moratorium for EMIs / payments falling due from 1 March 2020 till 31 August 2020.Approximately 40.4% of total outstanding loans of financial institutions as on 31 August 2020 were under moratorium
   However such moratorium was not available to NBFCs leading to NBFCs liquidating part of their portfolio to raise funds.
3. The Honourable Supreme Court then directed all banks and financial institutions to refund compound interest or penal interest collected during the moratorium; RBI too disallowed charging of compounded interest during the moratorium period
4. In August 2020, RBI allowed NBFCs to undertake one-time restructuring of stressed loans on account of COVID-19 pandemic

IBC: Continuing improvements to the IBC process has helped refine the process and outcomes. This has led to visible change in borrower behaviour and leaving the issues with timeline & process aside, the IBC has provided a structured exit to lenders in difficult situations. Couple of changes to the IBC process during the current year were:

5. No accounts could be classified as non-performing assets during the moratorium period. This ban was later lifted by the Honourable Supreme Court
6. On April 4, 2021, the Government also introduced "pre-pack regulations", viz., Pre-Packaged Insolvency Resolution Process under the Insolvency and Bankruptcy Code, 2016 ("IBC"). This process would provide legitimacy through the IBC process for any informal / "out-of-court" settlement with defaulting borrowers.

Outlook

Various multilateral organisations and rating agencies have projected the Indian economy to grow at around 9%. The economic growth is likely to be aided by a very low statistical base, mass vaccination drive and a supportive fiscal stance.

In India, commercial and business activities are expected to gather pace in H2FY2022 as by then majority of the population is likely to be inoculated. Moreover, the Central Government has remained committed to providing further impetus to the economy through the Union Budget 2021-22. Additionally, it has also proposed a sharp increase in capital expenditure of the magnitude of Rs. 5.54 Tln. Collectively, these have the potential to create a plethora of fresh investment opportunities and eventually support economic growth.

But with the second wave of COVID-19 and the emergence of newer virus variants have made India the new hotspot of infections – adding uncertainty to the anticipation of a smooth recovery.

Overall NBFCs have become an integral part of the financial system and are here to stay and grow as a source of finance. This has also created a need for increased regulatory framework for NBFCs to avoid any systemic risks. Hence NBFCs will need to recalibrate their strategies in a post pandemic world.

However, as it has proven through the 4 recent events leading to tighter liquidity in the financial system and especially for NBFCs, liquidity for NBFCs can no longer be taken as a given. With the regulatory fist tightening on NBFCs, cash will be coming to only solvent NBFCs while liquidity situation for NBFCs with lower creditworthiness may continue to remain tight. Another issue of concern for NBFCs will be a tepid growth in the loan book. While a slew of measures have been announced to ensure NBFC funding is not affected, a lot more needs to be done to ensure NBFCs get back in into the growth mode so that credit needs of the informal sector in the country are not choked.

After all the narrative above, as India's economy grows NBFCs as good economic agents of change will need to step up to the challenge and power the economy with free-flowing credit lines.

Company's Business

The Company continues to focus on wholesale lending, including promoter financing, and mezzanine and acquisition financing, and hence, has sizeable single-borrower exposure. The company has sound risk management policy and processes to help structure and manage these exposures. Also, the Company primarily focuses on secured lending and hence maintains adequate collateral cover against its exposures in the form of promoter-owned shares, fixed assets, current assets and real estate, as applicable. Additionally, as part of its strategy, the company has grown gradually and intends to grow its mid-market financing portfolio to diversify and reduce the concentration risk in the loan book.

The Company's operations are closely integrated with its ultimate parent company, KKR & Co. Inc. ("KKR") and its group's global operations. The Company is part of the common platform comprising KKR's private equity, fund management, capital market, and non-banking finance company (NBFC) business in India, and derives synergies, especially in deal sourcing and client relationships. Furthermore, KKR has senior level representation on the various investment and risk committees of the Company and is actively involved in all key decisions taken by the Company. The Company also benefits from the KKR's globally aligned compliance, finance, and risk management systems and processes. It derives synergistic benefits from KKR's private equity business in India and leverages all existing client relationships. The Company has established sound risk-management framework and processes to help structure and manage these credit exposures.

The Company is cautiously optimistic in its outlook for the next financial year wherein the Company with a smaller book size, healthy capital and liquidity position will continue to have a significant and sustained improvement in the Company's scale of operations while maintaining asset quality. The Company's healthy capitalization metrics, benefits from strong linkages with ultimate parent, KKR , adequate earnings profile, benefits from the parent's globally aligned compliance, finance, and risk management systems and processes.

Opportunities and Risks

Opportunities and Strengths: The Company has seen management changes at senior level over the last 2 years. The positions have been filled internally with people having strong experience in wholesale lending. The Company has a professional and experienced senior management team with experience of over a decade in India. It also benefits from the support of KKR which has an oversight role in management and governance of the company.

The Company follows prudent lending policies and a conservative gearing policy. The lending risk management practices of the Company's business is in line with KKR's global strategy. Despite the losses recorded during the year, the company continues to maintain its gearing at conservative levels and a buffer in stipulated capital adequacy ratio. With the senior management's extensive network in India and support from KKR, the Company's resource raising ability from global banks present in India, local financiers, and KKR's Indian partners is strong. The company has strong liquidity, financial flexibility and is focussed to grow the business and achieve diversification in lending book.

We believe that our strengths give us the competitive advantage in the financial services sector in India :

Strengths

- High quality and long-term shareholders
- Experienced management and Board
- Focus on managing risks in the portfolio and actively looking to de-risk the book
- Increased focus to diversify the book into more of mid-market and small businesses sectors, through senior secured lending
- AA (Stable) Rating from CRISIL Limited
- Conservative leverage.
- Strong focus on Asset Liability management

Risks and Challenges: Availability of new and additional capital has been a concern for NBFCs. The failure of some of some NBFCs in the last few years has led to Mutual Funds restricting their participation in NBFC fund raising. This has put pressure on the Banking sector to meet the increasing funds requirement of NBFCs. While Banks were providing incremental funding, this was being rationed across the sector. Secondly, the sector has also been impacted adversely with Covid-19 outbreak since early FY2021. Availability of liquidity suffered as borrowers asked for moratorium benefit on its payment obligations, however similar moratorium benefits were not made available to the NBFCs. The company had decided to remain focussed on preserving liquidity in such scenario since outbreak of Covid-19 and also made portfolio risk management the critical focus area. The Company's ability to foresee and manage business risks is crucial in its efforts to achieve favourable results. While management is positive about the Company's long term outlook, it is subject to a few risks and uncertainties, as discussed below.

Challenges

- Vulnerability of asset quality to risks inherent in wholesale financing accentuated by the COVID 19 outbreak and also the impact of second wave. This has led to financial difficulties at borrower's end and has required the company to be more focussed to resolving the difficult borrowers
- Concentration risk – asset books concentration has increased with the drop in book size and repayment, prepayment seen by borrowers despite a difficult year.

- Interest rate risk volatility / vulnerable to sharp spikes in credit costs
- Increased competition.
- Availability of adequate debt financing in the local market
- Suspension of proceedings under IBC for 6 to 12 months period during the year and slow progress in ongoing cases

Performance

The Company, a non-deposit taking, systemically important NBFC engaged in providing structured funding, senior secured lending, promoter financing, acquisition financing and mezzanine financing, commenced operations in October 2009. Following the restructuring in March 2017, the Company is a 100% owned subsidiary of KKR Capital Markets India Private Limited ("**KCM India**").

The Company had an outstanding asset book of Rs. 13,886.22 mm as on March 31, 2021, as compared to Rs 33,549.19 mm as on March 31, 2020 – a decrease of Rs. 19,662.96 mm.

During 2020-21, the Company reported a loss after tax of Rs. 1,393.93 mm on a total income of Rs. 4,277.87 mm, as compared to loss after tax of Rs. 12,558.40 mm on a total income of Rs. 7,377.33 mm, during 2019-20.

Sources of Funds

The Company has diversified funding sources. It has a healthy capitalisation metrics with equity infused at various intervals by KKR and thereafter by a leading global limited partner and most recently in November 2017 by Abu Dhabi Investment Authority (ADIA).

Funds are raised by way of bank loans in the form of working capital facilities and term loans. The aggregate debt outstanding as at March 31, 2021 was Rs. 12,557.13 mm (of which, a debt amount of 9,473.34 mm is payable within one year), as against Rs. 28,965.85 mm during the previous year. The Debt/Equity ratio as on March 31, 2021 was 1.17 times as against 2.39 times as on March 31, 2020. No interest payment or principal repayment of the Term Loans was due and unpaid by the Company as on March 31, 2021. The assets of the Company which have been made available to the banks by way of security are sufficient to discharge the claims of the banks as and when they become due.

During the year, the Company has made repayment towards 780 NCDs aggregating to Rs. 7,880 mm. This was on account of repayment of 70 NCDs of Rs. 700 mm in relation to series 1 - Dec 2016 issuance in Dec 2016, repayment of 100 NCDs of Rs 1,000 mm in relation to series 2 - Nov 2016 issuance in Nov 2016, repayment of 45 NCDs of Rs 450 mm in relation to series 3 - Jan 2016 issuance in Jan 2016, repayment of 75 NCDs of Rs 750 mm in relation to series 3 - Feb 2016 issuance in Feb 2016, repayment of 200 NCDs of Rs 2,000 mm in relation to series 1 - Apr 2017 issuance in Apr 2017, repayment of 60 NCDs of Rs 600 mm in relation to series 4 - Jan 2015 issuance in Jan 2015, repayment of 200 NCDs of Rs 2,000 mm in relation to series 2 – Apr 2017 series issuance in Apr 2017, repayment of 30 NCDs of Rs 300 mm in relation to series 3 - Jan 2016 issuance in Jan 2016. The NCDs outstanding as on March 31, 2021 is Rs. 2,600 mm, as compared to Rs. 10,400 mm as on March 31, 2020. The NCDs are rated CRISIL AA Stable by CRISIL Limited, indicating highest degree of safety with regard to timely servicing of financial obligations. There was no interest on the NCDs in aggregate which was due and unpaid as on March 31, 2021. The Company has not received any grievances from the respective NCD holders. The assets of the

Company which have been made available by way of security are sufficient to discharge the claims of the NCD holders as and when they become due.

The Company's capital adequacy ratio is 53.42% as on March 31, 2021 which is above the minimum requirement of 15% mandated under the RBI directions. The net worth of the Company as on March 31, 2021 is Rs. 10,703.47 mm, as compared to Rs. 12,095.39 mm as on March 31, 2020.

Internal Control

The Company has in place internal control systems, and a structured internal audit process charged with the task of ensuring that the internal control systems are adequate enough to protect the Company against any revenue loss and/or misappropriation of funds and other assets of the Company. The scope of the Internal Audit was enhanced during the year to comprehensively cover all risks .The audit conducted helps in review of the operational efficiency, protection and conservation of resources, accuracy and promptness in financial reporting and compliance with applicable laws and regulations. Internal audit reports are discussed with the management and are reviewed by the Audit Committee of the Board, which also reviews the adequacy and effectiveness of the internal controls in the Company and monitors the implementation of audit recommendations.

The Company's internal control system is commensurate with the size and nature of the operations of the Company. The procedures and controls prescribed for the Company are operating effectively, and monitoring procedures are in place.

Risk and Concerns

The Company's business activities are exposed to a various risks, namely credit risk, operational risk, regulatory risk, IT risk, liquidity risk, interest rate risk, market risks, reputational risk, event risk, compliance risk and strategic risks.

The Company has established various functional committees of the board of directors, viz. risk management committee, asset liability management committee, audit committee, corporate social responsibility committee, IT strategy committee, nomination committee, investment and credit committee and IT steering committees for framing specific policies, frameworks and systems for effective evaluation and mitigation of the aforesaid risks faced by the Company. Each committee's terms of reference establishes its respective roles and responsibilities.

The most important among them are liquidity risk, credit risk, market risk and operational risk. The company is also putting in place additional governance framework for managing risks such as Risk Register which tracks and rates all the risks for the company and also assesses the controls in place. Further the company is in the process of introducing Risk Appetite Statement which lists the Key Risk Indicators (KRIs) including financial and non-financial indicators and also the thresholds and tolerance levels against each KRIs for effective governance and oversight. The risk identification, accurate risk measurement and effective risk mitigation remains key focus area for the Company.

Liquidity Risk: Liquidity Risk is the risk that a Company may not be able to meet its financial obligations due to an asset–liability mismatch. The Company's framework for liquidity risk management has been spelt out in its Liquidity Risk Management Policy that is implemented, monitored and periodically reviewed by the Asset Liability Management Committee (ALCO) along with the Risk Management Committee and Board. As a part of this process, the Company, for measuring and managing net funding requirements, has adopted a standard tool that uses a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity intervals. The

Company has maintained a cautious liquidity strategy, with a positive cash balance throughout the year ended 31st March, 2021. Any short-term surplus cash generated, over and above the amount required for working capital management and other operational requirements, is retained as cash and cash equivalents (to the extent required) and any excess is invested in interest-bearing fixed deposits or is used to prepay due repayment in the short term. while ensuring sufficient liquidity to meet its liabilities.

Credit Risk: Credit risk is the risk of financial loss to the Company if a customer or counter-party fails to meet its contractual obligations. The Company's Credit Risk management is governed by a comprehensive Corporate Loans Policy in conjunction with, Exposure Policy, Compliance Policy, KYC and Anti Money Laundering Policy, Fair Practice Code, nd Investment Policy. The objective of this is to lay down guiding principles that would aid in growth in operations of the Company's activities with a strong risk framework to safeguard the Company's and its stakeholders interests. The Company monitors risks through various metrics, viz. portfolio industry classification, product mix, borrower and group concentration. The company also has inhouse Expected Credit Loss (ECL) Provisioning Policy to make suitable provisions for credit risk faced by the company.

Market Risk: The Company's market risk management is governed by a comprehensive Liquidity Risk Management policy. The Company monitors risks through various metrics, viz. Liquidity Gap Analysis, Cash Flow Analysis, residual tenor bucket, interest rate risk etc.

Operational Risk: To manage operational risks, the Company has in place a Risk Management Policy whose implementation is supervised by the Risk Management Committee of the Board. The framework enables the Company to identify, assess and monitor risks, strengthen controls and minimize operating losses. The Company ensures the effectiveness of internal controls relating to the operational activities, which will identify the risks faced and develop strategies to mitigate them.

The risk management committee has overall responsibility for monitoring and approving the risk management framework and associated practices of the Company.

Human Resources

The Company considers professionals as the most valuable asset of the Company and key drivers in making our brand prominent and promising. The Company is professionally managed with senior management personnel having decades of experience in financial services, assisted by a team of experienced professionals and are in long tenure with the Company. This helps the Company perform its function in a smooth and efficient manner and has been a strong force in driving company's success. The Company is committed to provide the employees an enabling workplace, ensuring their welfare and offering opportunities to develop and grow.

As on March 31, 2021, the Company had 14 employees, as compared to 16 as on March 31, 2020.

Annexure B

In accordance with the requirements of applicable RBI guidelines and Companies Act, 2013 and Rules made thereunder, the Company at present has Nine committees as detailed below:

1. Audit Committee

Formation:

The Audit committee of the Company was originally constituted on February 17, 2011 as per the requirement of Reserve Bank of India and is in accordance with the provisions of Section 177 of the Companies Act, 2013 **("Act").**

Constitution of the Committee:

As per the provisions of Section 177 of the Act, the composition of the Audit Committee should be three Directors with Independent Directors forming majority of the said constitution.

As on February 24, 2021, on account of appointment of two new Independent Directors on the Board, the Audit Committee was validly re-constituted in compliance with the applicable provisions of Section 177 of the Act and Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ("**NBFC Regulations**") with the following Members:

Name	Category
Mr. Anil Nagu	Member, Executive Director and Chief Financial Officer
Mr. Karthik Krishna	Member, Independent Director
Ms. Aparna Ravi	Member, Independent Director

All the Members of the Committee have relevant experience in financial matters.

Terms of Reference:

The roles and responsibilities of the Audit Committee includes:

1) To review periodic and annual financial statements (and the auditors' report thereon) before submission to the Board focusing primarily on:

- any changes in accounting policies and practices;
- major accounting entries based on exercise of judgment by the management;
- significant adjustments arising out of the audit;
- compliance with accounting standards;

- any related party transactions i.e.transactions of KIAF of material nature, with promoters or the management, their subsidiaries or associates or relatives etc. that may have potential conflict with the interest of KIAF at large;

2) To recommend appointment, remuneration and terms of appointment of auditors of the company;
3) To discuss the appointment, performance of the statutory auditor and recommending audit fees payable to the statutory auditor and approving payments for any other services to the Board
4) To review and monitor the auditors independence and performance, and effectiveness of audit process
5) To review adequacy of internal audit function, approving internal audit plans and efficacy of the functions including the structure of the internal audit department, staffing, reporting structure, coverage and frequency of internal audits.
6) To discuss with internal auditors and statutory auditors regarding the scope of audit and their observations.
7) To review the functioning of the whistle-blower Mechanism.
8) To approve or subsequently modify transactions of KIAF with its related parties including granting of omnibus approval to related party transactions.
9) To scrutinize inter corporate loans and investments.
10) To undertake valuation of assets / undertakings of KIAF, where required.
11) To ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by KIAF.
12) To evaluate internal financial controls and risk management systems.
13) All such other matters as specified under the Companies Act, 2013 and Corporate Governance policy of the Company.

The Committee monitors and conducts an effective supervision of the financial reporting process, to ensure accurate and timely disclosure, with the highest level of transparency, integrity and quality of financial reporting.

The Committee believes that the Company's financial statements are fairly presented in accordance with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 read with Section 133 of the Act in and there is no material discrepancy or weakness in the Company's internal control over financial reporting.

Details of meeting and attendance:

During the Financial Year 20-21, the Members of the Audit Committee met 1 (one) time March 23, 2021.

The details of the attendance of the Members of the Committee are provided herein below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended
Mr. Anil Nagu	1	1
Mr. Karthik Krishna	1	1
Ms. Aparna Ravi	1	1

There was no occasion wherein the Board could not accept the recommendation of Audit Committee during the year under review.

2. Risk Management Committee

Formation:

The Risk Management Committee ("RMC") was constituted on May 8, 2015 to assist the Board in the execution of its responsibility for the governance of risk and functions in line with NBFC Regulations.

Constitution of the Committee:

The Composition of the RMC is as follows as on March 31, 2021:

Name	Category
Mr. Brian Dillard	Member, Non- Executive Director,
Mr. Anil Nagu	Member, Executive Director, Chief Financial Officer and Key Managerial Personnel
Mr. Jigar Shah	Member, Whole-Time Director and Key Managerial Personnel

Terms of Reference of the Committee include the following:

1) To review the existing framework / polices for measuring, monitoring and managing risks
2) To discuss if there is any significant risk to the valuation/recovery of the investment made/loans extended as well as review of risk categorization of all outstanding accounts and corrective steps / mitigating strategies (if required)
3) To deliberate on various types of risks including operational, regulatory, IT risks and other risks faced
4) To assess business contingency plan, risk and possible solutions / implementation aspects
5) To discuss and obtain functional update from the officials on challenges and issues faced by the divisions and potential and inherent risk involved
6) To review processes and procedures to ensure the effectiveness of internal systems of control
7) To discuss external developments and the reporting of specifically associated risk, including emerging and prospective impacts
8) To deliberate over implementation of risk and other policies including Anti Money Laundering and KYC (Know your Customer) Policies
9) To do anything necessary or incidental to perform its functions, including approving documents and authorising any individual(s) to perform any action(s) as may be required.

Details of meeting and attendance:

During the Financial Year 20-21, the Members of the RMC met 4 (Four) times June 17, 2019; September 9, 2020, December 10, 2020 and March 11, 2021.

The details of the attendance of the Members of the Committee at Meeting, are provided herein below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended
Mr. Sanjay Nayar*	3	2**
Mr. Brian Dillard	4	4
Mr. Deepak Punjabi*	2	2
Mr. Anil Nagu	4	4
Mr. Jigar Shah	4	3

Note:
*Mr. Sanjay Nayar and Mr. Deepak Punjabi ceased to be the Member of the Committee w.e.f January 4, 2021 and September 29, 2020 respectively
** Mr. Sanjay Nayar attended the meeting held on September 9, 2020 via audio conference

3. Investment and Credit Committee

Formation:

The Investment and Credit committee (ICC) of the Company was constituted on July 24, 2015 for reviewing, transacting, approving and restructuring of the proposals for loans / advances or investments provided or to be provided by the Company.

Constitution of the committee:

The Composition of the ICC is as follows as on March 31, 2021:

Name	Category
Mr. Brian Dillard	Member, Non- Executive Director
Mr. Anil Nagu	Member, Director, Chief Financial Officer and Key Managerial Personnel
Mr. Jigar Shah	Member, Whole-Time Director and Key Managerial Personnel

Noted:
1. Mr. Sanjay Nayar ceased to be the Member of the Committee w.e.f January 4, 2021

Terms of Reference:

The Investment and Credit Committee is the Board delegated committee pursuant to the provisions of Section 179 of the Companies Act, 2013. The purpose of the Investment and Credit Committee is to review and approve the investment and credit proposals of the Company and matters related thereto, to do anything necessary or incidental to perform its functions, including but not limited to approving document(s), amendments thereof, delegating powers of employees to undertake any actions in relation to the investments, approve down selling of the investment or of any security or asset and authorising any individual(s) to perform any action(s) as may be required and otherwise as may be delegated by the Board from time to time.

4. Nomination and Remuneration Committee

Formation:

The Nomination Committee of the Company was originally constituted on March 7, 2011 as per the requirement of Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 of Reserve Bank of India, and in accordance with the provisions of Section 178 of the Companies Act, 2013 read along with the applicable rules thereto.

Constitution of the Committee:

As per the provisions of Section 178 of the Act, the composition of the Nomination Committee should be three Non-Executive Directors with Independent Directors forming majority of the said constitution.

As on February 24, 2021, on account of appointment of two new Independent Directors on the Board, the Nomination Committee was validly re-constituted in compliance with the applicable provisions of Section 178 of the Act and NBFC Regulations with the following Members as on March 31, 2021:

Name	Category
Mr. Brian Dillard	Member, Non-Executive Director
Mr. Karthik Krishna	Member, Independent Director
Ms. Aparna Ravi	Member, Independent Director

Terms of Reference:

The role and responsibility of the Nomination Committee inter-alia includes:

1) To ensure that the general character of the management shall not be prejudicial to the interest of its present and future stakeholders
2) To discuss and confirm that existing Directors are of 'fit and proper' status
3) To confirm that directors are nominated and remunerated based on the parameters set by the NRC in the policy.
4) To discuss every Director's performance, the structure, size and composition.
5) To evaluate current position of Directors and make recommendations, if any, to the Board with regard to any changes
6) To discuss the succession planning for Directors
7) To confirm that the proposed appointees (if any) have given their consent in writing to KIAF
8) To review existing nomination and remuneration policy
9) To discuss remuneration of KMP and Senior Management of the company
10) To specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the NRC or by an independent external agency and review its implementation and compliance

11) To do anything necessary or incidental to perform its functions, including approving document(s) and authorising any individual(s) to perform any action(s) as may be required.

Details of meeting and attendance:

There were no meetings held during the year under review.

5. Asset Liability Management Committees

Formation:

The Asset Liability Management Committee ("ALMC") was constituted on March 7, 2011 to help the Board in formulating business strategy of the Company in line with overall business objectives and functions in line with Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time. Capital management, liquidity and interest rate risk is the main domain of the ALMC.

Constitution of the committee:

The Composition of the ALMC is as follows as on March 31, 2021:

Name	Category
Ms. Ashima Suri	Member
Mr. Deepak Punjabi[1]	Member
Mr. Brian Dillard	Member, Non- Executive Director,
Mr. Anil Nagu	Member, Executive Director, Chief Financial Officer and Key Managerial Personnel
Mr. Jigar Shah	Member, Whole-Time Director and Key Managerial Personnel

Note:

1. Mr. Deepak Punjabi has ceased to be the Member of the Committee effective from close of business hours of March 31, 2021.

Terms of Reference:

The Roles and responsibilities of the ALMC inter-alia includes:

1) To monitor the asset liability gap and strategize action to mitigate the risk associated
2) To confirm that CRAR is in compliance with RBI Guidelines for previous half year
3) To review and confirm periodic return/ reports/ statements to be submitted by KIAF with RBI/ any other statutory authorities.
4) To review and discuss the balance sheet of KIAF from assets and liability management perspective
5) To deliberate on achieving optimal return on capital employed
6) To review currency risk, market risk and liquidity risk management, interest rate risk and address

7) To ensure adherence to risk tolerance / limits set by the Board of KIAF
8) To implement the liquidity risk management strategy of KIAF including deciding on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing liquidity risk.
9) To source data from the market and other NBFCs, review and compare such data to gauge early warning signs of stress in borrower accounts.
10) To do anything necessary or incidental to perform its functions, including approving document(s) and authorising any individual(s) to perform any action(s) as may be required.

Details of meeting and attendance:

During the Financial Year 20-21, the Members of the ALMC met 4 (Four) times June 8, 2020; September 7, 2020; December 07, 2020 and March 10, 2021.

The details of the attendance of the Members of the Committee at Meeting, are provided herein below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended
Ms. Ashima Suri	4	3
Mr. Deepak Punjabi	4	4
Mr. Brian Dillard	4	4
Mr. Anil Nagu	4	4
Mr. Jigar Shah	4	4

6. Corporate Social Responsibility (CSR) Committee

The Corporate Social Responsibility Committee ("CSRC' or 'Committee") was constituted on June 25, 2014 in line with the provisions of the Section 135 of the Companies Act 2013.

As per the provisions of Section 135 of the Companies Act 2013 ("Act"), the composition of the CSR Committee should be three or more Directors', out of which at least one must be an Independent Director

The Composition of the CSRC is as follows as on March 23, 2021:

Name	Category
Mr. Karthik Krishna	Member, Independent Director
Mr. Anil Nagu	Member, Executive Director, Chief Financial Officer and Key Managerial Personnel
Mr. Jigar Shah	Member, Whole-Time Director and Key Managerial Personnel

The Board of Directors in their Meeting held on March 24, 2021 noted that in view of negative profit of the Company, the CSR rules are not applicable to the Company and approved dissolution of the Corporate Social

Responsibility Committee with immediate effect formed by the Company in accordance with Section 135 of the Companies Act 2013.

Details of meeting and attendance:

There were no meetings held during the year under review since CSR was not applicable during the year under review.

7. Internal Complaints Committee

Formation and terms of reference:

Pursuant to the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act 2013 and the rules thereunder, an Internal Complaints Committee ("IC") was constituted on September 2, 2016.

The Company also has in place 'Policy for Prevention of Sexual Harassment' pursuant to the aforesaid regulations.

The terms of reference of IC is to receive complaints of sexual harassment filed by women at the workplace, investigate into such complaints and recommend the action to be taken by the management against the respondent, thereby assisting in maintaining a safe working environment at the workplace.

Constitution of the committee:

The Composition of the IC Committee is as follows as on March 31, 2021:

Name	Designation
Ms. Susan Hutchinson	Presiding Officer
Mr. Jigar Shah	Member, Whole-Time Director and Key Managerial Personnel
Ms. Ashima Suri	Member
Ms. Veena Gauda	External Member

During the year under review, there were no reported cases under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

8. IT Strategy Committee

Formation:

The IT Strategy Committee (IT Committee) of the Company was constituted on March 1, 2018 pursuant to the requirement of the directions issued by the Reserve Bank of India on Information Technology Framework for NBFC sector vide circular no. DNBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017 ("Information Technology Framework Directions").

Constitution of the committee:

The Composition of the IT Committee is as follows as on March 31, 2021:

Name	Category
Mr. Karthik Krishna[2]	Chairman, Independent Director
Mr. Deepak Punjabi[1]	Member
Mr. Anil Nagu	Member, Executive Director, Chief Financial Officer and Key Managerial Personnel
Mr. Sid Ballurkar	Member
Mr. Kenny Chan	Member
Mr. Jigar Shah	Member, Whole Time Director and Key Managerial Personnel

Note:

1. Mr. Deepak Punjabi has ceased to be the Member of the Committee effective from the close of business hours of March 31, 2021.
2. Mr. Karthik Krishna was inducted in the Committee wef November 24, 2020

As per the Information Technology Framework Directions, the said Committee is required to be chaired by Independent Director of the Company.

Terms of Reference:

The role and responsibility of the Committee members includes:

The purpose of the IT Strategy Committee is to oversee the strategy development, approval, implementation, review and reporting to the Board.
It shall have the principal responsibilities as follows:

1) Formulate and recommend to an IT Strategy for NBFC and align with KKR global IT strategy.
2) Oversight and continuous improvement of the NBFC strategic planning processes and framework
3) Agree and prioritize the allocation of resources to ensure delivery of the IT Strategy.
4) Manage and oversee a rolling long term investment programme.
5) Ensure the provision of key business applications and processes.
6) Review and approve IT Standards and Policies.

7) Assess major IT related projects, investments and changes and identify associated risks and impacts.
8) Review the IT strategy and progress
9) Ensuring proper balance of IT investments for sustaining growth and becoming aware about exposure towards IT risks and controls
10) To do anything necessary or incidental to perform its functions, including approving documents and authorising any individual(s) to perform any action(s) as may be required.

Details of meeting and attendance:

During the Financial Year 20-21, the Members of the IT Committee met 2 (two) times on June 08, 2020, and December 2, 2020.

The details of the attendance are given below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended
Mr. Karthik Krishna	1	1
Mr. Deepak Punjabi	2	2
Mr. Jigar Shah	2	1
Mr. Sid Ballurkar	2	2
Mr. Kenny Chan	2	2
Mr. Anil Nagu	2	2

9. Information Technology Steering Committee ("Steering Committee")

Formation:

Steering Committee of the Company was constituted on June 28, 2018 pursuant to the requirement of the Directions issued by the Reserve Bank of India on Information Technology Framework for NBFC sector vide circular no. DNBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017 ("Information Technology Framework Directions").

Constitution of the Committee:

The Composition of the Steering Committee is as follows as on March 31, 2021:

Name	Category
Mr. Deepak Punjabi	Member
Mr. Anil Nagu	Member, Executive Director, Chief Financial Officer and Key Managerial Personnel
Mr. Sid Ballurkar	Member
Mr. Kenny Chan	Member

Note:

1. Mr. Deepak Punjabi has ceased to be the Member of the Committee effective from the close of business hours of March 31, 2021.

Terms of Reference:

The role and responsibility of the Committee members includes:

The main role and responsibility of the members of the said Committee will be as follows:

1) Providing support, guidance and overseeing and monitoring the progress of implementation of the Company's various Information Technology projects (such as the Company's proposed Loan Management Solution on the SAP platform) and
2) To identify deficiencies and defects at the system design, development, implementation and testing phases.
3) To do anything necessary or incidental to perform its functions, including approving documents and authorising any individual(s) to perform any action(s) as may be required.

Details of meeting and attendance:

During the Financial Year 20-21, the Members of the Steering Committee met 4 (four) times on June 8, 2020, September 10, 2020, December 2, 2020 and March 12, 2021

The details of the attendance of the Members of the Committee, are provided herein below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended
Mr. Deepak Punjabi	4	4
Mr. Anil Nagu	4	4
Mr. Sid Ballurkar	4	4
Mr. Kenny Chan	4	4

10. Borrowing Committee

Formation:

The Borrowing Committee of the Company was constituted on September 17, 2020. The Board hereby delegates the powers and authority of the Board to the Committee in line with the provisions of the Section 179 of the Companies Act 2013.

Constitution of the committee:

The Composition of the Borrowing Committee is as follows as on March 31, 2021:

Name	Category

Mr. Jigar Shah	Member, Whole-Time Director and Key Managerial Personnel
Mr. Anil Nagu	Member, Executive Director, Chief Financial Officer and Key Managerial Personnel

Note:

1. Mr. Sanjay Nayar ceased to be the Member of the Committee w.e.f January 4, 2021

Terms of Reference:

The roles and responsibilities of the Committee members includes:

The Borrowing Committee is the Board delegated committee pursuant to the provisions of Section 179 of the Companies Act, 2013. The purpose of the Borrowing Committee is to consider, review and approve the proposal with respect to raising of funds on behalf of the Company in any form as may be permissible under the applicable law including but not limited to term loan (secured/unsecured) or issuance of debentures (secured/unsecured) or issuance of commercial paper or working capital/overdraft etc., and to do anything necessary or incidental to perform its functions, including but not limited to approving terms and subsequent amendments, approving documents and subsequent amendments, approving repayments and/or prepayments and/or redemption and/or buy back of such borrowings and authorising any individual(s) to perform any action(s) as may be required.

NILESH SHAH & ASSOCIATES

Company Secretaries

Ref.: ____________

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31^{ST} MARCH, 2021

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

To
The Members,
KKR INDIA FINANCIAL SERVICES LIMITED
(Formerly Known as KKR INDIA FINANCIAL SERVICES PRIVATE LIMITED)
2nd Floor, Piramal Tower, Peninsula Corporate Park,
Ganpatrao Kadam Marg, Lower Parel,
Mumbai – 400013

Dear Sir / Madam,

We have conducted the Secretarial Audit of the compliances of applicable statutory provisions and the adherence to good Corporate Governance practice by **KKR INDIA FINANCIAL SERVICES LIMITED** (hereinafter called **"the Company"**). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company, the information to the extent provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and the Reserve Bank of India warranted due to the spread of the COVID-19 pandemic, we hereby report that in our opinion, the Company has during the audit period covering the financial year ended on **31st March, 2021**, generally complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We further report that maintenance of proper and updated books, papers, minutes books, filing of forms and returns with applicable regulatory authorities and maintaining other records is responsibility of management and of the Company, our responsibility is to verify the content of the documents and returns produce before us, make objective evaluation of the content in respect of compliance and report thereon.

NILESH SHAH & ASSOCIATES
MUMBAI
C. P. No. 20438
COMPANY SECRETARY

211-B (Back Side) 2nd Floor, Building No. 1, Sona Udyog, Parsi Panchayat Road Extn. of Old Nagardas Road, Andheri (East Mumbai - 400 069. Tel. : 2820 7824 / 2820 3582 E-mail : nilesh@ngshah.com

304-A, Poonam Sagar, Poonam Nagar, Off. Mahakali Caves Road, Andheri (East), Mumbai - 400 093.
Tel.: 2836 3419 Email : ngshah.cs@gmail.com

We have examined on a test basis, the books, papers, minute books, forms and returns filed and other records maintained by the Company and produced before us for the financial year ended 31st March, 2021, according to the provisions of:

(i) The Companies Act, 2013 and the rules made there under;

(ii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under; and

(iii) Provisions as applicable to the Non-deposit accepting Non Banking Finance Company as regulated by Master Direction issued by the Reserve Bank of India from time to time.

We have also verified systems and mechanism which are in place and as followed by Company to ensure compliances of these specifically applicable Laws (as mentioned in point iii above and as applicable to the Company) and we have also relied on the representation made by the Company and its Officers in respect of systems adopted by the Company from time to time to ensure compliances applicable to the Company and found the same satisfactory.

We have also examined the compliances with the applicable clauses of the Secretarial Standards (SS-1 and SS-2) issued by the Institute of Company Secretaries of India and notified by the Ministry of Corporate Affairs, Government of India, from time to time and noted that the Company has endeavored to comply the same substantially.

We further Report that, during the year, either there was no event attracting the below mentioned provisions or it was not mandatory on the part of the Company to comply with the following Provisions, Regulations / Guidelines:

(i) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.

Based on the above said information provided by the Company, we report that during the financial year under report, the Company has generally complied with the provisions of the above mentioned Act/s including the applicable provisions of the Companies Act, 2013 and Rules, Regulations, Guidelines, Standards, etc. mentioned above and we have no material observation of instances of non-Compliance in respect of the same save and except the following:

NILESH SHAH & ASSOCIATES MUMBAI C. P. No. 20438 COMPANY SECRETARY

The Company was required to have two independent directors and one women director. During the audit period i.e. FY 2020-21, the Company had one independent director and the office of women director was vacated on June 26, 2020 on account of resignation by the women director. Hence, the Company was required to appoint second independent director (on or before June 1, 2020) and one women director on the Board (on or before September 25, 2020). Due to Covid 19 Pandemic, the Company was not able to appoint second independent director and women director within the statutory time. However, on February 24, 2021 the Company appointed second independent director (Ms. Aparna Ravi) and also ensured compliance with both the above requirements. Further, in view of the gap between appointment of second independent director, the statutory committees i.e. Audit Committee, Nomination and Remuneration Committee and CSR Committee were not constituted by the Company and also the separate meeting of the independent directors and one meeting of the Nomination and Remuneration Committee (in terms of CG Policy of the Company) were not convened. However, the Company has constituted all the aforesaid statutory committees on the appointment of second independent director and as on March 31, 2021, composition of all statutory committees are in accordance with the applicable law.

We further report that:

At the end of the year, the Board of Directors of the Company is constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors and lacuna if any in the appointment of second Independent Directorand the woman director as aforesaid was made good by the Company with effect from February 24, 2021. The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the Act.

We also report that adequate notice/s were given to all directors to schedule the Board / Committee Meetings and Agenda and detailed notes on agenda were sent to the Directors at least seven days in advance unless consented by Directors to conduct meeting with short notice. There exists a system for seeking and obtaining further information and clarifications on the agenda items before the meeting for meaningful participation at the meeting.

All decisions at Board and/or committee meeting are carried out unanimously as recorded in the minutes of the meeting of the Board of Directors and committees of the Board, as the case may be and proper system is in place which facilitates/ensure to capture and record, the dissenting member's views, if any, as part of the minutes.

Based on the representation made by the Company and its Officers explaining us in respect of internal systems and mechanism established by the Company which ensures

NILESH SHAH & ASSOCIATES MUMBAI C. P. No. 20438 COMPANY SECRETARIES compliances of other Acts, Laws and Regulations applicable to the Company, we report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there were no specific events / actions have a major bearing on the Company's affairs and statutory compliances in pursuance of the above referred laws, rules, regulations, guidelines etc.

Date:- June 28, 2021

Place:- Mumbai

Peer Review No: 698/2020

UDIN: A054525C000532827

Signature:-

Name:- Rakesh Achhpal (Partner)
For:- Nilesh Shah & Associates
ACS: 54525
C.P.: 20438

NILESH SHAH & ASSOCIATES MUMBAI C. P. No. 20438 COMPANY SECRETARY

Note: This Report has to be read with "Annexure - A".

NILESH SHAH & ASSOCIATES

Company Secretaries

'ANNEXURE A'

To,
The Members,
KKR INDIA FINANCIAL SERVICES LIMITED
(Formerly Known as KKR KKR INDIA FINANCIAL SERVICES PRIVATE LIMITED)
2nd Floor, Piramal Tower, Peninsula Corporate Park,
Ganpatrao Kadam Marg, Lower Parel,
Mumbai – 400013

(i) Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.

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

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

(iv) Whe ever required, we have obtained Management representation about the compliance of laws, rules and regulations and occurrence of events.

(v) The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is responsibility of management. Our examination was limited to the verification of process followed by Company to ensure adequate Compliance.

(vi) The Secretarial Audit Report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

(vii) Due to COVID-19 outbreak and Lockdown situation, in respect of part of the Audit, we have relied on the information, details, data, documents and explanation as provided by the Company and its officers and agents in electronic form without physically verifying their office.

Date:- 28|06|2021
Place:- Mumbai

Peer Review No: 698/2020
UDIN: A054525C000532827

Signature:-

Name:- Rakesh Achhpal (Partner)
For:- Nilesh Shah & Associates
ACS: 54525 C.P.: 20438

NILESH SHAH & ASSOCIATES MUMBAI C. P. No. 20438 COMPANY SECRETARY

211-B (Back Side) 2nd Floor, Building No. 1, Sona Udyog, Parsi Panchayat Road, Off Old Nagardas Road, Andheri (E)
Mumbai - 400 069. Tel. : 2820 7824 / 2820 3582 E-mail : nilesh@ngshah.com

304-A, Poonam Sagar, Poonam Nagar, Off. Mahakali Caves Road, Andheri (East), Mumbai - 400 093
Tel.: 2836 3419 Email : ngshah.cs@gmail.com

MSKA
& Associates
Chartered Accountants

602, Floor 6, Raheja Titanium
Western Express Highway, Geetanjali
Railway Colony, Ram Nagar, Goregaon (E)
Mumbai 400063, INDIA
Tel: +91 22 6831 1600

INDEPENDENT AUDITOR'S REPORT

To the Members of KKR India Financial Services Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KKR India Financial Services Limited ("the Company"), which comprise the Balance sheet as at March 31, 2021, and the Statement of Profit and Loss, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015 as amended and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, and its loss, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 51 to the financial statements, which describes that the extent to which the COVID-19 Pandemic will impact the company's financial statements will depend on future developments, which are highly uncertain.
Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the Director's report but does not include the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Companyor to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(3) of the Act, we report that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015 as amended.

(e) On the basis of the written representations received from the directors as on March 31, 2021, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 frombeing appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls with reference to the financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B".

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our informationand according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial positionin its financial statements – Refer Note 39 to the financial statements;

ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses – Refer Note 44 to the financial statements; and

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

3. As required by The Companies (Amendment) Act, 2017, in our opinion, according to information, explanations given to us, the remuneration paid by the Company to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Srividya Vaidison
Digitally signed by Srividya Vaidison

Srividya Vaidison
Partner
Membership Number: 207132
UDIN: 21207132AAAABA7132

Mumbai
June 28, 2021

602, Floor 6, Raheja Titanium
Western Express Highway, Geetanjali
Railway Colony, Ram Nagar, Goregaon (E)
Mumbai 400063, INDIA
Tel: +91 22 6831 1600

ANNEXURE A TO INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF KKR INDIA FINANCIAL SERVICES LIMITED FOR THE YEAR ENDED MARCH 31, 2021

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report]

i.

(a) The Company has maintained proper records showing full particulars including quantitative details andsituation of Property, Plant and Equipment.

(b) All the Property, Plant and Equipment of the Company have not been physically verified by the Management during the year. Accordingly, material discrepancies, if any, could not be ascertained and therefore, we are unable to comment on whether such material discrepancies have been properly dealt with in the books of account.

(c) According to the information and explanations given to us, there are no immovable properties, and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.

ii. The Company is involved in the business of rendering financial services and consequently, does not hold any inventory. Accordingly, the provisions stated in paragraph 3(ii) of the Order are not applicableto the Company.

iii. The Company has not granted any loans, secured or unsecured to Companies, Firms, Limited Liability Partnerships (LLP) or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, the provisions stated in paragraph 3 (iii) (a) to (c) of the Order are not applicable to the Company.

iv. In our opinion and according to the information and explanations given to us, the Company has not either directly or indirectly, granted any loan to any of its directors or to any other person in whomthe director is interested, in accordance with the provisions of section 185 of the Act and the Company has not made investments through more than two layers of investment companies in accordance with the provisions of section 186 of the Act. Accordingly, provisions stated in paragraph 3(iv) of the Order are not applicable to the Company.

v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under.

vi. The provisions of sub-section (1) of section 148 of the Act are not applicable to the Company as the Central Government of India has not specified the maintenance of cost records for any of the products of the Company. Accordingly, the provisions stated in paragraph 3 (vi) of the Order are not applicable to the Company.

vii.

(a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, goods and service tax, cess and any other statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanation given to us and examination of records of the Company, the outstanding dues of income-tax, goods and service tax, customs duty, cess and any other statutory dues on account of any dispute, are as follows:

Name of the statute	**Nature of dues**	**Amount Rs.**	**Period to which the amount relates**	**Forum where dispute is pending**	**Remarks**
Income Tax Act, 1961	Income Tax Demands	195,230	AY 2013-14	Commissioner of Income Tax	Disputed Tax

viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to the financial institution, bank or debenture holders.

ix. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, the provisions stated in paragraph 3 (ix) of the Order are not applicable to the Company.

x. During the course of our audit, examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees.

xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) of the Order are not applicable to the Company.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, the provisions stated in paragraph 3 (xiv) of the Order are not applicable to the Company.

xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.

xvi. The Company is required to and has been registered under Section 45-IA of the Reserve Bank of India Act, 1934 as Non-Banking Financial Company.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Srividya Vaidison Digitally signed by Srividya Vaidison

Srividya Vaidison
Partner
Membership Number: 207132
UDIN: 21207132AAAABA7132

Mumbai
June 28, 2021

602, Floor 6, Raheja Titanium
Western Express Highway, Geetanjali
Railway Colony, Ram Nagar, Goregaon (E)
Mumbai 400063, INDIA
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ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF KKR INDIA FINANCIAL SERVICES LIMITED.

[Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report]

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

We have audited the internal financial controls with reference to financial statements of KKR India Financial Services Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for ouraudit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial Controls with Reference to Financial Statements

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

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

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

Opinion

In our opinion, the Company has, in all material respects, internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Srividya Vaidison
Digitally signed by Srividya Vaidison

Srividya Vaidison
Partner
Membership Number: 207132
UDIN: 21207132AAAABA7132

Mumbai
June 28, 2021

MSKA & Associates
Chartered Accountants

602, Floor 6, Raheja Titanium
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Railway Colony, Ram Nagar, Goregaon (E)
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Auditor's Additional Report

To,

The Board of Directors
KKR India Financial Services Limited

1. This report is issued in accordance with the requirements of Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016 dated September 29, 2016 (the "Directions").

2. We have audited the accompanying financial statements of KKR India Financial Services Limited (hereinafter referred to as the "Company") comprising the Balance Sheet as at March 31, 2021 and the related Statement of Profit and Loss, the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, on which we have issued our report dated June 28, 2021.

Management's Responsibility for the Financial Statements

3. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015 as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

4. The Management is also responsible for compliance with the Reserve Bank of India (the "RBI") Act, 1934 and other relevant RBI circulars and guidelines applicable to Non-Banking Financial Companies, as amended from time to time, and for providing all the required information to the RBI.

Auditor's Responsibility

5. Pursuant to the requirements of the Directions referred to in paragraph 1 above, it is our responsibility to exam/ine the audited books and records of the Company for the year ended March 31, 2021 and report on the matters specified in the Directions to the extent applicable to the Company.

6. We conducted our examination on test check basis in accordance with the 'Guidance Note on Reports or Certificates for Special Purposes' issued by the Institute of Chartered Accountants of India (the "Guidance Note"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

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

Basis of Qualified Opinion

8. Based on RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17, dated September 1, 2016 on Master Direction – Non- Banking Financial Company – Systemically Important Non- Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (as amended from time to time), no NBFC shall lend to any single borrower exceeding fifteen per cent of its owned fund; and any single group of borrowers exceeding twenty five per cent of its owned fund; invest in the shares of another company exceeding fifteen per cent of its owned fund; and the shares of a single group of companies exceeding twenty five per cent of its owned fund; lend and invest (loans/investments taken together) exceeding twenty five per cent of its owned fund to a single party. As on March 31, 2021 and during financial year 2020-21 the company has exceeded the lending limit of single borrower of 15 % of its owned fund and group borrower of 25% of its owned fund as prescribed in the Master Direction. Accordingly, this resulted in non-compliance to the above-mentioned RBI circulars and the Master Direction.

Opinion

9. Based on our examination of the audited books and records of the Company for the year ended March 31, 2021 as produced for our examination and the information and explanations given to us we report that:

9.1 The Company is engaged in the business of non-banking financial institution and has obtained a certificate of registration No. B-07-00498 dated November 14, 2019 from the RBI.

9.2 The Company is entitled to continue to hold such certificate of registration in terms of its asset/income pattern as on March 31, 2021.

9.3 The non-banking financial company is meeting the required net owned fund requirement as laid down in RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 - Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016 (the 'Master Direction').

9.4 Based on RBI/DNBR/2016-17/38 Master Direction DNBR.PD.002/03.10.119/2016-17, dated August 25, 2016 on Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016 (as amended from time to time), an investment and credit company not accepting/holding any public deposit is required to pass in the meeting of its board of directors within thirty days of the commencement of the financial year, a resolution to the effect that the company has neither accepted public deposit nor would accept any public deposit during the year. The Company for the financial year ended March 31, 2021 has passed the resolution for non-acceptance of public deposit on April 20, 2020.

9.5 The Company has not accepted any public deposits during the year ended March 31, 2021.

9.6 Based on RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17, dated September 1, 2016 on Master Direction - Non- Banking Financial Company - Systemically Important Non- Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (as amended from time to time), no NBFC shall lend to any single borrower exceeding fifteen per cent of its owned fund; and any single group of borrowers exceeding twenty five per cent of its owned fund; invest in the shares of another company exceeding fifteen per cent of its owned fund; and the shares of a single group of companies exceeding twenty five per cent of its owned fund; lend and invest (loans/investments taken together) exceeding twenty five per cent of its owned fund to a single party. As on March 31, 2021 and during financial year 2020-21 the company has exceeded the lending limit of single borrower of 15 % of its owned fund and group borrower of 25% of its owned fund as prescribed in the Master Direction. Accordingly, this resulted in non-compliance to the above-mentioned RBI circulars and the Master Direction.

9.7 The financial statements have been prepared by Management in accordance with the Indian Accounting Standards specified under Section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015 as amended. Hence, the Company has followed the Indian Accounting Standards vis-à-vis prudential norms relating to income recognition, asset classification and provisioning for bad and doubtful debts as applicable to it in terms of Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

9.8 The annual statement of capital funds, risk assets / exposures and risk asset ratio (NBS – 7) has been furnished to the RBI on April 15, 2021 within the stipulated period as specified in the RBI Circular – RBI/2014-15/246 DNBS (PD).CC.No.03/03.02.02/2015-16 dated November 26, 2015, based on the unaudited books of account. The Company had correctly arrived at and disclosed the capital adequacy ratio (CRAR), based on the unaudited books of account, in the return submitted to the RBI in Form NBS – 7 and such ratio is in compliance with the minimum CRAR prescribed by the RBI.

Restriction on Use

10. This report is addressed to Board of Directors of the Company pursuant to our obligations under the Directions to submit a report on additional matters as stated in the Directions. It should not be used by any other person or for any other purpose. MSKA & Associates shall not be liable to the Company or to any other concerned for any claims, liabilities or expenses relating to this assignment.

11. 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.

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration Number: 105047W

Srividya Vaidison
Digitally signed by Srividya Vaidison
Date: 2021.06.30 20:05:58 +05'30'

Srividya Vaidison
Partner
Membership Number: 207132
UDIN: 21207132AAAABC8284

Mumbai
June 30, 2021

KKR INDIA FINANCIAL SERVICES LIMITED (Formerly known as KKR India Financial Services Private Limited)
BALANCE SHEET AS AT MARCH 31, 2021

(Rs. In Million)

	Particulars	Note No.	As at March 31, 2021	As at March 31, 2020
	ASSETS			
(1)	**Financial assets**			
(a)	Cash and cash equivalents	4	7,092.72	6,085.52
(b)	Trade Receivables	5	-	0.58
(c)	Loans	6	13,826.60	25,557.97
(d)	Investments	7	59.62	7,991.22
(e)	Other financial assets	8	39.83	59.47
	Total Financial Assets		**21,018.77**	**39,694.76**
(2)	**Non-Financial assets**			
(a)	Current Tax Assets (Net)	9	1,017.85	1,048.60
(b)	Deferred tax assets (Net)	10	3,003.35	4,738.97
(c)	Property, plant and equipment	11	74.74	98.44
(e)	Other non-financial assets	12	27.39	10.20
	Total Non-Financial Assets		**4,123.33**	**5,896.21**
	Total Assets		**25,142.10**	**45,590.97**
	EQUITY AND LIABILITIES			
	LIABILITIES			
(1)	**Financial Liabilities**			
(a)	Payables			
	Trade Payables	13		
	(i) total outstanding dues of micro enterprises and small enterprises		-	-
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		59.93	66.22
(b)	Debt Securities	14	2,594.03	10,384.10
(c)	Borrowings (Other than Debt Securities)	15	9,963.10	18,581.75
(d)	Other financial liabilities	16	1,793.81	4,431.08
	Total Financial Liabilities		**14,410.87**	**33,463.15**
(2)	**Non-Financial Liabilities**			
(a)	Current tax liabilities (Net)	17	5.13	14.95
(b)	Provisions	18	22.69	17.47
	Total Non-Financial Liabilities		**27.82**	**32.42**
	Total liabilities		**14,438.69**	**33,495.57**
(3)	**EQUITY**			
(a)	Equity Share Capital	19	4,602.27	4,602.27
(b)	Other equity	20	6,101.14	7,493.13
	Total equity		**10,703.41**	**12,095.40**
	Total equity and liabilities		**25,142.10**	**45,590.97**

The accompanying notes are an integral part of the financial statements.

In terms of our report attached
For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Srividya Vaidison Digitally signed by Srividya Vaidison

Srividya Vaidison
Partner

Membership No.: 207132

Place: Mumbai
Date: June 28, 2021

For KKR India Financial Services Limited
(Formerly known as KKR India Financial Services Private Limited)

JIGAR DINESHCHANDRA SHAH Digitally signed by JIGAR DINESHCHANDRA SHAH

Jigar Shah
Whole time Director

DIN: 08496153

ANIL NAGU Digitally signed by ANIL NAGU

Anil Nagu
Executive Director and
Chief Financial Officer
DIN: 00110529

BINOY K PARIKH Digitally signed by BINOY K PARIKH

Binoy Parikh
Company Secretary

Place: Mumbai
Date: June 28, 2021

KKR INDIA FINANCIAL SERVICES LIMITED (Formerly known as KKR India Financial Services Private Limited)

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2021

(Rs. In Million)

	Particulars	Note No.	Year ended March 31, 2021	Year ended March 31, 2020
	Revenue from Operations			
(i)	Interest Income	21	3,895.85	7,370.16
(ii)	Fee Income	22	7.79	4.47
(I)	**Total Revenue from Operations**		**3,903.64**	**7,374.63**
(II)	**Other Income**	23	235.95	2.70
(III)	**Total Income (I+II)**		**4,139.59**	**7,377.33**
	Expenses			
(i)	Finance cost	24	2,287.50	3,875.75
(ii)	Net loss on fair value changes	25	2,291.35	7,128.14
(iii)	Impairment on financial instruments (Expected Credit Loss)	26	(1,866.19)	12,000.11
(iv)	Employee benefit expense	27	320.44	345.07
(v)	Depreciation and amortisation expense	11	28.46	23.17
(vi)	Other expenses	28	737.71	389.90
(IV)	**Total expenses**		**3,799.27**	**23,762.14**
(V)	**Profit / (Loss) before Tax (III-IV)**		**340.32**	**(16,384.81)**
	Tax expense			
	- Current tax	31	-	-
	- for earlier year		(0.61)	56.94
	- Deferred tax	10	1,734.94	(3,883.37)
(VI)	**Total tax expense**		1,734.33	(3,826.43)
(VII)	**Net Loss After Tax**		**(1,394.01)**	**(12,558.38)**
(VIII)	**Other comprehensive income**			
	(i) Items that will not be reclassified to profit or loss	29	2.70	(4.62)
	(ii) Income tax relating to items that will not be reclassified to profit or loss	29	(0.68)	1.16
	Other Comprehensive Income		**2.02**	**(3.46)**
(IX)	**Total comprehensive income (VII+VIII)**		**(1,391.99)**	**(12,561.84)**
(X)	**Earnings per equity share (Refer note 38)**			
	Basic (₹)		**(3.03)**	**(27.29)**
	Diluted (₹)		**(3.03)**	**(27.29)**

The accompanying notes are an integral part of the financial statements.

In terms of our report attached

For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Srividya Vaidison Digitally signed by Srividya Vaidison

Srividya Vaidison
Partner

Membership No.: 207132

Place: Mumbai
Date: June 28, 2021

For KKR India Financial Services Limited
(Formerly known as KKR India Financial Services Private Limited)

JIGAR DINESHCHANDRA SHAH Digitally signed by JIGAR DINESHCHANDRA SHAH

Jigar Shah
Whole time Director

DIN: 08496153

ANIL NAGU Digitally signed by ANIL NAGU

Anil Nagu
Executive Director and Chief Financial Officer
DIN: 00110529

BINOY K PARIKH Digitally signed by BINOY K PARIKH

Binoy Parikh
Company Secretary

Place: Mumbai
Date: June 28, 2021

KKR INDIA FINANCIAL SERVICES LIMITED (Formerly known as KKR India Financial Services Private Limited)
Cash Flow statement for the year ended March 31, 2021

(Rs. In Million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
(A) Cash Flow from Operating Activities		
Profit/(Loss) before Tax	340.32	(16,384.81)
Adjustments for:		
Depreciation and amortisation	28.46	23.17
Impairment on financial instruments (Expected Credit Loss)	(1,866.19)	12,000.11
Net loss on fair value changes	2,291.35	7,128.14
Interest expense	2,249.95	3,947.38
Interest income	71.04	223.47
Provision for doubtful advance	-	38.43
Provision for Employee benefits	15.41	(2.58)
Operating Cash Flow before Working Capital Changes	**3,130.34**	**6,973.31**
Adjustments for Working Capital Changes		
Loans to Corporate and others	12,263.91	4,164.93
Investments	6,902.86	4,623.44
Trade receivables	0.58	18.53
Other financial assets	19.64	(7.39)
Leased Asset	(3.70)	(87.50)
Other non-financial assets	(17.19)	(44.46)
Trade and other payables	(6.34)	(93.42)
Provision for Employee benefits	(7.49)	-
Other non-financial liability	-	(46.70)
Other Financial Liabilities	(32.01)	216.87
Cash flows used in operating activities	**22,250.61**	**15,717.61**
Income tax paid	21.53	(687.05)
Net Cash generated from/(used in) Operating Activities (A)	**22,272.14**	**15,030.56**
(B) Cash Flow from Investing Activities		
Purchase of property plant and equipment	(1.12)	(21.42)
Sale of Fixed asset	0.11	-
Net Cash generated from/(used in) Investing Activities (B)	**(1.01)**	**(21.42)**
(C) Cash Flow from Financing Activities		
Debt securities repaid	(7,800.00)	(7,550.00)
Borrowings (other than debt securities) taken / (repaid) (net)	(8,571.17)	1,721.13
Interest paid	(4,892.78)	(4,912.03)
Net Cash generated from/(used in) Financing Activities (C)	**(21,263.95)**	**(10,740.90)**
Net Increase/(Decrease) in Cash & Cash Equivalents (A + B + C)	1,007.20	4,268.24
Add: Cash and cash equivalents at the beginning of the year	6,085.52	1,817.28
Cash and cash equivalents at the end of the year *	**7,092.72**	**6,085.52**
***Components of Cash and Cash Equivalents**		
Balances with Banks :		
- In Current Accounts	25.12	1,120.36
- In Deposit accounts with original maturity of 3 months or less	7,067.60	4,965.16
	-	-
The above Statement of Cash Flow has been prepared under the indirect method set out in Ind AS-7-Statement of Cash Flow.		

The accompanying notes are an integral part of the financial statements.

In terms of our report attached
For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Srividya Vaidison Digitally signed by Srividya Vaidison

Srividya Vaidison
Partner

Membership No.: 207132

Place: Mumbai
Date: June 28, 2021

For KKR India Financial Services Limited
(Formerly known as KKR India Financial Services Private Limited)

JIGAR DINESHCHANDRA SHAH Digitally signed by JIGAR DINESHCHANDRA SHAH

Jigar Shah
Whole time Director

DIN: 08496153

ANIL NAGU Digitally signed by ANIL NAGU

Anil Nagu
Executive Director and
Chief Financial Officer

DIN: 00110529

BINOY K PARIKH Digitally signed by BINOY K PARIKH

Binoy Parikh
Company Secretary

Place: Mumbai
Date: June 28, 2021

KKR INDIA FINANCIAL SERVICES LIMITED (Formerly known as KKR India Financial Services Private Limited)

STATEMENT OF CHANGES IN EQUITY

A. EQUITY SHARE CAPITAL

(Rs. In Million)

As at April 01, 2019	Changes in equity share capital during the year 2019-20	As at March 31, 2020	Changes in equity share capital during the year 2020-21	As at March 31, 2021
4,602.27	-	4,602.27	-	4,602.27

B. OTHER EQUITY

(Rs. In Million)

Particulars	Reserves and Surplus			Total
	Securities Premium	Retained Earnings	Statutory Reserve - Reserve Fund pursuant to Section 45-IC of the RBI Act, 1934	
Balance as at April 1, 2019	**12,436.76**	**6,005.97**	**1,612.24**	**20,054.97**
Profit/(loss) for the year	-	(12,558.38)	-	(12,558.38)
Other Comprehensive Income for the year	-	(3.46)	-	(3.46)
Transfer from retained earnings	-		-	-
Balance as at March 31, 2020	**12,436.76**	**(6,555.87)**	**1,612.24**	**7,493.13**

(Rs. In Million)

Particulars	Reserves and Surplus			Total
	Securities Premium	Retained Earnings	Statutory Reserve - Reserve Fund pursuant to Section 45-IC of the RBI Act, 1934	
Balance as at April 1, 2020	**12,436.76**	**(6,555.87)**	**1,612.24**	**7,493.13**
Profit/(loss) for the year	-	(1,394.01)	-	(1,394.01)
Other Comprehensive Income for the year	-	2.02	-	2.02
Transfer from retained earnings	-		-	-
Balance as at March 31, 2021	**12,436.76**	**(7,947.86)**	**1,612.24**	**6,101.14**

The accompanying notes are an integral part of the financial statements.

In terms of our report attached
For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Srividya Vaidison Digitally signed by Srividya Vaidison

Srividya Vaidison
Partner

Membership No.: 207132

Place: Mumbai
Date: June 28, 2021

For KKR India Financial Services Limited
(Formerly known as KKR India Financial Services Private Limited)

JIGAR DINESH CHANDRA SHAH Digitally signed by JIGAR DINESHCHANDRA SHAH

Jigar Shah
Whole time Director

DIN: 08496153

ANIL NAGU Digitally signed by ANIL NAGU

Anil Nagu
Executive Director and Chief Financial Officer
DIN: 00110529

BINOY K PARIKH Digitally signed by BINOY K PARIKH

Binoy Parikh
Company Secretary

Place: Mumbai
Date: June 28, 2021

Note 1. About the Company

KKR India Financial Services Limited (the Company), was incorporated as a private limited company on February 3, 1995 under the provisions of the Companies Act, 1956. The Company is registered with the Reserve Bank of India as Non-deposit taking, Non-Banking Financial Company (NBFC). The Company is a Non-deposit taking, Systemically Important NBFC as defined in Non-Banking Financial Company- Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

The financial statements for the year ended March 31, 2021 were authorised for issue in accordance with a resolution of the board of directors on June 28, 2021. During Financial year 2019-20, the Company was converted from private limited company to public limited company vide fresh Certificate of Incorporation dated July 24, 2019 issued by the Ministry of Corporate Affairs, Registrar of Companies, Mumbai, Maharashtra.

Note 2. Significant accounting policies

a. Basis of accounting and preparation of financial statements

Statement of compliance

The Standalone financial statements (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, the relevant provisions of the Companies Act, 2013 (the Act) (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

Historical cost convention

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share based payment transactions that are within the scope of Ind AS 102.

Fair value measurements under Ind AS are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

b. Use of estimates

The preparation of the financial statements in conformity with Ind AS requires the Management to make estimates, judgements and assumptions. Estimates and underlying assumptions are reviewed at each balance sheet date. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected. The application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in the financial statements have been disclosed below. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

c. Presentation of financial statements

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

Amounts in the financial statements are presented in Indian Rupees in millions rounded off to two decimal places as permitted by Schedule III to the Act. Per share data are presented in Indian Rupee to two decimal places.

d. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured and there exists reasonable certainty of its recovery.

i. Interest and Dividend income

Interest income on financial instruments at amortised cost is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate (EIR) applicable.

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

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

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

Dividend income is recognised when the Company’s right to receive dividend is established by the reporting date.

ii. Fee income:

Fee income include fees other than those that are an integral part of EIR such fees are accounted as an accrual basis in the Statement of Profit and Loss.

iii. Other operational revenue:

Other operational revenue represents income earned from the activities incidental to the business and is recognised when the right to receive the income is established as per the terms of the contract.

e. Property, plant and equipment (PPE)

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

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

Assets	Useful Life
Furniture and fixtures	3 years
Office equipment	3 years
Computer	3 years
Leasehold improvements	amortised over the period of lease

f. Impairment of assets

As at the end of each accounting year, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the property, plant and equipment are tested for impairment so as to determine the impairment loss, if any.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal 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 the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If recoverable amount of an asset is estimated to be less than its carrying amount, such deficit is recognised immediately in the Statement of Profit and Loss as impairment loss and the carrying amount of the asset is reduced to its recoverable amount.

g. Employee benefits

Defined contribution plans - Provident Fund

Company’s contributions to provident and other funds are charged as expense to the Statement of Profit and Loss in the period in which the service is rendered.

Defined benefit plans - Gratuity

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

The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately in Other Comprehensive Income (OCI). Net interest expense (income) on the net defined liability is computed by applying the discount rate, used to measure the net defined liability, to the net defined liability at the start of the financial year after taking into account any changes as a result of payment and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in Statement of Profit and Loss.

Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date, based on actuarial valuation.

h. Operating Leases

Under Ind AS 116

Operating lease:

The Company evaluates each contract or arrangement, whether it qualifies as lease as defined under Ind AS 116.

The Company assesses, whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves–

a) the use of an identified asset,
b) the right to obtain substantially all the economic benefits from use of the identified asset, and
c) the right to direct the use of the identified asset.

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

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

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

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

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

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

i. Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

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

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

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

• in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability). After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at Fair Value Through Profit or Loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in the Statement of Profit and Loss.

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

Specifically:

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

• all other loans / investments (e.g. loans / investments managed on a fair value basis, or held for sale, or with contractual cash flow that are not SPPI) and equity investments are subsequently measured at FVTPL.

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

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

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

Debt instruments at amortised cost or at FVTOCI

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

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

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

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

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Company considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Company takes into account all relevant evidence available such as:
• how the performance of the business model and the financial assets held within that business model are evaluated and reported to the 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, in particular, the way in which those risks are managed; and
• how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.
When loans / investments measured at FVTOCI are derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to the Statement of Profit or Loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to the Statement of Profit and Loss but transferred within equity.
Loans/Investments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets at FVTPL
Financial assets at FVTPL are:
• assets with contractual cash flows that are not SPPI; or/and
• assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
• assets designated at FVTPL using the fair value option.
These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in the Statement of Profit and Loss.

Reclassifications
If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

Impairment
The Company recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:
- loans and advances to customers;
- debt investment securities;
- lease receivables; and
- loan commitments issued.

No impairment loss is recognised on equity investments.
ECLs are required to be measured through a loss allowance at an amount equal to:
• 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
• full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.
ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.
• for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Company if the holder of the commitment draws down the loan and the cash flows that the Company expects to receive if the loan is drawn down; and
• for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Company expects to receive from the holder, the debtor or any other party.
The Company measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

• significant financial difficulty of the borrower or issuer;
• a breach of contract such as a default or past due event;
• the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
• the disappearance of an active market for a security because of financial difficulties; or
• the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Company considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

Derecognition of financial assets

A financial asset is derecognised only when:

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

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

Write-off

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

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

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

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

Financial liabilities at FVTPL

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

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

Financial liabilities subsequently measured at amortised cost

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

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

Derecognition of financial liabilities

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

j. Cash and Cash Equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less including interest accrued, which are subject to an insignificant risk of changes in value.
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short term deposits, as defined above.

k. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense calculated using the EIR, finance charges in respect of assets acquired on finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs.

l. Foreign currencies

(i) The functional currency and presentation currency of the Company is Indian Rupee. Functional currency of the Company has been determined based on the primary economic environment in which the Company operates considering the currency in which funds are generated, spent and retained.
(ii) Transactions in currencies other than the Company's functional currency are recorded on initial recognition using the exchange rate at the transaction date. At each Balance Sheet date, foreign currency monetary items are reported at the rates prevailing at the year end Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the Statement of Profit and Loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

m. Earnings per share

Basic earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the year. Partly paid up shares are included as fully paid equivalents according to the fraction paid up. Diluted earnings per share are computed using the weighted average number of shares and dilutive potential shares, except where the result would be anti-dilutive.

n. Taxes on income

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the Statement of Profit and Loss except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case tax is also recognized outside profit or loss.

Current income taxes are determined based on the taxable income of the Company.

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss and depreciation carry-forwards and tax credits. Such deferred tax assets and liabilities are computed separately for each taxable entity. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

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

o. Provisions, contingent liabilities and contingent assets

Provisions are recognised only when:
(i) an entity has a present obligation (legal or constructive) as a result of a past event; and
(ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(iii) a reliable estimate can be made of the amount of the obligation
Provision is measured using the cash flows estimated to settle the present obligation and when the effect of time value of money is material, the carrying amount of the provision is the present value of those cash flows. Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.
Contingent liability is disclosed in case of:
(i) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; and
(ii) a present obligation arising from past events, when no reliable estimate is possible.
Contingent assets are disclosed where an inflow of economic benefits is probable. Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.
Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision.

Contingent Assets:
Contingent assets are not recognised in the financial statements.

p. Commitments

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:
a) estimated amount of contracts remaining to be executed on capital account and not provided for;
b) uncalled liability on shares and other investments partly paid;
c) funding related commitment to associate and joint venture companies; and
d) other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Note 3. Critical accounting judgements and key sources of estimation uncertainties

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:

(i) Impairment of loans / investments portfolio at amortised cost

The measurement of impairment losses across all categories of financial assets at amortised cost 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 which include quantitative and qualitative information and analysis, based on the Company's historical experience and forward-looking information. In certain cases, the assessment is based on past experience is required for future estimation of cash flow which requires significant judgement. The inputs and method applied for impairment assessment are detailed in Note 32.

(ii) Fair value of financial assets

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

All financial assets are initially recognised at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Company’s financial instruments are carried at fair value, with changes in fair value either reported within the income statement. Details of the type and classification of the Company’s financial assets are set out in note 32 and the accounting policy set out in note 2 (i).

Since the market for the Company’s financial assets, which are in unlisted securities, is not active, the Company establishes fair value by using valuation techniques. These include the use of discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Determination of fair value is based on the best information available in the circumstances and may incorporate the managements’ own assumptions, including appropriate risk adjustments for non-performance and lack of marketability.

Because of the inherent uncertainty of the valuation methodologies and assumptions, estimated fair values of such assets may differ from the values that would have been used had a ready market for the assets existed and the differences could be material. Considerable judgement is necessarily required in interpreting market data to determine the estimates of value; accordingly the estimate of value presented in the financial statements are not necessarily indicative of the amounts that the Company could realize in market exchange.

(iii) 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 Company’s base rate and other fee income/expense that are integral parts of the instrument.

Note 4. Cash and cash equivalents

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Cash in hand	-	0.00
(ii) Balances with banks:		
- In Current Accounts	25.12	1,120.36
- In Deposit accounts with original maturity of 3 months or less	7,067.60	4,965.16
(iii) Cheques on hand	-	-
Total	**7,092.72**	**6,085.52**

Note 5. Trade receivables (Unsecured)

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Considered good		
-Outstanding for a period more than six months	-	0.50
-Outstanding for a period less than six months	-	3.51
	-	**4.01**
Considered doubtful		
-Outstanding for a period more than six months	-	4.37
-Outstanding for a period less than six months	-	-
	-	**4.37**
Impairment allowance	-	(7.80)
Total	**-**	**0.58**

Notes:

(i) Trade receivables are non-interest bearing and are generally on credit terms of 30 to 90 days.

(ii) There are no trade receivables for which there has been a significant increase in credit risk or which have become credit impaired other than those disclosed as doubtful above.

(iii) No trade receivables are due from directors or other officers of the Company either severally or jointly with any other person. Nor any trade receivables are due from firms or private companies respectively in which any director is a partner, a director or a member.

Note 6. Loans

(Rs. In Million)

Particulars	As at March 31, 2021			As at March 31, 2020		
	Amortised cost	At Fair Value through profit or loss	Total	Amortised cost	At Fair Value through profit or loss	Total
A						
Term Loans to Corporates and others	11,572.03	3,177.78	14,749.81	23,592.28	4,878.38	28,470.66
Loans and advances to related parties - Holding Company	-	-	-			-
Total – Gross (A)	11,572.03	3,177.78	14,749.81	23,592.28	4,878.38	28,470.66
Less: Expected Credit Loss	(923.21)	-	(923.21)	(2,912.69)	-	(2,912.69)
Total – Net (A)	**10,648.82**	**3,177.78**	**13,826.60**	**20,679.59**	**4,878.38**	**25,557.97**
B						
(a) Secured by tangible assets (Refer Note (i) below)	10,520.64	-	10,520.64	20,140.40	4,878.38	25,018.78
(b) Secured by intangible assets	-		-	-		-
(c) Unsecured	1,051.39		1,051.39	3,451.88		3,451.88
Total – Gross (B)	**11,572.03**	**-**	**11,572.03**	**23,592.28**	**4,878.38**	**28,470.66**
Less: Expected Credit Loss	(923.21)	-	(923.21)	(2,912.69)	-	(2,912.69)
Total – Net (B)	**10,648.82**	**-**	**10,648.82**	**20,679.59**	**4,878.38**	**25,557.97**
C						
Loans in India						
(i) Public Sector	-		-	-	-	-
(ii) Others	11,572.03	3,177.78	14,749.81	23,592.28	4,878.38	28,470.66
Total (C) Gross	**11,572.03**	**3,177.78**	**14,749.81**	**23,592.28**	**4,878.38**	**28,470.66**
Less: Expected Credit Loss	(923.21)	-	(923.21)	(2,912.69)	-	(2,912.69)
Total (C) Net	**10,648.82**	**3,177.78**	**13,826.60**	**20,679.59**	**4,878.38**	**25,557.97**

Notes:
(i) Term loans are secured against tangible assets such as real estate (including land, residential/commercial/Industrial property, etc.), plant and machinery and equity shares of listed / unlisted companies.
(ii) The Company does not have any loans outside India.

Note 7. Investments

Particulars	As at March 31, 2021			As at March 31, 2020		
	Amortised cost	At Fair Value Through profit or loss	Total	Amortised cost	At Fair Value Through profit or loss	Total
Debt Securities	-	59.62	59.62	5,049.01	5,849.22	10,898.23
Investment in Equity shares	-	-	-	-	256.22	256.22
Less: Expected Credit Loss	-	-	-	(3,163.23)	-	(3,163.23)
Total	**-**	**59.62**	**59.62**	**1,885.78**	**6,105.44**	**7,991.22**

Note:
The Company does not have any Investment outside India.

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Note 8. Others financial assets

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Unbilled revenue	35.00	53.49
Contractually recoverable expenses	30.07	49.15
Security deposits	8.20	7.48
Advance to Vendors	1.56	2.84
Advance to Employees	-	-
	74.83	**112.96**
Less: Impairment allowance	(35.00)	(53.49)
Total	**39.83**	**59.47**

Notes:

1. Impairment allowance represents allowance for unbilled revenue which in the opinion of the management is doubtful of recovery.

2. The Company has assessed that the impact of impairment of other financial assets are immaterial, hence no impairment loss has been provided.

Note 9. Current Tax Assets (Net)

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Advance Tax (net of provision for tax)	1,017.85	1,048.60
Total	**1,017.85**	**1,048.60**

Note 10. Deferred Tax Assets /(Liabilities) (Net)

A) The major components of deferred tax assets and liabilities are:

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Assets:		
Provisions for employee benefit	23.31	46.91
Loss during the period	4,091.82	2,169.07
Depreciation	6.84	8.90
Expected Credit Loss on Loans / Investments at amortised cost	232.36	1,659.92
Loss on Loans / Investments at FVTPL	254.76	1,007.58
Amortised Fees Income	14.32	55.30
Amortised Finance Cost	-	(0.93)
Disallowance under section 40(a) of Income-tax Act, 1961	1.42	1.47
Others	-	-
	4,624.83	**4948.22**
Liabilities:		
Amortised Finance Cost	5.40	-
Others	(8.83)	209.25
Deffered tax asset reserve*	1,624.91	-
	1,621.48	**209.25**
Net Deferred Tax Asset / (Liability)	**3,003.35**	**4,738.97**

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

(Rs. In Million)

Deferred tax asset / (liability)	Balance as at April 1, 2020	Impact of Rate change	Recognised in profit or loss (Expense) /Income	Recognised in other equity	Balance as at March 31 2021
Provisions for employee benefit	46.91	-20.32	-2.60	-0.68	23.31
Loss during the period	2,169.07	0.00	1,922.75		4,091.82
Depreciation	8.90	-2.57	0.51		6.84
Expected Credit Loss on Loans / Investments at amortised cost	1,659.92	-130.73	-1,296.83		232.36
Amortised fee income	55.30	-23.10	-17.88		14.32
Disallowance under section 40(a) of Income-tax Act, 1961	1.47	-0.13	0.08		1.42
Others	(209.25)	243.53	-25.45		8.83
Deffered tax asset reserve*	-	-	-1,624.91		-1,624.91
Amortised finance cost	(0.93)	4.98	-9.45		-5.40
(Gain)/Loss on Loans / Investments at FVTPL	1,007.58	-71.66	-681.16		254.76
	4,738.97	**0.00**	**-1,734.94**	**-0.68**	**3,003.35**

Note:

*The Company has recognised deferred tax assets on carried forward tax losses with respect Financial Year (FY) 2019-20 and tax losses incurred in FY 2020-21 where the Company believes that the said deferred tax assets shall be recoverable based on the estimated future taxable income which in turn is based on approved business plans and budgets. The losses are allowed to be carried forward to the years in which the Company expects that there will be sufficient taxable profits to offset these losses.

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Note 11. Property, plant and equipment

(Rs. In Million)

Particulars	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET BLOCK	
	As at April 01, 2020	Additions	Deductions	As at March 31, 2021	As at April 01, 2020	For the Year	Deductions	As at March 31, 2021	As at March 31, 2021	As at March 31, 2020
Furniture and Fixtures	1.86	-	-	1.86	1.20	0.29	-	1.49	0.37	0.63
Office Equipment	6.61	0.26	0.11	6.76	3.76	1.33	-	5.09	1.67	2.85
Computers	10.90	0.86	-	11.76	4.70	4.40	-	9.10	2.66	6.18
Leasehold improvements	25.88	-	-	25.88	13.40	3.00	-	16.40	9.48	12.48
Software	5.10	-		5.10	1.71	0.66	-	2.37	2.73	3.39
Sub total (A)	**50.35**	**1.12**	**0.11**	**51.36**	**24.77**	**9.68**	**-**	**34.45**	**16.91**	**25.53**
Leased asset:										
Office Premises	87.50	-	-	87.50	14.59	17.50	-	32.09	55.41	72.91
Right-of-use Asset	-	3.70	-	3.70		1.28	-	1.28	2.42	-
Sub total (B)	**87.50**	**3.70**	**-**	**91.20**	**14.59**	**18.78**	**-**	**33.37**	**57.83**	**72.91**
Total	**137.85**	**4.82**	**0.11**	**142.56**	**39.36**	**28.46**	**-**	**67.82**	**74.74**	**98.44**

Note 12. Other non-financial assets

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Prepaid Expenses	0.99	0.34
GST receivable	26.40	6.58
Prepaid Rent	-	3.28
Total	**27.39**	**10.20**

Note 13. Trade Payables

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	59.93	66.22
Total	**59.93**	**66.22**

Note:

There are no dues to Micro and Small Enterprises as at March 31, 2021. Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the management.

Note 14. Debt Securities- At Amortised Cost

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Non Convertible Debentures	2,594.03	10,384.10
Total	**2,594.03**	**10,384.10**

Notes:

(i) The Company does not have any Borrowings outside India.

(ii) Terms of NCD's

(a) The January 2015 Series 5 NCDs of Rs. 600 Million is redeemable on January 16, 2022.

(b) The April 2015 Series 4 NCDs of Rs. 700 Million is redeemable on April 23, 2021.

(c) The December 2016 Series 2 and 3 NCDs of Rs. 650 Million each are redeemable on March 9, 2022 and March 9, 2023 respectively, with a prepayment option with the Company in respect of Series 3 NCDs.

(i) The NCDs are redeemable at the amounts arrived at by multiplying the outstanding principal amount of such NCDs being redeemed on the redemption date, by the Internal Rate of Return (IRR). IRR is calculated as (1 + r)^n, where r = is a rate ranging between 8.90% to 10.50% per annum compounded annually and n = number of days for which the NCDs are outstanding/365. In case of prepayment, an additional prepayment premium would be payable in the range of 0.50% to 2.00% of the face value of the amount being prepaid.

(j) All the NCDs are secured by first priority non-exclusive hypothecation on a floating charge basis over whole of the loans, non-convertible debentures, optionally convertible debentures and receivable thereof, of the Company, whether current or in future, other than excluded assets as defined in the terms of the NCDs.

(k) All NCDS are additionally secured by Cash Security comprising cash in specified bank accounts and fixed deposits created / to be created by the Company.

Note 15. Borrowings (Other Than Debt Securities) - At Amortised Cost

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Secured		
Term Loans from Banks	6,484.50	14,831.97
Loan Repayable on Demand		
From Banks (Working Capital Demand Loan)	2,250.00	2,250.00
From Banks (Cash Credit)	1,228.60	1,499.78
Unsecured		
Loans from Bank	-	-
Total	**9,963.10**	**18,581.75**

Notes:

(i) The Company does not have any Borrowings outside India.

(ii) Terms of Term loans :

(a) Term loans from banks are repayable in annual instalments commencing from the date of initial disbursement, with a door to door tenor of up-to five years.

(b) The rate of interest is in the range of 8.45% to 9.95% p.a.

(c) Term loans and Working Capital Demand Loans from banks are secured by way of First pari-passu charge on standard loans and advances / receivables of the Company which are eligible for direct bank finance as per RBI guidelines except excluded assets.

Note 16. Other financial liabilities

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Interest Accrued but not due on Debt Securities at amortised cost	1,608.94	4,214.21
Obligations under finance lease	61.77	75.96
Provision for Salary & Bonus	68.02	97.50
Statutory liabilities	43.89	43.41
Advances from customers	11.19	-
Total	**1,793.81**	**4,431.08**

Note 17. Current tax liabilities (Net)

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for Tax (Net of Advance Tax)	5.13	14.95
Total	**5.13**	**14.95**

Note 18. Provisions

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for Employee Benefits		
- Gratuity	7.03	7.75
- Compensated Absences	15.66	9.72
Total	**22.69**	**17.47**

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Note 19. Equity Share Capital

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
AUTHORISED		
500,000,000 (March 31, 2018: 500,000,000 , March 31, 2017: 400,000,000)	5,000.00	5,000.00
Equity Shares of Rs. 10/- each		
	5,000.00	**5,000.00**
ISSUED, SUBSCRIBED AND FULLY PAID UP		
460,226,538 (March 31, 2018: 460,226,538 , March 31, 2017: 37,92,73,338)	4,602.27	4,602.27
Equity Shares of Rs. 10/- each fully paid-up		
	4,602.27	**4,602.27**

Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number	Amount	Number	Amount
Equity shares outstanding as at the beginning of the year	46,02,26,538	4,602.27	46,02,26,538	4,602.27
Issued during the year	-	-	-	-
Equity shares outstanding as at the end of the year	**46,02,26,538**	**4,602.27**	**46,02,26,538**	**4,602.27**

Details of shareholders holding more than 5 percent shares in the Company are given below:

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number	%	Number	%
KKR Capital Markets India Private Limited (Holding company w.e.f. March 30, 2017) (including 400 Equity Shares held by a nominee)	46,02,26,538	100.00%	46,02,26,538	100.00%

All the above Equity shares have the same dividend and voting rights and in case of repayment of capital.

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Note 20. Other equity

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
(a) Statutory Reserve - Reserve Fund pursuant to Section 45-IC of the RBI Act, 1934		
Balance as per the last Financial Statements	1,612.24	1,612.24
Add: Amount transferred from Statement of Profit and Loss	-	-
Closing balance	**1,612.24**	**1,612.24**
(b) Securities premium account		
Balance as per the last financial statements	12,436.76	12,436.76
Add: Received during the year	-	-
Closing balance	**12,436.76**	**12,436.76**
(c) Retained earnings (Surplus in statement of profit and loss)		
Balance as per the last financial statements	(6,555.87)	6,005.97
Profit/ (Loss) for the year	(1,394.01)	(12,558.38)
Other Comprehensive Income	2.02	(3.46)
Less: Transfer to Reserve Fund under Section 45 I C of Reserve Bank of India Act, 1934	-	-
Closing balance	**(7,947.86)**	**(6,555.87)**
TOTAL	**6,101.14**	**7,493.13**

Note 21. Interest Income

(Rs. In Million)

Particulars	Year ended			Year ended		
	On Financial Assets measured at Amortised Cost	On Financial Assets classified at Fair value through Profit or Loss	Total	On Financial Assets measured at Amortised Cost	On Financial Assets classified at Fair value through Profit or Loss	Total
Interest on loans	2,312.27	559.72	2,871.99	3,859.47	1,063.40	4,922.87
Interest income from investments	223.17	630.58	853.75	789.81	1,508.06	2,297.87
Interest on fixed deposits with bank	170.11	-	170.11	149.42	-	149.42
Total	**2,705.55**	**1,190.30**	**3,895.85**	**4,798.70**	**2,571.46**	**7,370.16**

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Note 22. Fee Income

(Rs. In Million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Finance arrangement fees	7.75	1.37
Advisory fees	0.04	3.10
Total	**7.79**	**4.47**

Note 23. Other Income

(Rs. In Million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Profit on disposal of non-current loan/Investment	187.80	-
Reversal of provision on fee of previous year	3.43	-
Interest on Income Tax refund	44.04	-
Income on recovery from loan written off in previous years	-	2.28
Discount value of future rent	0.68	0.42
Total	**235.95**	**2.70**

Note 24. Finance cost

(Rs. In Million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
	On Financial liabilities measured at Amortised Cost	
Interest on debt securities	972.59	1,973.71
Interest on borrowings (other than debt securities)	1,308.30	1,896.24
Interest expense on lease liability	6.61	5.80
Total	**2,287.50**	**3,875.75**

Note 25. Net loss on fair value changes

(Rs. In Million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
(A) Net gain on financial instruments at fair value through profit or loss	(2,706.46)	2,985.88
Fair Value changes:		
-Realised	-	-
-Unrealised	(2,706.46)	2,985.88
(B) Loans written off (including accrued interest)	4,997.81	4,142.26
Total Net loss on fair value changes	**2,291.35**	**7,128.14**

Note 26. Impairment on financial instruments (Expected Credit Loss)

The table below shows the ECL charges in terms of Ind AS 109 on financial instruments for the year recorded in the profit and loss based on evaluation stage:

(Rs. In Million)

Particulars	Year ended March 31, 2021				Year ended March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans/ Investment at amortised cost	(2,240.32)	377.24	(3,345.73)	(5,208.81)	(201.50)	3,538.72	1,472.96	4,810.18
Loan commitments	(0.89)	56.99	-	56.10	10.11	-	-	10.11
Loans written off (including accrued interest)	-	-	3,286.52	3,286.52	-	-	7,179.82	7,179.82
Total impairment loss	**(2,241.21)**	**434.23**	**(59.21)**	**(1,866.19)**	**(191.39)**	**3,538.72**	**8,652.78**	**12,000.11**

Note 27. Employee benefit expense

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Salaries and Bonus (including reimbursements) (Refer Note 45)	283.23	304.67
Contribution to Provident Fund	4.11	3.95
Gratuity (Refer Note 39)	3.37	5.80
Compensated absences	9.35	6.43
Staff Welfare Expenses	20.38	24.22
Total	**320.44**	**345.07**

Note 28. Other expenses

(Rs. In Million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Rent	-	3.56
Rates and taxes	0.50	1.05
Repairs and maintenance	2.00	1.16
Electricity and water charges	0.65	0.82
Travelling and conveyance	0.71	44.74
Legal and professional expenses	381.36	278.25
Office Expenses	0.96	0.89
Membership and subscription Expenses	7.55	3.89
Auditors' Remuneration (Refer Note (i) below)	2.31	2.20
Donation	0.09	0.15
Corporate Social Responsibility Expenses (Refer Note (ii) below)	-	-
Insurance	0.38	0.38
Fee written off	3.75	-
Loss on disposal of non-current loan/Investment	325.02	-
Provision for doubtful advance	-	38.43
Foreign exchange loss (net)	1.12	0.87
Miscellaneous expenses (Refer Note (iii) below)	11.31	13.51
Total	**737.71**	**389.90**

Notes:

(i) Auditors' Remuneration

(Rs. In Million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
a) For Statutory Audit	2.05	2.05
b) For Tax Audit	0.15	0.15
c) For taxation related service	-	-
d) For other services (Certification Fees)	0.11	-
e) For reimbursement of expenses	-	-
Total	**2.31**	**2.20**

(ii) Corporate Social Responsibility Expenses

(Rs. In Million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Gross Amount Required to be spent during the year	-	-
Amount spent during the year on CSR for purposes other than construction /acquisition of any asset.	-	-

(iii) Miscellaneous Expenses

Miscellaneous expenses include Postage, Courier charges, Printing and Stationary etc.

Note 29. Other comprehensive income

(Rs. In Million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurement gain on defined benefit plan	(2.70)	4.62
Income tax relating to these items	0.68	(1.16)
Total other comprehensive income for the year, net of tax	**(2.02)**	**3.46**

KKR INDIA FINANCIAL SERVICES LIMITED (Formerly known as KKR India Financial Services Private Limited)
Notes forming part of the financial statements

Note 30 - Loans / Investments at amortised cost

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and loans and advances. Credit risk encompasses both, direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks.

1.1 Credit quality of assets

(Rs. In Million)

Particulars	As at March 31, 2021				As at March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal rating grade*								
Performing grade	8,946.10	-	-	**8,946.10**	17,870.89	-	-	**17,870.89**
Under Performing grade	-	2,625.93	-	**2,625.93**	-	8,122.05	-	**8,122.05**
Non-performing grade	-	-	-	**-**	-	-	2,648.35	**2,648.35**
Total	**8,946.10**	**2,625.93**	**-**	**11,572.03**	**17,870.89**	**8,122.05**	**2,648.35**	**28,641.29**

1.2 An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to lending is, as follows:

(Rs. In Million)

Particulars	As at March 31, 2021				As at March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**17,870.89**	**8,122.05**	**2,648.35**	**28,641.29**	**34,187.54**	**2,113.08**	**1,611.07**	**37,911.69**
New assets originated (net)	(46.68)	(178.44)	-	**(225.12)**	8,328.30	3,031.12	186.07	**11,545.49**
Assets derecognised or repaid (excluding write offs) (net)	(7,262.20)	(5,835.66)	(848.30)	**(13,946)**	(13,855.25)	(199.80)	-	**(14,055.05)**
Transfers to Stage 1	-	-	-	**-**	-			-
Transfers to Stage 2	(1,615.91)	1,615.91	-	**-**	(5,090.92)	5,090.92		-
Transfers to Stage 3	-	(1,097.93)	1,097.93	**-**	(851.21)		851.21	-
Amounts written off	-	-	(2,897.98)	**(2,897.98)**	(4,847.57)	(1,913.27)	-	(6,760.84)
Gross carrying amount closing balance	**8,946.10**	**2,625.93**	**-**	**11,572.03**	**17,870.89**	**8,122.05**	**2,648.35**	**28,641.29**

Reconciliation of ECL balance is given below:

(Rs. In Million)

Particulars	As at March 31, 2021				As at March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balance	**424.01**	**3,601.70**	**2,050.21**	**6,075.92**	615.40	62.97	577.26	**1,255.63**
Assets originated/derecognised/repaid (excluding write-off)	(29.24)	(1,975.32)	(508.98)	**(2,513.54)**	181.45	3,540.69	1,429.62	**5,151.76**
Transfers to Stage 1				-	-	-	-	**-**
Transfers to Stage 2	(37.61)	37.61		-	(61.01)	61.01		**-**
Transfers to Stage 3		(1,097.93)	1,097.93	-	(43.33)		43.33	**-**
Amounts written off		-	(2,639.17)	**(2,639.17)**	(268.50)	(62.97)	-	**(331.47)**
ECL allowance - closing balance	**357.16**	**566.06**	**-**	**923.21**	**424.01**	**3,601.70**	**2,050.21**	**6,075.92**

***Internal rating grades are classified on below basis**

Grade	Classification Basis	Stage
Performing grade	0-30 DPD	Stage 1
Under Performing grade	31-90 DPD	Stage 2
Non-performing grade	>90 DPD	Stage 3

KKR INDIA FINANCIAL SERVICES LIMITED (Formerly known as KKR India Financial Services Private Limited)
Notes forming part of the financial statements

Note 31. Income Taxes

1. Income Tax recognised in Total Comprehensive Income

(Rs. In Million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Current Tax	-	-
Deferred Tax	1,734.94	(3,883.37)
Total Income tax expense recognised in the Statement of Profit and Loss	**1,734.94**	**(3,883.37)**
Tax on Other Comprehensive Income	(0.68)	1.16
Total Income tax expense recognised in Total Comprehensive Income	**1,734.26**	**(3,882.21)**

2. Reconciliation of income tax expense for the year:

(Rs. In Million)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Profit before tax	340.32	(16,384.81)
Income tax rate	25.168%	25.168%
Income tax expense	**85.65**	**(4,123.73)**
Tax effect of:		
DTA reserve	1,624.91	-
Expenses disallowed	23.71	1.32
Exempt income	-	-
Reversal of provisions disallowed in earlier years	-	-
Impact of change in tax rate	-	240.20
Total	**1,648.62**	**241.52**
Income tax expense recognised in Total Comprehensive Income	**1,734.27**	**(3,882.21)**

Note 32. Financial instruments

A. 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 maximise shareholders 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 no. 42(1)

B. Financial instruments

(i) Fair Value

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

Set out below, is the accounting classification of financial instruments by category:

(Rs in Million)

Particulars	As at March 31, 2021		As at March 31, 2020	
	FVTPL	Amortised cost	FVTPL	Amortised cost
Financial assets				
Investments	59.62	-	6,105.44	1,885.78
Trade receivables	-	-	-	0.58
Loans	3,177.78	10,648.82	4,878.38	20,679.59
Cash and cash equivalents	-	7,092.72	-	6,085.52
Security deposits	-	8.20	-	7.48
Other Financial Assets	-	31.63	-	51.99
Total financial assets	**3,237.40**	**17,781.37**	**10,983.82**	**28,710.95**
Financial liabilities				
Debt Securities	-	2,594.03	-	10,384.10
Borrowings (Other than Debt Securities)	-	9,963.10	-	18,581.75
Finance lease obligation	-	61.77	-	75.96
Trade and other payables	-	59.93	-	66.22
Other financial liabilities	-	1,732.04	-	4,355.12
Total financial liabilities	**-**	**14,410.87**	**-**	**33,463.15**

(ii) Fair value and fair value hierarchy for financial assets at FVTPL

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair 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.

(Rs in Million)

			Fair Value			
Financial assets and liabilities measured at fair value - recurring fair value measurements	**Notes**	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
As at March 31, 2021						
Financial assets						
Loans to Corporates and Others at FVTPL	7	3,177.78	-	-	3,177.78	3,177.78
Investments at FVTPL	8	59.62	-	-	59.62	59.62
Total financial assets		**3,237.40**	**-**	**-**	**3,237.40**	**3,237.40**

(Rs in Million)

Assets and liabilities which are measured at amortised cost for which fair values are disclosed	**Notes**	**Carrying Amount**	**Fair Value**
As at March 31, 2021			
Financial assets			
Cash and cash equivalents	5	7,092.72	7,092.72
Trade Receivable	6	-	-
Loans - To Corporates and Others	7	10,648.82	10,142.35
Investments	8	-	-
Security deposits	9	8.20	8.20
Other financial assets	9	31.63	31.63
Total financial assets		**17,781.37**	**17,274.90**
Financial Liabilities			
Trade and other payables	14 and 15	59.93	59.93
Debt Securities	16	2,594.03	2,526.71
Borrowings other than Debt Securities	17	9,963.10	10,009.90
Finance lease obligation	17	61.77	61.77
Other Financial Liabilities	18	1,732.04	1,732.04
Total financial liabilities		**14,410.87**	**14,390.35**

(Rs in Million)

			Fair Value			
Financial assets and liabilities measured at fair value - recurring fair value measurements	**Notes**	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
As at March 31, 2020						
Financial assets						
Loans to Corporates and Others at FVTPL	7	4,878.38	-	-	4,878.38	**4,878.38**
Investments at FVTPL	8	6,105.44	256.22	-	5,849.22	**6,105.44**
Total financial assets		**10,983.82**	**256.22**	**-**	**10,727.60**	**10,983.82**

(Rs in Million)

Assets and liabilities which are measured at amortised cost for which fair values are disclosed	**Notes**	**Carrying Amount**	**Fair Value**
As at March 31, 2020			
Financial assets			
Cash and cash equivalents	5	6,085.52	6,085.52
Trade Receivable	6	0.58	0.58
Loans - To Corporates and Others	7	20,679.59	19,649.18
Investments	8	1,885.78	1,300.30
Security deposits	9	7.48	7.48
Other financial assets	9	51.99	51.99
Total financial assets		**28,710.95**	**27,095.05**
Financial Liabilities			
Trade and other payables	14 and 15	66.22	66.22
Debt Securities	16	10,384.10	10,186.53
Borrowings other than Debt Securities	17	18,581.75	18,686.06
Finance lease obligation	17	75.96	75.96
Other Financial Liabilities	18	4,355.12	4,355.12
Total financial liabilities		**33,463.15**	**33,369.89**

The fair value of financial instruments have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The categories used are as follows:

Level 1 : Level 1 hierarchy includes financial instruments measured using unadjusted quoted prices in active markets that the Company has the ability to access for the identical assets or liabilities. A financial instrument is classified as a Level 1 measurement if it is listed on an exchange. This includes listed equity instruments, traded bonds and mutual funds that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges is valued using the closing price as at the reporting period. The mutual funds are valued at the closing Net Asset Value (NAV).

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3 : If one or more of the significant inputs is not based on observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Company develops Level 3 inputs based on the best information available in the circumstances.

(iii) Valuation process and technique for financial assets at FVTPL

The management estimates the fair values of financial assets and liabilities required for financial reporting purposes, including level 3 fair values, after giving consideration to purchase price, market conditions, current and projected operating performance, expected cash flows, projected dividends, anticipated future securities' values and the market value of publicly traded shares of portfolio companies. Determination of fair value is based on the best information available in the circumstances and may incorporate the management's own assumptions, including appropriate risk adjustments for non-performance and lack of marketability. The method used to estimate the fair value of such assets is the income approach (e.g. the discounted cash flow method, waterfall approach based on issuer yield curve etc.)

Type of Financial Instrument	**Valuation Technique**
Loans to Corporates and others	Income Approach
Investments	Income Approach
Debt securities	Income Approach
Borrowings (other than debt securities)	Income Approach

(iv). Sensitivity of fair value measurements to changes in unobservable market data

The following table demonstrates the sensitivity to a reasonably possible change in the significant unobservable inputs (all other variables being considered as constant) of the Company's Statement of Profit and Loss and equity.

(Rs in Million)

Particulars	Increase / (decrease) in the issuer yield curve	Sensitivity of profit or loss		Sensitivity of equity	
2020-21					
Loans/Investments at FVTPL	50 Basis point Up	Impact on Profit before Tax	(118.73)	Impact on equity	(88.85)
	50 Basis point down		198.95		148.88
2019-20					
Loans/Investments at FVTPL	70 Basis point Up	Impact on Profit before Tax	(387.26)	Impact on equity	(136.42)
	70 Basis point down		(100.68)		139.66

Particulars	Increase / (decrease) in the Equity Price	Sensitivity of profit or loss		Sensitivity of equity	
2020-21					
Loans/Investments at FVTPL	10% Increase in Price	Impact on Profit before Tax	-	Impact on equity	-
	10% Decrease in Price		(-)		(-)
2019-20					
Loans/Investments at FVTPL	10% Increase in Price	Impact on Profit before Tax	4.83	Impact on equity	3.61
	10% Decrease in Price		(3.75)		(2.80)

Particulars	Increase / (decrease) in the Operating Margin	Sensitivity of profit or loss		Sensitivity of equity	
2020-21					
Loans/Investments at FVTPL	1% Increase in Margin	Impact on Profit before Tax	-	Impact on equity	-
	1% Decrease in Margin		(-)		(-)
2019-20					
Loans/Investments at FVTPL	1% Increase in Margin	Impact on Profit before Tax	9.64	Impact on equity	7.21
	1% Decrease in Margin		(9.64)		(7.21)

Particulars	Increase / (decrease) in the Revenue	Sensitivity of profit or loss		Sensitivity of equity	
2020-21					
Loans/Investments at FVTPL	1% Increase in Revenue	Impact on Profit before Tax	-	Impact on equity	-
	1% Decrease in Revenue		(-)		(-)
2019-20					
Loans/Investments at FVTPL	1% Increase in Revenue	Impact on Profit before Tax	7.78	Impact on equity	5.83
	1% Decrease in Revenue		(7.57)		(5.67)

C. Risk management framework

The Company's risks are managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls. The company considers ongoing risk management as a critical function 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 and interest rate risk.
It is the Company's policy to ensure that a robust risk awareness is embedded in its organizational risk culture. Further the Company has a designated Chief Risk Officer (CRO) overseeing the risk management functions.

1. Credit risk

Credit Risk in simple terms is the risk of borrowers / obligors ability to honour their obligations in timely manner and the loss that may be incurred by the Company in the event of the failure of borrowers to meet their repayment obligations. The Company manages this risk by setting limits for single and group borrower exposures, sectoral exposure norms and limits on unsecured exposures.

2. Impairment assessment

(i) Exposure at Default (EAD)

EAD is aggregate of the amortized principal, accrued interest and committed undrawn lines as on the default date and the same is used for purpose of ECL computation.

Exposure to Loans/Investments which are accounted as per amortized cost method have been classified under the following three stages at borrower level.
Stage 1 – Loans/Investments with low credit risk and where there is no significant increase in credit risk. The Loans/Investments up to 0-30 days are classified as Stage1.
Stage 2 – Loans/Investments with significant increase in credit risk as compared to the risk assessed at their origination are considered as stage 2. These include underperforming assets i.e. assets with overdue > 30 days and < 90 days or any other asset that the management, based on a qualitative assessment, considers to be underperforming in its view irrespective of the numbers of days the account is overdue.
Stage 3 – Non Performing or Impaired borrowers and defined as borrowers with over dues > 90 days or where the management, based on a qualitative assessment, considers the default to be imminent.

Credit Conversion Factor (CCF) for committed and undrawn lines:
Estimated drawdown within 1 year of date of ECL Calculation: 20%
Estimated drawdown beyond 1 year of date of ECL Calculation: 50%
However, as a measure of prudence, for undrawn lines, CCF of 50% is used irrespective of tenor over which drawdown would occur as the probability of the year 1 drawdown is high and therefore that becoming a funded exposure is more certain.

(ii) Significant increase in credit risk

The Company continuously monitors all loans/investments subject to ECLs. This monitoring is to evaluate if there has been any significant in the credit risk over the balance life of the loans/investments as compared to the assessed credit risk at the time of their origination. Such evaluation may lead to either revision in the probability of default and / or revision in the asset classification stage (1 or 2) based on overdue status or management's qualitative assessment that the underlying risk has significantly increased and the asset needs to be assessed either on the basis of lifetime PD or default PD if the default is considered imminent. The Company considers an exposure to have significantly increased in credit risk if contractual payments are more than 30 days past due or where the management, based on a qualitative assessment, considers the asset to be underperforming in its view irrespective of the numbers of days the account is overdue.

(iii) Definition of default and cure

In the event any borrower has defaulted on loan repayment obligations for 90 days or more, the same is considered as credit impaired i.e. stage 3.
Factors considered for Stage definition
Besides the number of days an account is overdue, the Company considers various qualitative factors to assess whether any exposure should be moved to Stage 2 or Stage 3 (for imminent threat of default cases). Some of the indicative parameters (non-exhaustive) are :
• Financial parameters such as drop in profitability / increase in debt / adverse changes in debt / EBIDTA or DSCR ratios
• A breach of contract such as a default or past due event or material covenant breaches;
• The restructuring of a loan or advance by the company on terms that the company would not consider otherwise; or
• It is becoming probable that the borrower will enter bankruptcy or other financial reorganization

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the borrower makes necessary payments and the borrower is not 90 days past due after such payments. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and the relative credit risk as compared to the asset origination stage.

(iv) 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 derecognised and is still in the portfolio. The Company has its own internal ratings for client exposures and these have been mapped to leading external credit rating agency's ratings and probabilities of default. The Company has applied
a. 12 months PD to Stage 1 Loans and Investments
b. Lifetime PD for Stage 2 assets
c. 100% PD for Stage 3 assets

(v) 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 be received, including from realization of any prime/collateral security. LGD is computed based on discounted expected recoveries at an account level based on collateral valuation after applying appropriate hair cut and appropriate recovery time.

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. Generally the Company accepts collaterals such as real estate (residential / commercial / land parcels), shares (listed / unlisted / promoter owned), plant and machinery, stock and book debts etc. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In case of defaults by customers (whether of due payments or underlying security conditions / covenants), the Company has the right to enforce the security and monetise the same towards part or full liquidation of the credit exposure.

4. 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 as and when they fall due on account 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 the approved Asset Liability Management (ALM) Policy framed as per the current regulatory guidelines. The 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 ALM Policy.

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. They have been classified to mature and/or be repaid within 12 months. With regards to loans and advances to customers, the Company uses the same basis of expected repayment as used for estimating the EIR.

(Rs. In Million)

Particulars	As at March 31, 2021			As at March 31, 2020		
ASSETS	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Financial Assets						
Cash and cash equivalents	7,092.72	-	7,092.72	6,085.52	-	6,085.52
Trade Receivables	-	-	-	0.58	-	0.58
Loans	1,526.17	12,300.43	13,826.60	6,495.47	19,062.49	25,557.97
Investments	59.62	-	59.62	2,023.88	5,967.34	7,991.22
Other financial Assets	31.62	8.21	39.83	51.99	7.48	59.47
Non-Financial assets						
Current Tax Assets (Net)	-	1,017.85	1,017.85	-	1,048.60	1,048.60
Deferred tax assets (Net)	-	3,003.35	3,003.35	-	4,738.97	4,738.97
Property, plant and equipment	-	74.74	74.74	-	98.44	98.44
Other non-financial assets	0.80	26.59	27.39	1.84	8.36	10.20
Total Assets	**8,710.93**	**16,431.17**	**25,142.10**	**14,659.29**	**30,931.68**	**45,590.97**
LIABILITIES						
Financial Liabilities						
Trade and other Payables	59.93	-	59.93	66.22	-	66.22
Debt Securities	1,946.70	647.33	2,594.03	7,043.44	3,340.66	10,384.10
Borrowings (Other than debt securities)	7,526.63	2,436.47	9,963.10	12,077.51	6,504.24	18,581.75
Finance lease obligation	15.60	46.17	61.77	14.19	61.78	75.97
Other financial liabilities	1,458.44	273.60	1,732.04	2,753.03	1,602.08	4,355.11
Non-Financial Liabilities						
Current tax liabilities (Net)	5.13	-	5.13	-	14.95	14.95
Provisions	3.06	19.63	22.69	3.04	14.43	17.47
Total liabilities	**11,015.49**	**3,423.20**	**14,438.69**	**21,957.43**	**11,538.14**	**33,495.57**
Net	**(2,304.56)**	**13,007.97**	**10,703.41**	**(7,298.15)**	**19,393.54**	**12,095.40**

5. 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 loans to Corporates and others. The Company borrows through various financial instruments to finance its core lending activity. These activities expose the Company to interest rate risk.

Exposure to interest rate risk

Particulars	As at 31-Mar-2021	As at 31-Mar-2020
Variable-rate instruments		
Variable Rate Loans	4,817.71	8,059.63
Variable Rate Borrowings	12,557.14	28,965.85
Total	**17,374.85**	**37,025.48**

Interest rate risk is measured through earnings at risk from an earnings perspective. Further, exposure to fluctuations in interest rates is measured by way of gap analysis across different time buckets (based on contracted / behavioural maturities), providing a static view of the maturity and re-pricing characteristic of Balance sheet positions. 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.

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.

(Rs in Million)

Currency	Increase / (decrease) in basis points	Sensitivity of profit or loss		Sensitivity of equity	
2020-21					
Borrowings	50 Basis point Up	Impact on Profit before Tax	(59.25)	Impact on equity	(44.34)
	50 Basis point Down		60.01		44.90
Variable rate Loans	50 Basis point Up	Impact on Profit before Tax	(45.45)	Impact on equity	(34.01)
	50 Basis point Down		46.18		34.55
2019-20					
Borrowings	70 Basis point Up	Impact on Profit before Tax	(206.22)	Impact on equity	(154.32)
	70 Basis point Down		210.07		157.20
Variable rate Loans	70 Basis point Up	Impact on Profit before Tax	(90.79)	Impact on equity	(67.94)
	70 Basis point Down		92.69		69.36

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Note 33. Change in liabilities arising from financing activities

(Rs. In Million)

Particulars	As at April 1, 2020	Cash flows	Other	As at March 31, 2021
Debt securities	10,384.11	(7,800.00)	9.93	2,594.04
Borrowings other than debt securities	18,581.75	(8,571.17)	(47.48)	9,963.09
Total liabilities from financing activities	**28,965.86**	**(16,371.17)**	**(37.55)**	**12,557.13**

Note 34
(i) Provident Fund

Provident fund for certain eligible employees is paid to recognised provident fund managed by the Government. The contribution by the employer and employee together with the interest accumulated thereon are payable to employees at the time of their termination/retirement, in accordance with PF rules. The contribution to the said recognised fund is considered as expenses in the Profit and loss account on accrual basis. The charge during the current year towards employer's share of contribution is INR 4.11 million(Previous year INR 3.95 million).

(ii) Gratuity Fund

The Company accounts for its liability towards Gratuity based on actuarial valuation made by an independent actuary as at the balance sheet date based on projected unit credit method. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur.

The gratuity policy of the company provides for lumpsum payment to vested employees at retirement or on termination of employment, based on respective employee's salary and years of employment in accordance with Payment of Gratuity Act, 1972.

Changes in the defined benefit obligation and fair value of plan assets as at March 31, 2021:

(Rs. In Million)

Particulars	As at April 1, 2020	Service cost	Net interest expense	Benefits paid	Actuarial changes arising from changes in financial assumptions	Experience adjustments	As at March 31, 2021
Defined benefit obligation	7.75	2.84	0.53	(1.39)	(0.35)	(2.35)	7.03
Benefit liability	**7.75**	**2.84**	**0.53**	**(1.39)**	**(0.35)**	**(2.35)**	**7.03**

Changes in the defined benefit obligation and fair value of plan assets as at March 31, 2020:

(Rs. In Million)

Particulars	As at April 1, 2019	Service cost	Net interest expense	Benefits paid	Actuarial changes arising from changes in financial assumptions	Experience adjustments	As at March 31, 2020
Defined benefit obligation	6.43	5.29	0.50	(9.10)	0.67	3.94	7.75
Benefit liability	**6.43**	**5.29**	**0.50**	**(9.10)**	**0.67**	**3.94**	**7.75**

Sensitivity analysis (Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Sensitivity Level	1% increase	1% increase	1% decrease	1% decrease
Impact on defined benefit obligation				
1) Discount Rate	(0.32)	(0.71)	0.34	0.84
2) Future Salary Increases	0.23	0.53	(0.24)	(0.56)
3) Employee Turnover	(0.16)	0.04	0.17	(0.08)

Maturity Analysis of benefit payments (Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Within the next 12 months	0.20	1.43
Between 2 and 5 years	4.42	1.81
Between 6 and 10 years	3.24	2.65
Beyond 10 years	1.53	13.01
Total expected payments	**9.39**	**18.90**

Note 35. Related party transactions

A. Details of related parties

Names of related parties	Description of Relationship
Kohlberg Kravis Roberts & Co. L.P.	Ultimate Holding Company
KKR India Financial Investments Pte Limited	Indirect Holding Company
KKR Capital Markets India Private Limited	Holding company
KKR India Finance Holding LLC	Fellow subsidiary
KKR Asia Limited	Fellow subsidiary
KKR India Advisors Private Limited	Fellow subsidiary
Mr. Karthik Krishna	Key Managerial Personnel (Independent Director w.e.f March 12,2020)
Ms. Aparna Ravi	Key Managerial Personnel (Independent Director w.e.f February 24,2021)
Mr. B V Krishnan	Key Managerial Personnel (till October 29,2019)
Mr. Tashwinder Singh	Key Managerial Personnel (till June 28,2019)
Mr. Jigar Shah	Key Managerial Personnel (w.e.f December 10, 2019)
Mr. Sanjay Nayar	Key Managerial Personnel (w.e.f December 10, 2019 till December 30, 2020)
Mrs.Parul Sarda	Key Managerial Personnel (till June 30, 2020)

(Rs. In Million)

B. Related party transactions	Ultimate Holding Company	Holding Company	Company having significant influence over the Company	Fellow subsidiaries	Key Management Personnel
Description of transaction:					
Reimbursement of expenses:					
Kohlberg Kravis Roberts & Co. L.P.	12.68	-	-	-	-
	(5.80)	(-)	(-)	(-)	(-)
KKR Asia Limited	-	-	-	18.09	-
	(-)	(-)	(-)	(23.59)	(-)
KKR India Finance Holding LLC	-	-	-	15.55	-
	(-)	(-)	(-)	(15.29)	(-)
KKR India Advisors Private Limited	-	-	-	1.55	-
	(-)	(-)	(-)	(29.60)	(-)
KKR Capital Markets India Private Limited	-	49.63	-	-	-
	(-)	(15.34)	(-)	(-)	(-)
Recovery of expenses:					
KKR Capital Markets India Private Limited	-	42.03	-	-	-
	(-)	(0.83)	(-)	(-)	(-)
KKR India Advisors Private Limited	-	-	-	21.23	-
	(-)	(-)	(-)	(19.81)	(-)
Sitting Fees to Independent Directors:					
Mr. Karthik Krishna	-	-	-	-	0.70
	(-)	(-)	(-)	(-)	(-)
Ms. Aparna Ravi	-	-	-	-	0.30
	(-)	(-)	(-)	(-)	(-)
Remuneration to Key Managerial personnel:					
Mr. BV Krishnan	-	-	-	-	-
	(-)	(-)	(-)	(-)	(8.31)
Mr. Tashwinder Singh	-	-	-	-	-
	(-)	(-)	(-)	(-)	(58.60)
Mr. Jigar Shah	-	-	-	-	59.91
	(-)	(-)	(-)	(-)	(36.84)
Mr. Sanjay Nayar	-	-	-	-	3.75
	(-)	(-)	(-)	(-)	(1.53)
Mrs.Parul Sarda	-	-	-	-	0.09
	(-)	(-)	(-)	(-)	(0.36)

(Rs. In Million)

C. Related party balances as at March 31, 2021	Ultimate Holding Company	Holding Company	Company having significant influence over the Company	Fellow subsidiaries	Key Management Personnel
Equity Share Capital:					
KKR Capital Markets India Private Limited	-	4,602.27	-	-	-
	(-)	(4,602.27)	(-)	(-)	(-)
Payables:					
KKR India Finance Holding LLC	-	-	3.89	-	-
	(-)	(-)	(3.81)	(-)	(-)
Kohlberg Kravis Roberts & Co. L.P.	9.13	-	-	-	-
	(5.80)	(-)	(-)	(-)	(-)
KKR India Advisors Private Limited	-	-	-	0.58	-
	(-)	(-)	(-)	(17.56)	(-)
KKR Capital Markets India Private Limited	-	13.63	-	-	-
	(-)	(4.35)	(-)	(-)	(-)
Receivables:					
KKR Capital Markets India Private Limited	-	2.03	-	-	-
	(-)	(21.01)	(-)	(-)	(-)
KKR India Advisors Private Limited	-	-	-	13.29	-
	(-)	(-)	(-)	(12.37)	(-)

Notes :

1. Related parties have been identified by the management.
2. Figures in brackets pertain to those of the previous year.

Note 36. Segment Information

The principal object of the Company is to carry on the activities of advisory and finance arrangement services. All other activities of the Company revolve around / are connected with its principal object. Considering this, the Company has only one reportable segment.

Note 37. Lease Disclosures

Under Ind-AS 116, the Company recognises right-of-use assets and lease liabilities for leases i.e. these leases are on the balance sheet. Lease liabilities as at 01 April 2019 were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average of lessee's incremental borrowing rate applied to the lease liabilities as at 01 April 2019 was 9.50%.

(Rs. In Million)

Changes in the carrying value of Right-of-use Assets

Particulars	As at March 31, 2021	As at March 31, 2020
Opening balance	72.91	-
Additions	-	87.49
Deletion		
Depreciation	17.50	14.58
Closing balance	55.41	72.91

Changes in the Lease liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
Opening balance	75.96	-
Addition	-	87.50
Add: Lease interest	6.61	5.80
Less: Lease payments	20.80	17.34
Closing balance	61.77	75.96

Maturity analysis of lease liabilities

Particulars	As at March 31, 2021	As at March 31, 2020
a) Payable not later than one year	15.60	14.19
b) Payable later than one year and not later than five years	46.17	61.77
c) Payable later than five years	-	-

Amounts recognised in statement of Profit and Loss account

Particulars	As at March 31, 2021	As at March 31, 2020
Interest on Lease liability	6.61	5.80
Depreciation on Leased asset	17.50	14.58
		-

Amounts recognised in statement of Cash Flows

Particulars	As at March 31, 2021	As at March 31, 2020
Total Cash outflow for lease asset	20.80	17.34

Note 38. Earnings Per Share

The computation of earnings per share is set out below:

Particulars			As at March 31, 2021	As at March 31, 2020
Net Profit after tax as per Statement of Profit and Loss	(A)	(Rs. In Million)	(1,394.01)	(12,558.40)
Weighted average number of equity shares for calculating Basic EPS	(B)	Nos.	460,226,538	460,226,538
Weighted average number of equity shares for calculating Diluted EPS	(C)	Nos.	460,226,538	460,226,538
Basic earnings per equity share (in Rupees) (Face value of Rs. 10/- per share)	(A)/(B)	Rs.	(3.03)	(27.29)
Diluted earnings per equity share (in Rupees) (Face value of Rs. 10/- per share)	(A)/(C)	Rs.	(3.03)	(27.29)

Note 39. Contingent liabilities

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Letters of comfort issued to bank, in respect of credit facilities availed by third parties	-	320.00
Income tax demand disputed in appeal	0.20	47.35

Note 40. Employee Share Incentive Plan

KKR Capital Markets India Private Limited (the Holding Company), has granted the Restricted Share Units (RSUs), inter alia, to the eligible employees and/or directors (the employees) of the Company. 2,364,448 RSUs have been granted on April 1, 2017, 249,888 RSUs have been granted on January 1, 2018, 308,406 RSUs have been granted on July 1, 2018, 31,774 RSUs have been granted on January 1, 2019, 251,512 RSUs have been granted on April 1, 2019 and 513,372 RSUs have been granted on October 1, 2019. The particulars of vesting of the RSUs granted to the employees are given in the below table.

The RSUs shall be eligible for vesting as per following schedule:

Vesting Date	No. of RSUs	Status	Exercise Period	Exercise Price per RSU (Rupees)
April 1, 2018	370,087	Vested	1 year from the Date of Vesting	10
April 1, 2019	370,088	Vested	2 years from the Date of Vesting	10
April 1, 2020	16,033	Vested	0.5 year from the Date of Vesting	10
April 1, 2020	65,078	Vested	1 year from the Date of Vesting	10
April 1, 2020	84,982	Vested	1.75 years from the Date of Vesting	10
April 1, 2020	27,414	Vested	3 years from the Date of Vesting	10
April 1, 2021	16,033	To be vested	1.5 years from the Date of Vesting	10
April 1, 2021	65,079	To be vested	2 years from the Date of Vesting	10
April 1, 2021	42,493	To be vested	2.75 years from the Date of Vesting	10
April 1, 2022	16,032	To be vested	2.5 years from the Date of Vesting	10
April 1, 2022	41,918	To be vested	3 years from the Date of Vesting	10
October 1, 2020	11,348	Vested	1 year from the Date of Vesting	10
July 1, 2019	84,983	Vested	1 year from the Date of Vesting	10
January 1, 2020	10,592	Vested	1 year from the Date of Vesting	10
January 1, 2021	10,592	Vested	2 years from the Date of Vesting	10
January 1, 2022	10,590	To be vested	3 years from the Date of Vesting	10

The current status of the RSUs granted to the employees is as under:

Particulars	Number of outstanding RSUs	
	Current year	Previous year
Outstanding at the beginning of the year	1,810,972	1,594,367
Granted during the year	-	764,884
Transfer in/ (out) during the year	-	-
Lapsed/ forfeited during the year	567,630	548,279
Exercised during the year	921,677	-
Outstanding at the end of the year	321,665	1,810,972
Exercisable at the end of the year	129,520	833,008

The charge on account of the above plan is included in employee benefits expense aggregating Rs.(6.61) Million (Previous year reversal Rs.0.23 Milliion). Since the RSUs are granted by the Holding Company, basic and diluted earnings per share of the Company would remain unchanged.

Note 41.

Disclosure as required in terms of Annexure I of Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (the Direction)

(Rs. In Million)

Particulars	Amount Outstanding As on March 31, 2021	Amount Overdue
Liabilities side:		
(1) Loans and advances availed by the non banking financial company (comprises principal amount and interest accrued thereon but not paid):		
(a) Debentures : Secured	4,202.97 -14,674.27	- (-)
Unsecured	- (-)	- (-)
(other than falling within the meaning of public deposits)		
(b) Deferred Credits	- (-)	- (-)
(c) Term Loans	6,484.50 -14,831.97	- (-)
(d) Inter-corporate loans and borrowings	- (-)	- (-)
(e) Commercial Paper	- (-)	- (-)
(f) Public Deposits	- (-)	- (-)
(g) Other Loans (Working Capital demand loan, CC facility)	3,478.60 -3,749.78	- (-)
(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):		
(a) In the form of Unsecured debentures	- (-)	- (-)
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	- (-)	- (-)
(c) Other public deposits	- (-)	- (-)

(Rs. In Million)

Assets side:	Amount Outstanding As on March 31, 2021
(3) Break-up of Loans and Advances including bills receivables [other than those included in (4) below] (principal amounts):	
(a) Secured	13,003.59 -23,527.48
(b) Unsecured	823.01 -2,030.71
(4) Break up of Leased Assets and stock on hire and other assets counting towards AFC activities	
(i) Lease assets including lease rentals under sundry debtors :	
(a) Financial lease	- (-)
(b) Operating lease	- (-)
(ii) Stock on hire including hire charges under sundry debtors:	
(a) Assets on hire	- (-)
(b) Repossessed Assets	- (-)
(iii) other loans counting towards AFC activities	
(a) Loans where assets have been repossessed	- (-)
(b) Loans other than (a) above	- (-)

	Amount Outstanding As on March 31, 2021
(5) Break-up of Investments (excluding interest accrued but not due)	
Current Investments: (excluding current position of 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 (Please specify)	- (-)
Long Term investments: (including current position of long term investments)	
1. Quoted :	
(i) Shares : (a) Equity	- -256.22
(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	59.62 -7,735.00
(iii) Units of mutual funds	- (-)
(iv) Government Securities	- (-)
(v) Others (Please specify)	- (-)

(6) Borrower group-wise classification of assets financed as in (3) and (4) above

(Rs. In Million)

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties (a) Subsidiaries	- (-)	- (-)	- (-)
(b) Companies in the same group	- (-)	- (-)	- (-)
(c) Other related parties	- (-)	- (-)	- (-)
2. Other than related parties	13,003.59 -23,527.48	823.01 -2,030.71	13,826.61 -25,558.19
Total	**13,003.59** **-23,527.48**	**823.01** **-2,030.71**	**13,826.61** **-25,558.19**

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

(Rs. In Million)

Category	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	59.62 -7,991.22	59.62 -7,991.22
Total	**59.62** **-7,991.22**	**59.62** **-7,991.22**

(Rs. In Million)

(8) Other information Particulars	Amount Rupees
(i) Gross Non-Performing Assets (a) Related parties	- (-)
(b) Other than related parties	- -3,808.17
(ii) Net Non-Performing Assets (a) Related parties	- (-)
(b) Other than related parties	- -1,372.52
(iii) Assets acquired in satisfaction of debt	- (-)

Note: Figures in brackets pertain to those of the previous year

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Note 42. Disclosures as required in terms of the RBI Directions.

42.1. Capital

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
CRAR (%)	53.42	21.13
CRAR - Tier I Capital (%)	51.05	19.97
CRAR - Tier II Capital (%)	2.37	1.16
Amount of subordinated debt raised as Tier-II capital	-	-
Amount raised by issue of Perpetual Debt Instruments	-	-

42.2. Investments

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	59.79	12,430.12
(b) Outside India		-
(ii) Provisions for Depreciation		
(a) In India	0.17	4,438.90
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	59.62	7,991.22
(b) Outside India	-	-
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	4,438.90	836.58
(ii) Add: Provisions made during the year	233.34	3,920.41
(iii) Less: Write-off/write-back of excess provisions during the year	(4,672.06)	(318.09)
(iv) Closing balance	0.17	4,438.90

42.3. Derivatives

The Company has not entered into any Forward rate agreement/Interest rate swap/Exchange traded interest rate derivative transactions during the current and previous year.

42.4. Securitisation

The Company has not entered into any Securitisation transactions during the current and previous year.

42.5. Assignment

Details of assignment transactions undertaken by the Company (Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Number of accounts	3.00	-
(ii) Aggregate value (net of provisions) of accounts sold	339.32	-
(iii) Aggregate consideration	700.00	-
(iv) Additional consideration realized in respect of accounts transferred in earlier	-	-
(v) Aggregate (gain) / loss over net book value	(360.68)	-

Details of Non-performing assets sold

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Number of accounts sold	3	-
(ii) Aggregate outstanding	848.30	-
(iii) Aggregate consideration received	700.00	-

Details of financial asset sold to Securitisation / Reconstruction company for Asset reconstruction

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Number of accounts sold	-	-
(ii) Aggregate value (net of provisions) of accounts sold to SC / RC	-	-
(iii) Aggregate consideration	-	-
(iv) Aggregate consideration realised in respect of accounts transferred in earlier years	-	-
(v) Aggregate (gain) or loss over net book value	-	-

42.6. Fraud

The Company has reported frauds (on Company) aggregating Rs 9,315.37 million (FY 2019-20: Rs 2,193.50 million) to the regulators through prescribed returns.

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Note 42.7 Disclosure on restructuring pursuant to Reserve Bank of India notification DNBS.CO. PD. No. 367/03.10.01/2013-14 dated 23rd January 2014

Type of Restructuring		Other than CDR and SME Debt Restructuring					Total				
Asset Classification details		Standard	Sub-standard	Doubtful	Loss	Total	Standard	Sub-standard	Doubtful	Loss	Total
Restructured assets as at April 01, 2020	No.of borrowers	-									
	Amount Outstanding	-									
	Provision there on	-									
Fresh restructuring during the year	No.of borrowers	-	3	-	-	3	-	3	-	-	3
	Amount Outstanding	-	7,166.67	-	-	7,166.67	-	7,166.67	-	-	7,166.67
	Provision there on	-	3,664.55	-	-	3,664.55	-	3,664.55	-	-	3,664.55
Upgradations to restructured standard category during the year	No.of borrowers	-									
	Amount Outstanding	-									
	Provision there on	-									
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the financial year and hence need not be shown as restructured standard	No.of borrowers	-									
	Amount Outstanding	-									
	Provision there on	-									
Down gradation of restructured accounts during the year	No.of borrowers	-									
	Amount Outstanding	-									
	Provision there on	-									
Write off restructured accounts during the year*	No.of borrowers	-	3	-	-	3	-	3	-	-	3
	Amount Outstanding	-	7,166.67	-	-	7,166.67	-	7,166.67	-	-	7,166.67
	Provision there on	-	3,664.55	-	-	3,664.55	-	3,664.55	-	-	3,664.55
Restructured accounts as at March 31, 2021	No.of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-
	Provision there on	-	-	-	-	-	-	-	-	-	-

* Includes reduction in existing restructured account on account of repayments of INR 5840.00 millian and write off amounting to INR 1326.67 million received during the year.

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42.8. Asset Liability Management - Maturity pattern of certain items of assets and liabilities

(Rs. In Million)

Particulars	1 day to 7 days	8 days to 14 days	15 days to 30/31 days (One 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 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	-	-	-	-	-	-	-	-	-	-	**-**
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	**0.00**
Advances	-	-	333.27	-	41.13	435.12	1,037.65	9,904.07	3,157.74	909.84	**15,818.82**
	-12.96	-	-	(-)	-1,082.03	-4,140.79	-2,641.19	-7,079.19	-10,076.34	-3,668.27	**-28,700.77**
Investments	-	-	-	-	-	-	59.79	-	-	-	**59.79**
	(-)	(-)	(-)	(-)	(-)	-53.97	-1,727.20	-5,310.34	-628.98	-2,599.15	**-10,319.64**
Debt securities and Borrowings (other than debt securities)	-	700.00	-	-	-	-	8,778.60	3,100.00	-	-	**12,578.60**
	-2,800.00	-2,000.00	-	-	-	-700.00	-13,599.78	-8,250.00	-1,600.00	-	**-28,949.78**
Foreign currency assets										-	**-**
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	**(-)**
Foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	**-**
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	**(-)**

Note:
1) Figures in brackets pertain to those of the previous year.
2) Impairment loss allowance and fair value (Gain)/Loss of Rs. 1,935.5 million, and adjustments related to effective interest rate, Rs. 56.8 million are not part of above disclosure. Moratorium status for the months of April 20 and May 20 has been taken as on the date of signing the financial statement.
3)Interest accrued but not due on Non-Convertible debentures Outstanding as on 31st March, 2021 amounting to Rs. 1,608.94 million are not part of the above disclosure.

42.9. Exposures
A) Exposure to real estate Sector

Category	As at March 31, 2021	As at March 31, 2020
Direct exposure		
(i) Residential Mortgages -		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs.15 lakh may be shown separately)	-	-
(ii) Commercial Real Estate -	9,688.27	11,558.55
Lending secured by mortgages on commercial real-estate (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;		
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a) Residential,	-	-
b) Commercial Real Estate.	-	-
Total Exposure to Real Estate Sector	**9,688.27**	**11,558.55**

B) Exposure to Capital Market

Particulars	As at March 31, 2021	As at March 31, 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;	1,190.72	10,265.43
(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)	-	-

Note:

Impairment loss allowance Impairment loss allowance and fair value (Gain)/Loss of Rs. 1,935.5 million and undrawn commitment does not form part of above disclosure.
Moratorium status for the months of April 20 and May 20 has been taken as on the date of signing the financial statement.

C) Details of financing of parent company product - Nil (Previous year Nil)

D) Details of single borrower limit (SGL)/ group borrower limit (GBL) exceeded by the Company

i) Loans and advances including off balance sheet exposures to any single party in excess of 15 per cent of owned fund of the NBFC

Name of the Company	As at March 31, 2021	As at March 31, 2020
Bhartiya Urban Pvt Ltd	1,186.55	-
Karle Homes Private Limited	1,701.81	-
Hindupur Solar Park Private Ltd	1,140.79	
Walchandnagar Industries	1,390.61	-
One Place Commercials Private Limited	1,650.00	-
ND Telecom Services Pvt Ltd	1,278.34	-
RA Associates	1,475.68	-
Bharat Gears Limited	1,096.75	
Total	**10,920.53**	**-**

-

ii) Loans and advances including off-balance sheet exposures to a single group of parties in excess of 25 per cent of owned fund of the NBFC

Name of the Group Company	As at March 31, 2021	As at March 31, 2020
Bhartiya Group	2,078.97	-
Lodha Group	2,311.03	-
Total	**4,390.00**	**-**

Note 42.10. Miscellaneous details

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators	Not applicable	Not applicable
(ii) Ratings assigned by credit rating agencies and migration of ratings during the year	CRISIL AA/Stable & CRISIL A1+	CRISIL AA/Stable & CRISIL A1+
(iii) Penalties, if any, levied by any regulator	Nil	Nil
(iv) Information namely, area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries	Not applicable	Not applicable

Note:

The Credit rating disclosed are as per Crisil report dated July 13, 2020

Note 42.11. Additional Disclosures

A) Provisions and Contingencies

(Rs. In Million)

Break up of 'Provisions and Contingencies' expenditure for the year	As at March 31, 2021	As at March 31, 2020
Provisions for depreciation on Investment	-	-
Provision towards NPA	-	1,858.39
Provision for contingencies	-	-
Provision made towards Income-tax	(0.61)	56.94
Other provision and Contingencies:		
- Provision for Gratuity	3.37	5.80
- Provision for Compensated absence	9.35	6.43
Provision for standard assets	(2,241.20)	3,347.34
B) Draw down from reserves	-	-
42.12. Concentration of Deposits, Advances, Exposures and NPAs		
A) Concentration of advances		
Total advances to twenty largest borrowers	15,878.61	26,835.12
Percentage of advances to twenty largest borrowers to total advances of the NBFC	100%	80%
B) Concentration of Exposures		
Total advances to twenty largest borrowers / customers	17,264.32	28,544.06
Percentage of exposures to twenty largest borrowers/ customers to total exposures of the NBFC on borrower/ customers	100%	80%
C) Concentration of NPAs		
Total exposure to top four NPA accounts	-	1,373
D) Sector-wise NPAs		
Sector		
1) Agriculture and allied activities	-	-
2) MSME	-	-
3) Corporate borrowers	-	1,372.52
4) Services	-	-
5) Unsecured personal loans	-	-
6) Auto loans	-	-
7) Other personal loans	-	-

Note:

Impairment loss allowance of INR 1,935.5 million and adjustments related to effective interest rate, INR 56.8 MM are not part of above disclosure. Moratorium status for the months of April 20 and May 20 has been taken as on the date of signing the financial statement.

Note 42.13. Movement of NPAs

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
(i) Net NPAs to Net Advances (%)	0.00%	4.27%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	3,808.17	1,611.07
(b) Additions during the year	11,311.82	13,501.02
(c) Reductions during the year	15,119.99	11,303.92
(d) Closing balance	0.00	3,808.17
(iii) Movement of Net NPAs		
(a) Opening balance	1,372.52	1,033.82
(b) Additions during the year	4,707.37	338.70
(c) Reductions during the year	6,079.89	-
(d) Closing balance	0.00	1,372.52
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	2,435.65	577.26
(b) Provisions made during the year	6,604.45	13,162.31
(c) Write-off / write-back of excess provisions	9,040.10	11,303.92
(d) Closing balance	-	2,435.65

42.14. Disclosure of Complaints

Particulars	As at March 31, 2021	As at March 31, 2020
(a) No. of complaints pending at the beginning of the year	-	-
(b) No. of complaints received during the year	-	-
(c) No. of complaints redressed during the year	-	-
(d) No. of complaints pending at the end of the year	-	-

Note 43: Capital commitment/ Other commitments

(Rs. In Million)

Particulars	As at March 31, 2021	As at March 31, 2020
Other commitments (loans committed to be disbursed to borrowers)	1,385.70	2,028.39

Note 44. Long-term contracts

The Company did not have any long-term contracts including derivative contracts for which any provision is required for the foreseeable losses.

Note 45. Foreign currency exposure not hedged by derivative instruments

Particulars	As at March 31, 2021		As at March 31, 2020	
	USD in Million	Rs in Million	USD in Million	Rs in Million
Trade payable	0.18	12.89	0.22	17.33

KKR INDIA FINANCIAL SERVICES LIMITED (Formerly known as KKR India Financial Services Private Limited)
Notes forming part of the financial statements

Note 46

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

(Rs. In Million)

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Provisions required as per IRACP norms
1	2	3	4	5=3-4	6	7=4-6
Performing Assets						
Standard	Stage 1	8,946.11	357.15	8,588.96	35.78	321.37
	Stage 2	2,625.92	566.06	2,059.86	10.50	555.56
Subtotal		11,572.03	923.21	10,648.82	46.28	876.93
Non-Performing Assets (NPA)						
Substandard	Stage 3	-	-	-	-	-
				-	-	-
Doubtful						
Up to 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		-	-	-	-	-
Other items such as guarantees,	Stage 1	845.15	7.17	837.98	-	7.17
loan commitments, etc. which are	Stage 2	210.00	57.80	152.20	-	57.80
in the scope of Ind AS 109 but	Stage 3	-	-	-	-	-
Subtotal						
Total	Stage 1	9,791.26	364.32	9,426.94	35.78	328.54
	Stage 2	2,835.92	623.86	2,212.06	10.50	613.36
	Stage 3	-	-	-	-	-
	Total	12,627.18	988.18	11,639.00	46.28	941.90

Note: For the purpose of above disclosure company has not considered loans measured at fair value through profit and loss account

Note 47

Disclosure in respect of RBI circular on "COVID19 Regulatory Package - Asset Classification and Provisioning

(Rs. In Million)

Particulars	Amount
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the RBI Circular;	-
Respective amount where asset classification benefits is extended as at March 31,2021	-
Provisions made during the Q4FY2020 and Q1FY2021 in terms of paragraph 5 of the RBI Circular*	# Nil
Provisions adjusted during the respective accounting periods against slippages and the residual provisions in terms of paragraph 6.	Nil

#Note: The company being NBFC has complied with INDAS and guidelines duly approved by the Board for recognition of impairment.

Note 48

Disclosures as required by Liquidity Risk Management Framework pursuant RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 ("Framework")

(i) Funding Concentration based on significant counterparty (both deposits and borrowings)

(Rs. In Million)

Sr No	Number of Significant Counterparties	Amount	% of deposit	% of liabilities
1	9	12,558.60	Not Applicable	86.98%

(ii) Top 20 large deposits: Not Applicable

(iii) Top 10 borrowings

Sr No	Amount	% of Total Borrowings
1	5,578.60	44.35%
2	2,800.00	22.26%
3	1,600.00	12.72%
4	1,050.00	8.35%
5	550.00	4.37%
6	330.00	2.62%
7	250.00	1.99%
8	200.00	1.59%
9	200.00	1.59%
10	20.00	0.16%
	12,578.60	**100.00%**

(iv) Funding Concentration based on significant instrument/product

Sr No	Number of Significant Counterparties	Amount	% of Total Liabilities
1	Non-Convertible Debentures	2,600.00	18.01%
2	Term Loans	6,500.00	45.02%
3	Working Capital Loans	3,478.60	24.09%

(v) Stock Ratios:

Sr No	Particulars	Ratio
1	Commercial Paper to Total Liabilities	NIL
2	Commercial Paper to Total Assets	NIL
3	NCDs (Original maturity < 1 Year) to Total Liabilities	NIL
4	NCDs (Original maturity < 1 Year) to Total Assets	NIL
5	NCDs(Original Maturity<1 year)/Public Funds	NIL
6	Other Short Term Liabilities/Public Funds	87.57%
5	Other Short-Term Liabilities to Total Liabilities	76.29%
6	Other Short-Term Liabilities to Total Assets	43.81%

(vi) Institutional set-up for liquidity risk management

The Board of Directors of KKR India Financial Services Limited (the Company) has an overall responsibility and oversight for the management of all the risks, including liquidity risk, to which the Company is exposed to in the course of conducting its business. The Board constituted Asset Liability Management Committee (ALCO) and Risk Management Committee to strengthen and raise the standard of Asset Liability Management (ALM)

Note:

Significant counterparty as per RBI circular DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated 4 Nov 2019 is defined as a single counterparty or group of connected counterparties accounting in aggregate for more than 1% of the Company's total liabilities

Short term liabilities considers the maturity profile of the respective liabilities in the less than or equal to 1 year bucket in line with the RBI ALM guidelines.

Total Public Funds refers to the aggregate of Debt securities, borrowings other than debt securities and subordinated liabilities.

Total liabilities refers to the aggregate of financial liabilities and non – financial liabilities.

Note 49. Moratorium in accordance with the Reserve Bank of India (RBI) guidelines:

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	(C) Of (B), aggregate 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
Personal	-	-	-	-	-
Loans	-	-	-	-	-
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

Note 50. Moratorium in accordance with the Reserve Bank of India (RBI) guidelines:

The outbreak of Covid-19 pandemic across the globe and India has contributed to a significant decline and volatility in the global and Indian financial markets and slowdown in the economic activities. The RBI has issued guidelines relating to COVID-19 Regulatory Package dated March 27, 2020, April 17, 2020 and May 23, 2020 and in accordance therewith, the Company has provided a moratorium of upto six months on the payment of instalments falling due between March 1, 2020 and August 31, 2020 to eligible borrowers. For all such loan asset accounts classified as standard and overdue as on February 29, 2020, where the moratorium is granted, the asset classification, both as per the RBI's income recognition and asset classification norms and for determining the staging of such assets to determine the expected credit loss allowance as per the model approved by the Board of Directors of the Company, will remain at standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification).

Note 51. Estimation uncertainty relating to COVID-19 global health pandemic:

In assessing the recoverability of loans, receivables and investments, the Company has considered internal and external sources of information, including credit reports, economic forecasts and industry reports upto the date of approval of these financial statements. Included in the allowance for expected credit loss is also the adjustment on account of macro-economic factors which involves significant judgement. Based on current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets. The ultimate outcome of the impact of the said global health pandemic may be materially different from that estimated as on the date of approval of these financial statements and will depend on future developments' which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Company. The Company will continue to closely monitor any material changes to future economic conditions.

Note 52. Reversal of interest on interest accrued during the period of Moratorium:

The Hon. Supreme Court of India vide its order dated March 23, 2021 requires the lenders to refund / adjust any interest on interest charged to the borrowers during the moratorium period. i.e. March 1, 2020 to August 31 2020.
In accordance with the RBI Circular No. RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 dated April 7, 2021 and the methodology for calculation of interest on interest based on guidance issued by Indian Banks' Association, the Company has put in place a Board approved policy to refund / adjust interest on interest charged to borrowers during the aforesaid moratorium period. The Company has estimated the said amount to be at Rs. 17.63 Million and reversed the same by way of debit to interest income for the year. The Company is in the process of adjusting / refunding the said amounts to the respective borrowers.

Note 53. Managerial Remuneration

During the year, Company has paid the managerial remuneration to the directors which exceeds the limit laid prescribed under section 197 and rules thereunder read with schedule V of the Act. As per the provisions of Schedule V, the said managerial remuneration is approved by a special resolution.

Note 54. Social Security Code

The Code on Social Security 2020 ('the Code') relating to employee benefits, during the employment and post-employment, has received Presidential assent on September 28, 2020. The Code has been published in the Gazette of India. Further, the Ministry of Labour and Employment has released draft rules for the Code on November 13, 2020. However, the effective date from which the changes are applicable is yet to be notified and rules for quantifying the financial impact are also not yet issued.

The Company will assess the impact of the Code and will give appropriate impact in the financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published

Note 55. Standards issued but not yet effective

On March 24, 2021, the Ministry of Corporate Affairs ('MCA') through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III and are applicable from April 1, 2021.

Note 56. Prior period comparatives

Previous years figures have been regrouped and reclassified where necessary to confirm to current year's presentation

Signature to Notes 1 to 56

In terms of our report attached
For MSKA & Associates
Chartered Accountants
ICAI Firm Registration No. 105047W

Srividya Vaidison Digitally signed by Srividya Vaidison

Srividya Vaidison
Partner
Membership No.: 207132

Place: Mumbai
Date: June 28, 2021

For KKR India Financial Services Limited
(Formerly known as KKR India Financial Services Private Limited)

JIGAR DINESHCHANDRA SHAH Digitally signed by JIGAR DINESHCHANDRA SHAH

Jigar Shah
Whole time Director
DIN: 08496153

ANIL NAGU Digitally signed by ANIL NAGU

Anil Nagu
Executive Director and Chief Financial Officer
DIN: 00110529

BINOY K PARIKH Digitally signed by BINOY K PARIKH

Binoy Parikh
Company Secretary

Place: Mumbai
Date: June 28, 2021