BAJAJ FINANCE LIMITED

34th ANNUAL REPORT

2020-21

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CORPORATE INFORMATION

Board of Directors

Sanjiv Bajaj
Chairman w.e.f. 1 August 2020

Rahul Bajaj

Rajeev Jain
Managing Director

Madhur Bajaj

Rajiv Bajaj

Dipak Poddar

Ranjan Sanghi

D J Balaji Rao

Dr. Omkar Goswami

Dr. Gita Piramal

Dr. Naushad Forbes

Anami N Roy

Audit Committee

Dr. Omkar Goswami
Chairman

Sanjiv Bajaj

Ranjan Sanghi

Dr. Naushad Forbes

Stakeholders Relationship Committee

Dr. Gita Piramal
Chairperson

Sanjiv Bajaj

Ranjan Sanghi

Nomination and Remuneration Committee

Anami N Roy
Chairman

Rahul Bajaj

Sanjiv Bajaj

Dr. Omkar Goswami

Ranjan Sanghi

Corporate Social Responsibility Committee

Rahul Bajaj
Chairman

Sanjiv Bajaj

Dr. Naushad Forbes

Risk Management Committee

Dr. Omkar Goswami
Chairman

Sanjiv Bajaj

Rajeev Jain

Dipak Poddar

Deepak Bagati

Fakhari Sarjan

Sandeep Jain

Management

Rajeev Jain
Managing Director

Anup Saha
Deputy Chief Executive Officer

Atul Jain
Chief Executive Officer
(Bajaj Housing Finance Ltd.)

Manish Jain
Chief Executive Officer
(Bajaj Financial Securities Ltd.)

Chief Financial Officer

Sandeep Jain

Company Secretary

R Vijay

Auditors

S R B C & CO LLP
Chartered Accountants

Secretarial Auditor

Shyamprasad D Limaye
Practising Company Secretary

Bankers

Central Bank of India

State Bank of India

IDBI Bank

Canara Bank

Bank of India

Share Transfer Agent

KFin Technologies Pvt. Ltd.
(earlier known as Karvy Fintech Pvt. Ltd.)
Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad-500 032
Toll free no.1800 309 4001
Email ID: einward.ris@kfintech.com

Debenture Trustee

Catalyst Trusteeship Ltd.
GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune-411 038
Tel No.: (020) 66807200
Email ID: dt@ctltrustee.com

Registered Office

Akurdi, Pune-411 035

Corporate Office

4th Floor,
Bajaj Finserv Corporate Office,
Off Pune-Ahmednagar Road,
Viman Nagar, Pune-411 014

CIN: L65910MH1987PLC042961

LEADING THE WAY

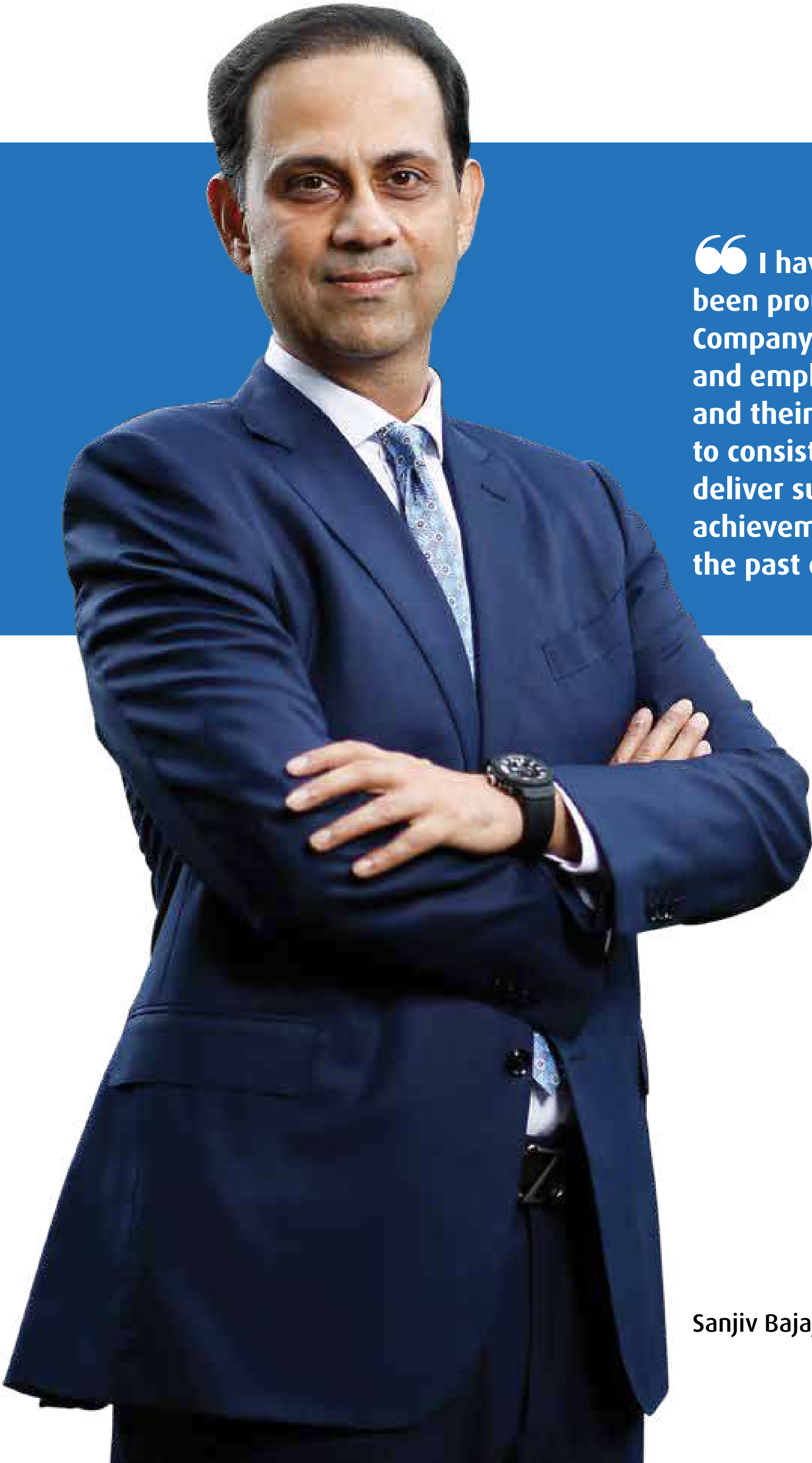
Rajeev Jain

Atul Jain

Anup Saha

Sandeep Jain

Manish Jain



I have always been proud of your Company's leadership and employees, and their ability to consistently deliver superlative achievements over the past decade.

Sanjiv Bajaj, Chairman

CHAIRMAN'S LETTER

Dear Shareholder,

We are going through the throes of the second wave of COVID-19 and things are looking grim. As I write to you in the second half of April 2021, there have been over 141 million cases across the world which have claimed more than three million lives. With India crossing 14.8 million cases, it is the second worst affected country: less than USA but higher than Brazil.

In India, the second wave has been particularly severe. In the middle of February 2021, when it was mostly believed that COVID-19 was done and dusted, the daily number of reported cases stood at 9,121. By 1 April it had spiked to 81,398. Since 15 April, we are witnessing well over 200,000 additional cases per day — rising to more than 350,000 on 25 April 2021.

Most epidemiologists are forecasting this wave will peak by 31 May 2021. The Central and State Governments are taking emergency actions to navigate through this unprecedented second wave. A rapidly accelerated pace of vaccinations coupled with a strict enforcement of wearing masks and social distancing should bring this second wave in control — sooner rather than later.

Let me now share with you what your Company did when the nationwide lockdown was announced on 25 March 2020. Briefly stated, Bajaj Finance swiftly evolved a two-pronged approach which focused on: (i) conservation and prudence, and (ii) initiation of an ambitious business transformation plan.

- First, we ensured health, safety and work-from-home (WFH) for our employees.
- Second, we enabled the technology platforms and communication systems to support WFH and ensure least disruption in conducting business.

- Third, we carefully looked at each business and function and applied a 'zero-based budgeting' framework to streamline processes and eliminate unnecessary costs.

- Fourth, we examined and calibrated the risk profiles of each business of the Company to ensure conservatism in new loan bookings.

- Fifth, we took a conscious call to make large and sensible provisions. Thanks to a financially conservative approach that has been a cornerstone of your Company, we could afford an increase in loan losses and provisions from ₹ 1,501 crore in FY2019 to ₹ 3,929 crore in FY2020 to ₹ 5,969 crore in the current year, and yet generate reasonable profits for the shareholders.

- Sixth, as the first wave started to abate, your Company accelerated its business rapidly by focusing on customers less susceptible to the economic consequences of the pandemic.

- Seventh, believing in the dictum, "Never let a crisis go to waste", your Company utilised this crisis to rapidly accelerate the transformational journey it had embarked upon in the third quarter of FY2020.

All these are given in considerable detail in the chapter on Management Discussion and Analysis. I urge you to read it carefully.

I have always been proud of your Company's leadership and employees, and their ability to consistently deliver superlative achievements over the past decade.

In these incredibly difficult times, I am truly proud of how Bajaj Finance's team led by Rajeev Jain, the Managing Director, seamlessly worked together through incredibly long hours to navigate through this crisis. It helped in delivering reasonable results for FY2021 and creating a strong platform for the post COVID-19 world. Let me share some of the highlights.

- Number of new loans booked in FY2021 was 16.88 million.
- The Company's customer franchise grew by 14% to 48.6 million.
- Despite COVID-19, assets under management (AUM) increased by 4% to ₹ 152,947 crore.
- Total income increased by 1% to ₹ 26,683 crore.
- Net interest income (NII) rose by 2% to ₹ 17,269 crore.
- Total operating expenses (opex) reduced by 6% to ₹ 5,308 crore. Consequently, opex to NII improved to 30.7% from 33.5% in FY2020.
- Pre-impairment operating profit increased by 6% to ₹ 11,961 crore.

- Loan losses and provisions grew by 52% to ₹ 5,969 crore.
- Profit before tax decreased by 18% to ₹ 5,992 crore.
- Profit after tax reduced by 16% to ₹ 4,420 crore.
- Bajaj Finance's capital adequacy ratio as of 31 March 2021 was 28.31%, which continued to be well above the RBI norms. Tier I adequacy was 25.11%.

Rahul Bajaj, the founder Chairman of your Company, has decided to retire as a director. He has been a beacon to all of us, and your Board has unanimously decided to have him as Chairman Emeritus. On your behalf, allow me to offer him our heartfelt thanks for his long leadership.

Amidst the second COVID-19 wave, it is difficult to predict what the first and second quarter of FY2022 will bring. However, notwithstanding my innate conservatism, I can say one thing with a fair degree of certainty - Your Company has the team, the commitment, the capability and the financial strength to overcome the second wave as well. Indeed, as I write, the team is actively working on this.

Remember the song, "We Shall Overcome". That is the motto and leitmotif of your Company. And will forever be.

Stay safe. Vaccinate yourself and your family. Wear masks. Maintain social distancing. Never forget that all grey clouds must pass.

With my very best,

Sanjiv Bajaj

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

Bajaj Finance Ltd. ('BFL', 'Bajaj Finance', or 'the Company') is a deposit-taking Non-Banking Financial Company (NBFC-D) registered with the Reserve Bank of India (RBI). It is classified as an NBFC-Investment and Credit Company (NBFC-ICC) with the RBI. It is a subsidiary of Bajaj Finserv Ltd. and is engaged in the business of lending, and acceptance of deposits. The Company has a diversified lending portfolio across retail, SMEs and commercial customers with significant presence in urban and rural India. It accepts public and corporate deposits and offers variety of financial services products to its customers.

BFL has two 100% subsidiaries. These are: (i) Bajaj Housing Finance Ltd. ('BHFL' or 'Bajaj Housing') which is registered with National Housing Bank as a Housing Finance Company (HFC); and (ii) Bajaj Financial Securities Ltd. ('BFinsec'), which is registered with the Securities and Exchange Board of India (SEBI) as a stock broker and depository participant. BFinsec commenced its operations in the financial year 2019-20 (FY2020).

The COVID-19 pandemic

The COVID-19 pandemic is a once in a lifetime occurrence that has brought with it unimaginable suffering to people and to almost all sections of the economy. When the pandemic struck and led to nationwide lockdowns to curtail the transmission of disease, it was natural to fear that the global economy would stay in extreme stress of the kind not seen since the Great Depression and would have a long-lasting economic impact.

To counter the crippling impact of the lockdowns on economies, the world's policymakers have resorted to fiscal and monetary measures never seen before in global economic history. It still remains to be seen if these relief measures sufficed, and whether actions taken by Governments across the globe adequately compensated for the disruptions created in the lives of people.

Fortunately, science prevailed. Multiple vaccines were found with impressive efficacy levels in less than a year — which will probably rank as among one of the most incredible achievements in science. The announcement of successful development of vaccines seemed to lift spirits around the world. Unfortunately, the advent of winter saw several countries battle second waves of COVID-19 infections, including more virulent strains leading to partial lockdowns. The race between vaccines and variants is heating up as massive vaccination drives are underway. Much depends on blocking transmission and not just the disease.

The only three preventives are masks, social distancing and vaccinations. However, to vaccinate even half of the world's population of 7.8 billion is going to take years. The production, storage and distribution challenges require that Governments prioritise the vaccinations in a judicious manner so as to limit the human toll.

Fortunately for India, which is home to some of the largest vaccine makers in the world, the supply constraints should be limited and temporary. Moreover, our experience in implementing large scale vaccination programmes should help in vaccinating our vulnerable population. Even so, with many states in India witnessing a seriously full-blown second surge of COVID-19, the vaccination challenge is enormous.

After an estimated historic correction of (3.3%) in 2020, the International Monetary Fund (IMF) has projected the global economy to grow 6% in calendar year 2021 and 4.4% in 2022 on the back of the fiscal and monetary support provided by Governments of the world over coupled with widespread vaccination.

We know that India can ill afford another country-wide lockdown such as was imposed from March to June 2020. The impact on the economy and employment was severe in the first instance; and cannot be repeated yet again.

The lockdown that continued throughout the first quarter of the FY2021 saw India's GDP for April-June 2020 contracting by a massive 24.4%. Even the second quarter was terrible, with GDP shrinking by 7.3% in July-September 2020. Thereafter, we have seen a rebound — thanks to the resilience of our citizens, our entrepreneurs and of our economy.

The third quarter (October-December 2020) saw a small positive growth of 0.4% compared to the same period in the previous year. The second advance estimates of national income for FY2021 released by the Central Statistics Office (CSO) on 26 February 2021 anticipates the total contraction for FY2021 to be 8% — implying a significant 'V' shaped bounce-back in the second half of the year. The most recent IMF forecast has also raised India's GDP growth estimate for FY2022 from 11.5% to 12.5%. If that were to occur, it will be the most significant growth turnaround among all the major nations of the world, including China.

The only grey cloud at present is the huge surge in infections that started with the second wave beginning in early March 2021. Hopefully, a serious increase in the pace of vaccinations across the country will bring this surge down; and if we keep all enterprises and workers open for business, it should not affect the economy in any significant manner.

Macroeconomic Overview

Given the impact of the pandemic, FY2021 was expected to be an extremely demanding year. The consensus was that GDP growth in FY2021 would not only be negative but also would constitute the greatest fall in growth since 1979-80.

In fact, the degrowth in GDP was much larger than expected. For April-June 2020, real GDP contracted by a massive 24.4%. India had never recorded a quarter of negative growth since it began issuing such data publicly in 1996. No other large economy shrank so much during the pandemic. In the second quarter, July-September 2020, GDP again contracted by 7.3%. The consensus was that growth in the second half of the fiscal year would be far less than what was needed to erase the effect of the deep recession in the first half.

Thankfully, we began to witness early signs on resumption of economic activity in the second half of the year with several high frequency indicators suggesting that the economy was back on to positive growth. The third quarter (October-December 2020) recorded a GDP growth of 0.4%. And, as mentioned earlier, the second advance estimates of national income for FY2021 released by the CSO indicates a negative GDP growth of 8% for FY2021. Though this was bad enough, the contraction will be far less than earlier thought of — and we should see the fourth quarter (January-March 2021) showing relatively robust growth.

Table 1 gives the data on real GDP and gross value added (GVA) growth for the last four financial years.

Table 1: Growth in real GDP and GVA, India

	FY2018 (3rd RE)	FY2019 (2nd RE)	FY2020 (1st RE)	FY2021 (2nd AE)
Real GDP growth	6.8%	6.5%	4.0%	(8.0%)
Real GVA growth	6.2%	5.9%	4.1%	(6.5%)

Source: Government of India,CSO. AE denotes advance estimate and RE denotes revised estimate.

In the past, India has seen a recession only thrice: in 1957-58, 1965-66 and 1979-80. The reason was the same each time — that of monsoon shocks affecting agriculture, which was then a sizeable part of the economy. The lockdown induced recession in FY2021 was different with agriculture being a bright spot, since agricultural activity was largely unhindered even during the lockdown phase. The manufacturing sector that initially suffered has since benefitted from the recovery aided by the pent-up demand and shifting consumer preferences. The services sector is showing a weaker recovery especially hotels, travel and entertainment industry.

Retail inflation, measured by the Consumer Price Index (CPI), which had moderated in March 2020 with food inflation easing from double digits in December 2019-January 2020 again surged on account of supply disruptions in April 2020 to 8.6% from 7.8% in March 2020 despite agriculture being the bright spot. CPI breached the RBI's upper tolerance threshold of 6% for six consecutive months (June to November 2020) before falling to 4.6% in December 2020 on the back of easing food prices and favourable base effects. The RBI monetary policy dated 7 April 2021 estimates the CPI inflation for the fourth quarter at 5%.

To alleviate the economic stress induced by the pandemic the Government of India announced a ₹ 20.9 lakh crore economic package (or about 10% of GDP). Of this, 1.2% of GDP comprised direct fiscal spending and the rest consisted of (i) loans and guarantee schemes of ₹ 10.4 lakh crore, or about 5% of GDP and (ii) the RBI's liquidity measures of ₹ 8.01 lakh crore, or about 3.8% of GDP. The guarantee schemes and liquidity measures aided growth in bank credit, enabled abundant liquidity in the financial sector — which was directed toward impacted segments like industrial and service sector.

Non-food credit growth of the scheduled commercial banks in the aggregate was 6.7% as of 26 March 2021 over 27 March 2020. Credit growth to industrial sector over the same period was 0.4%. Having said that, credit growth within the industrial sector was the largest in the medium scale industry and the overall credit growth was brought down owing to a contraction of credit to large scale industry. The credit growth in personal loan segment witnessed decline in growth rates to 10.2% as of 26 March 2021 over 27 March 2020 compared to 15.0% as of 27 March 2020 over 29 March 2019.

Various measures taken by the RBI ensured sufficient liquidity at all times during FY2021, and thus calmed sentiments in bond markets which had seen volatile conditions in March and April 2020. The RBI reduced its policy rates only once during this fiscal on 22 May 2020 by 40 basis points (bps) to 4%. As an additional measure to increase credit intermediation, the RBI increased the margin between repo and reverse repo from 25 bps to 65 bps. The central bank's unprecedented monetary easing and open market purchases kept interest rates at comfortable levels during the year despite a record growth in Government borrowings. It was only after the announcement of a growth-centric and expansionary Union Budget for 2021-22 that yields in bond markets rose on expectations of the increased borrowing programme of the Government of India.

While the RBI has maintained an accommodative stance so far, multiple factors like sticky inflation levels, elevated crude oil prices, and risks of US treasury yields will play a part in its ultra-accommodative stance and may have a consequential impact on interest rates in FY2022.

The Government is taking on the onus of heavy lifting to revive the investment cycle. A growth-centric and expansionary Union Budget for 2021-22 puts out hope that it will set the tone for infrastructure growth over the next few years. The fiscal deficit for 2021-22 is budgeted at 6.8% of India's GDP — though high but way below the revised estimate of 9.5% in 2020-21. Given the unprecedented economic havoc caused by the pandemic, such deficits are in line with actions taken globally. Indeed, most experts feel that FY2022 is a year when fiscal discipline will be kept in partial abeyance. Even so, implementation of the various budget measures is now all-crucial for the economic and fiscal health of the nation.

We believe that the resilience shown by the Indian economy coupled with (i) a growth-centric Union Budget and (ii) the RBI maintaining an accommodative stance to sustain growth on a durable basis, will see the Indian economy grow at a faster clip than other economies. As mentioned earlier, the only cause for concern is the resurgence of infections and partial lockdowns in some states.

Industry Overview

NBFCs have become important constituents of the financial sector and have been recording higher credit growth than scheduled commercial banks (SCBs) over the past few years. NBFCs are continuously leveraging their superior understanding of regional dynamics, well-developed collection system and personalised services to expedite financial inclusion in India. Lower transaction costs, quick decision making, customer orientation and prompt provision of services have typically differentiated NBFCs from banks. Considering the reach and expanse of NBFCs, these are well-suited for bridging the financing gap. Systemically important NBFCs have demonstrated agility, innovation and frugality to provide formal financial services to millions of Indians.

Over the last decade, NBFCs have witnessed phenomenal growth. From being around 12% of the balance sheet size of banks in 2010, these are now more than a quarter of the size of banks.

NBFCs are the largest net borrowers of funds from the financial system with gross payables of ₹ 9.37 lakh crore as of 30 September 2020. HFCs are the second largest borrowers of funds from the financial system with gross payables of around ₹ 6.20 lakh crore as at 30 September 2020.

Given their large interconnection with the financial system and the importance of the NBFC in credit intermediation, the RBI has been enhancing the regulatory oversight of large NBFCs. Keeping in mind potential systemic risks that NBFCs might pose to the financial system, the RBI in its *'Discussion Paper on Revised Regulatory Framework for NBFCs: A Scale-Based Approach' (12 January 2021)* seeks to balance regulatory arbitrage in favour of NBFCs and the recent growth trajectory of NBFCs by adopting a new approach towards regulating NBFCs.

With the spread of the pandemic and imposition of lockdowns to contain the spread of disease, we had in our last year's Management Discussion and Analysis said that:

"the outlook for the coming year is expected to be extremely demanding. In the current situation, lending businesses face four daunting challenges of (i) disruption in business acquisition, (ii) providing customers adequate relief on their debt servicing obligations, (iii) dealing with a weakened customer service and debt recovery infrastructure, and (iv) continuing to service their own debt."

How the scenario unfolded on these four parameters in FY2021 is given below.

The continuing lockdown till June 2020 and a gradual opening of economy thereafter resulted in a sharp reduction in inquiries for consumer credit and consequent lower acquisition of business.

Consumer credit — which was growing at 36% on year-on-year basis for the period ended December 2019 — registered a severe contraction showing a sharp degrowth of 34% for the period ended June 2020. Despite a pick-up in economic activity thereafter, the inquiry levels still registered a contraction of 14% on year-on-year basis for the period ended December 2020.

The disruption in business was most severe for NBFCs and HFCs who registered a negative growth of 25% on a year-on-year basis for the period ended December 2020 versus a growth of 47% for the period ended December 2019. Home loans business witnessed a faster revival in volumes on the back of supportive property prices, stamp duty reductions by some state Governments and favourable interest rate environment as lenders thronged to lower risk assets.

On 27 March 2020, the RBI had announced a moratorium for EMIs / payments falling due from 1 March 2020 till 31 May 2020. This moratorium was further extended on 23 May 2020 for all EMIs / payments falling due up to 31 August 2020.

Approximately 40.4% of total outstanding loans of financial institutions as on 31 August 2020 were under moratorium covering approximately 45.6% of customers *(Source: RBI Report on Trend and Progress of Banking in India)*.

To provide further relief to distressed customers, the RBI in its notification dated 6 August 2020, allowed banks, NBFCs and HFCs to undertake one-time restructuring of stressed loans on account of COVID-19 pandemic. NBFCs and HFCs were more impacted than banks as these entities had to provide moratorium to their customers, without getting similar relief on their liabilities.

To provide additional relief, the Government of India announced ex-gratia payment to lenders for waiving off compound interest for loans up to ₹ 2 crore for some category of borrowers.

Recently, the Honourable Supreme Court has directed all banks and financial institutions to refund compound interest, interest on interest or penal interest collected during the moratorium period irrespective of the loan amount and category of borrowers. The Supreme Court also lifted the ban it had imposed on declaring accounts of borrowers as non-performing assets.

Customer servicing and debt recovery was already envisaged as a challenge during the pandemic induced stress. Individuals were losing their livelihoods and businesses were struggling to overcome disruptions while facing demand-supply constraints.

To provide succour to customers, the authorities went all out to offer relief by announcing equated monthly interest (EMI) moratoriums, Emergency Credit Line Guarantee Scheme for the SME sector, relief on compound interest and a resolution framework for COVID-19 related stress.

Debt recovery in the first half of the fiscal was severely disrupted. However, the second half saw some semblance of normalcy with the gradual opening up of the economy as customers and lenders came to terms with the emerging scenario. However, this pandemic induced disruption has impacted the portfolio quality of all lenders; and they will have to redefine customer service and debt recovery in the post-pandemic world.

The first three challenges were common to banks, NBFCs and HFCs. The last, namely 'continuing to service their own debt' created severe stress for NBFCs and HFCs. The known structural arbitrage that NBFCs and HFCs enjoyed such as not maintaining a Cash Reserve Ratio (CRR) and a Statutory Liquidity Ratio (SLR) became a severe disadvantage during the pandemic. The unfolding of events after the lockdown resulted in creating a scenario of NBFCs having to provide adequate relief on debt servicing obligations to their customers while not being granted the same relief on their liabilities. NBFCs and HFCs who had adopted prudent practices of maintaining adequate liquidity were able to tide over this problem; others could not.

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. The fact that many NBFCs have managed to overcome these severe stresses without significant impact is a testimony to their resilience. With superior capital adequacy, better margins, frugal cost management and lower non-performing assets (NPAs), the NBFC sector is well poised to seize the opportunity provided in the post-pandemic revival cycle. The revised regulatory framework proposed by the RBI intends to make the NBFC sector more resilient.

The Company

BFL is present in 2,988 locations across the country, including 1,690 locations in rural / smaller towns and villages. It focuses on six broad categories: (i) consumer lending, (ii) SME lending, (iii) commercial lending, (iv) rural lending, (v) deposits; and (vi) partnerships and services.

The Company had to steer through a difficult year due to the COVID-19 pandemic. Having recorded envious performance metrics over the last 12 years from FY2009 to FY2020 with compounded annual growth rate (CAGR) of 45% in its consolidated AUM and 58% in its consolidated profit after tax, BFL delivered marginal growth in its consolidated AUM of 4% and a degrowth in its consolidated profit after tax of 16% while ensuring adequate loan loss provisioning for risks emanating from COVID-19 induced stress.

Despite significantly elevated level of losses in FY2021, the Company delivered return on assets and return on equity of 3.1% and 12.8% respectively on a consolidated basis. In this exceptional year of lower acquisition volumes, higher liquidity buffers and increased recovery costs, BFL has once again demonstrated the resilience of its business model which generates strong pre-impairment profitability to absorb higher losses resulting from a crisis.

The Company remains well capitalised with a capital-to-risk weighted asset ratio (CRAR) of 28.31% as on 31 March 2021. It remains among the best capitalised large NBFCs in India.

In the face of the pandemic, the Company swiftly evolved a revised two-pronged approach which focused on: (i) conservation and prudence, and (ii) capitalising on the opportunity provided by the disruption to completely transform its business model.

Conservation and prudence encompassed capital management, maintaining abundant liquidity, reducing operating expenses, expansion of collections and servicing capability, strengthening of underwriting norms and a very sharp view on risk metrics.

BFL maintained a conservative stance on volumes as post-lockdown restrictions were gradually lifted till August 2020 given extended moratoriums, disruption in economic activity, weakened portfolio quality and collections, and absence of updated customer bureau data. The Company staggered its volume revival over a period by business portfolios, as each business required different levels of calibration. The business-wise performance is discussed in detail in the Business Update section.

On the liability side, the Company continued to maintain higher liquidity buffers to counter reduced EMI inflows induced by moratoriums and continued contractual liability for repayments. It was only when market conditions stabilised in the third quarter that BFL started to wind down the excess liquidity buffer. While maintaining higher liquidity buffers, the Company also kept strong vigil on its cost of borrowings resulting in a decrease of 55 bps over FY2020. As on 31 March 2021, BFL's consolidated borrowings stood at ₹ 131,645 crore.

The Company also deployed 'Zero Based Budgeting' to reimagine all its businesses and functions and sharply reduce its operating expenses. Some of these were structural in nature while others were transient. These cost cuts encompassed freeze on advertisements and promotions, calibration of salaries and incentives, travel, training, tele-calling cost etc. along with productivity enhancement. Together, these have helped to absorb the enhanced recovery costs in the current year.

BFL also took steps to provide customers additional channels to engage with the Company. As examples, it offered EMI moratorium and resolution plans to customers to mitigate their cashflow stress; and strengthened digital channels for servicing and overdue payments. It increased collections resourcing to service a larger pool of customers in delinquency, and mitigate risk of higher loan losses. The Company established 10 dedicated collection servicing branches, trained approximately 6,700 agents on DRA (Debt Recovery Agent) and improved customer feedback on collections.

Using its robust risk management and portfolio monitoring framework, BFL took enhanced credit costs based on emerging trends across its different portfolios. During the year, the Company advanced its write-off policy due to COVID-19 induced stress and took an accelerated charge off of about ₹ 4,193 crore of loan accounts by utilising existing provisions against such loan accounts. BFL holds a management overlay provision for macroeconomic factors and COVID-19 of ₹ 840 crore as on 31 March 2021.

As a result of its deeply embedded risk culture and robust risk management practices, the Company's portfolio quality as of 31 March 2021 continues to remain strong. BFL's consolidated Gross NPA at 1.79% and Net NPA at 0.75% are among the lowest in the NBFC industry.

In the backdrop of this exceptional year and the Company's steps to overcome the challenges it faced, the consolidated performance highlights for FY2021 are given below.

BFL's Consolidated Performance Highlights, FY2021

- Number of new loans booked: 16.88 million.
- Customer franchise: grew by 14% to 48.6 million.
- Assets under management (AUM): increased by 4% to ₹ 152,947 crore.
- Total income: increased by 1% to ₹ 26,683 crore.
- Net interest income (NII): rose by 2% to ₹ 17,269 crore.
- Total operating expenses (Opex): de-grew by 6% to ₹ 5,308 crore.
- Opex to NII improved to 30.7% from 33.5% in FY2020.
- Pre-impairment operating profit: increased by 6% to ₹ 11,961 crore.
- Impairment on financial instruments: increased by 52% to ₹ 5,969 crore.
- Profit before tax (PBT): decreased by 18% to ₹ 5,992 crore.
- Profit after tax (PAT): decreased by 16% to ₹ 4,420 crore.
- Capital adequacy ratio as of 31 March 2021 was 28.31%, which is well above the RBI norms. Tier I adequacy was 25.11%.

The Company strongly believes in "Never let a crisis go to waste". Utilising the opportunity provided, it chose to accelerate its transformational journey that it had embarked upon in the third quarter of FY2020. BFL is confident that it will come out of this crisis with enhanced customer experience, stronger volume momentum, deep digital orientation and a leaner cost structure.

Business Transformation

BFL is one of the largest and most diversified NBFCs in India. It has the experience of working with approximately 48.6 million customers since it started its transformational journey in FY2008 from a mono-line captive lender to a diversified financial service business. During this period, BFL expanded its footprint to 2,988 locations with distribution network of over 110,300 points of sale and created presence in the digital space.

The Company was among the early movers to transit to digital process in the financial services industry. It had already moved from 'Physical' to 'Phygital' in a seamless manner and has embarked to move to the last phase, namely 'Digital', in the last three years.

In its long-range planning exercise in November 2019, the Company has imagined a completely new way of conducting business and to move to providing financial products and services to its 48.6 million existing customers in a seamless manner by creating an 'omnichannel' framework. The omnichannel model would provide a flexibility to the customer to move between online to offline and vice versa in a frictionless manner.

Earlier, BFL had envisaged a four-year execution timeline. The Company has seized the opportunity provided by the pandemic induced transition to the digital world to expedite its business transformation process. It plans to complete this transformation process in a phased wise manner between July 2021 and October 2021.

This business transformation focuses on building an 'omnichannel' model to deliver significant business velocity, reduction in operating costs and significant improvement in customer experience. This model, with an integrated offering of products and services, will enable BFL to become a 'moment of truth' company for its customers.

In addition to business transformation, the Company also resorted to 'Zero Based Budgeting' to reimagine all its businesses and functions and sharply reduce its operating cost.

Business transformation requires significant changes in operating processes and core technology stack of the Company. These are detailed below.

- BFL is developing five proprietary marketplaces. These involve: (i) the 'EMI store'; (ii) the 'Insurance Marketplace'; (iii) the 'Investment Marketplace'; (iv) 'BFL Health'; and (v) the 'Broking App' with the help of group companies. These five apps will provide customers with an option to review, compare and buy host of financial products and services across electronics, insurance, investments and health category.

- Having received approval for running its own wallet business, BFL has developed a wallet application called 'Bajaj Pay'. This will offer an integrated payment solution comprising of UPI, PPI, EMI card and credit card to its customers. The Company will start offering 'Bajaj Pay' to its customers in the first quarter of FY2022.

- BFL is also developing a 'Bajaj Pay' for merchants. This should broaden the payment solution offering of the Company to its approximately 98,300 merchants; and enable higher growth and larger market shares.

- The Company plans to partner with 25+ adjunct app ecosystem which have related products or services offering for its customers. These apps will provide adjacency to BFL's core offerings, and thus increase the 'customer stickiness'.

- It is developing and significantly transforming four productivity apps: (i) the 'Sales One' app; (ii) the 'Merchant' app; (iii) the 'Collections' app; and (iv) the 'Partner' app. These apps will significantly improve productivity and efficiencies of employees, channel partners and the merchant ecosystem.

Business Update

In the current year, BFL disbursed 16.88 million loans — representing a de-growth of 38% over FY2020, due to lower acquisition on account of pandemic induced lockdown, gradual reopening of the economy, absence of updated bureau information, and elevated levels of perceived and incurred risk in the lending business. The Company witnessed a decent recovery of business volumes between the third and the fourth quarter of FY2021. The third quarter saw a degrowth of 21% and the fourth quarter saw degrowth of 9%.

The Company's customer franchise as on 31 March 2021 stood at 48.6 million, or a growth of 14% over FY2020. The Company acquired over 6.2 million new customers in FY2021. BFL is present in 2,988 locations across the country, including 1,690 locations in rural / smaller towns and villages. It operates through more than 110,300 distribution points across India.

Consumer Lending: consumer electronics, furniture, digital products, e-commerce purchases and daily spends financing

BFL continued to be the dominant lender for consumer electronics, furniture and digital products in India, and financed 8.9 million consumer electronics and digital products purchases in FY2021. This segment saw some shift in consumer preferences as a result of changed lifestyles amidst the pandemic.

Increased demand for dish washers and electronic products enabling connectivity was palpable. However, supply of television panels was impacted between April to December 2020, initially on account of supply disruptions caused by lockdown and later owing to border tensions between China and India. The traditional April–June surge in demand for air conditioners did not materialise due to lockdowns. In the current year till December 2020, import of LCD panels was lower by 44% as compared to same period of the previous year.

BFL's unique Existing Member Identification (EMI) card, with about 23.8 million cards in force, enables customers to avail instant finance after the first purchase in over 98,300 points of sale. In FY2021, EMI cards enabled the Company to finance over 8.7 million purchases across all sales finance categories: consumer electronics, digital products, lifestyle products, lifecare, e-commerce and other retail spends.

The Company launched its health EMI card product which provides customers with features and benefits like higher financing limits; EMI facility at multi-speciality hospitals; discounts on medicines and medical tests; and various other wellness benefits. The Company distributed 1.1 million health EMI cards in FY2021.

Bajaj Finance remained the largest financier of Bajaj Auto motorcycles and three-wheelers in FY2021. There was an increased demand for personal mobility during the pandemic. However, BFL chose to remain cautious in view of increased credit cost during the pandemic and tightened its credit norms on new acquisition to acquire better customers. It financed purchase of over 614,000 motorcycles and about 59,300 three-wheelers in FY2021. This constituted over 34% of domestic sales of Bajaj motorcycles and 54% of domestic sales of Bajaj three-wheelers.

BFL's lifestyle financing business is inherently based on discretionary spends and, hence, saw muted demand. It financed approximately 288,000 transactions in FY2021, which represented a de-growth of 47% versus the previous year. Given the widely distributed nature of the business and relatively higher ticket spends compare to other sales financing business, BFL has maintained a cautious stance regarding this specific portfolio.

The Company finances its existing EMI card customers for their purchases through e-commerce platforms. Here, BFL expanded its online relationships from 33 to 74 partners.

Despite the dominance of e-commerce platforms during the pandemic, the Company remained cautious in this line of business and financed about 1.7 million transactions in FY2021 — representing a de-growth of 38% versus the previous year. The Company made the offering even more secure and frictionless by enabling customers to use their mobile number and OTP instead of a 16-digit EMI Card number.

The retail spends financing business offers easy instalment options to customers for small ticket purchases like fashion, eyewear, cycles, insurance, tyres, car accessories and servicing, and small appliances. During the year, the Company has reoriented this business to focus on fewer geographies, relatively large format distributers and higher ticket spends which are more economically viable. This business is now operational in 145 locations with a footprint of over 14,300 partner stores across India. BFL financed nearly 344,000 purchases in FY2021 compared to around 1,955,000 in FY2020.

Personal Loans

The Company maintained a cautious stance across all its B2C businesses till Q3 FY2021 due to increase in delinquencies, higher level of EMI moratoriums and absence of updated bureau data. It started to gradually rebuild its volumes only from latter part of Q3 after the post-EMI moratorium performance became visible and bureau information went fully onstream.

The personal loan cross sell (PLCS) business is a pre-approved loan origination programme for existing customers of BFL. It relies on risk analytics, campaign management and a digital acquisition strategy. This business has an optimal mix of salaried and self-employed customers. The PLCS business was fully stopped in the first quarter and gradually started in the second quarter with tighter credit norms. As a result, the AUM for the business de-grew in FY2021 by 10% over FY2020 to ₹ 17,209 crore. The business is currently recovering to its pre-pandemic volumes.

Salaried personal loans (SPL) are offered to affluent salaried customers with annual gross earnings of over ₹ 600,000. The SPL business AUM grew by 7% over FY2020 to ₹ 12,101 crore. SPL saw much faster recovery in portfolio quality and volumes compared to other businesses.

SME Lending

SME lending offers unsecured and secured loans to small businesses. SME lending consists of working capital loans and term facilities to SMEs, MSMEs and professionals. Secured loans to SME and MSME customers are offered against their home, office or four-wheeler.

SME segment was expected to witness severe disruptions on account of the pandemic induced economic slowdown. However, recognising that this sector provides the largest employment outside the agriculture sector, the Government of India carved out a special Emergency Credit Line Guarantee Scheme (ECLGS) to provide top-up financing to mitigate the disruptions caused to their working capital cycles. This scheme enabled the SME sector to service their financial obligations and remain liquid — leading to a much lower losses for the financial system than anticipated. BFL disbursed ₹ 934 crore across 23,703 customers under ECLGS.

For Businesses

Unsecured SME loans to businesses AUM de-grew by 4% over FY2020 to ₹ 11,401 crore on account of lower acquisition and tightening of credit norms due to weakened cashflows of SME and MSMEs. The business is present in over 1,400 locations in India. Secured loans AUM de-grew by 15% over FY2020 to ₹ 635 crore.

For Professionals

BFL offers loans to doctors, engineers and chartered accountants under this category. It consists of working capital loans and term facilities. Its AUM grew by 9% over FY2020 to ₹ 8,021 crore on the back of continued strong portfolio quality even during the pandemic period. The business is present in over 1,400 locations in India. In FY2020, BFL started medical equipment financing business by entering tie-ups with top-tier medical equipment manufacturers and their dealers. This business is ancillary to the professional loans business.

The Company's unique Hybrid Flexi Loan feature enables customers to have an option of servicing only interest in the initial 12 to 24 months of the loan tenor and the flexibility of multiple repayment and drawls within the contracted repayment plan. Understanding the need of SME customer during pandemic times, BFL proactively approached its existing customers with impeccable repayment track records to avail of the option of converting their existing term loans into Hybrid Flexi Loans.

Rural Lending

BFL offers all its lending and deposits products which include consumer B2B lending, personal loans, gold loan, retail deposits etc. in small towns and villages through its rural lending business. In FY2021, BFL expanded its rural lending footprint adding 333 locations and deepening its rural geographical presence. At the end of FY2021, it was present in 1,690 locations across 21 states and union territories in India.

Borrow when you need, pre-pay when you can

With a Flexi Personal Loan for all your needs

Up to 45% lower EMIs*

Loan of up to Rs. 25 lakh

Multiple withdrawals and part payment

*T&C Apply

Rural economy was one of the bright spots during the year since agricultural activity was largely unhindered during the lockdown phase and the spread of COVID-19 remained controlled. Business volumes largely remained at pre-pandemic levels for a better part of the year. While growth in SME and mortgages were aided by external impetus provided like Emergency Credit lines for SMEs and stamp duty rebates for mortgages, the rural lending business grew on its own steam and recorded AUM growth of 10% in the current year. The business closed with an AUM of ₹ 14,705 crore as on 31 March 2021.

Commercial Lending

Commercial lending consists of the following businesses: lending to auto component manufacturers and the light engineering industry, loans to financial institutions, loans to specialty chemical and pharma industry and other mid-market companies.

The lockdown phase caused severe disruptions in the manufacturing sector and further time was taken for supply chains to stabilise. On account of this, during the first half of the year, BFL focused on exposure management of existing customers, renewals of facilities of existing customers with good track record and additional funding to existing customers meeting stricter credit norms. It was only second half, BFL started focussing on new acquisitions. The business focuses on acquiring quality corporate customers, deepen relation with them and ensure value add through offering of varied products in the form of working and growth capital loans. Commercial lending business closed FY2021 with AUM of ₹ 8,293 crore, recording a growth of 29%.

Loan Against Securities

Loan against securities business offers medium-term and short-term financing against shares, bonds, mutual funds, insurance policies and deposits to customer across retail, High Net worth Individual (HNI) and promoter categories. The business is operational in 11 locations through physical branches and also offers financing solution through a digital medium to expand its reach to larger number of cities and customers. It also offers ultra-short-term financing to HNIs for new equity listings. The Company has completed its product suite for its retail and HNI wealth customers through its 100% subsidiary, viz. BFinsec, which offers various investment services like demat services, broking, margin trade financing and financing of offer for sale. The business grew on the back of buoyant financial markets in the second half of the year; and closed FY2021 with AUM of ₹ 6,054 crore, recording a growth of 26%.

Deposits

BFL accepts deposits from retail and corporate clients. The deposits book in FY2021 increased to ₹ 25,803 crore, representing a growth of 20%. BFL's deposit book now contributes to 26% of its standalone borrowings and 20% of its consolidated borrowings as on 31 March 2021, compared 21% and 17%, respectively, as on 31 March 2020.

The Company has been increasing its reliance on retail deposits which are more sticky than corporate deposits. To provide retail customers an option to place deposits online, BFL launched its digital deposit sourcing platform in the current year.

Retail deposits grew 44% year-on-year to ₹ 18,961 crore and corporate deposits book de-grew by 18% to ₹ 6,842 crore. Retail deposits now contribute to 73% of total deposits, versus 61% as of 31 March 2020. As on date, BFL has 56 dedicated FD branches across five cities. It plans to continue to grow the contribution of its deposits book to reduce dependence on wholesale funding.

Partnerships and Services

In partnership with various financial service providers, BFL offers the following products to its customers: life insurance, health insurance, extended warranty, comprehensive asset care, co-branded credit card, co-branded wallets and financial fitness reports.

The Company is a corporate agent registered with India's Insurance Regulatory and Development Authority (IRDA) for distribution of life, health and general insurance products across nine insurance partners. Working with various insurance companies, BFL has developed small ticket insurance product (called 'pocket insurance') for very specific customer needs. It distributed over 272,900 pocket insurance policies in FY2021.

The Company also distributes comprehensive asset care product to its consumer B2B customers providing features such as extended warranty, theft cover, breakage cover, replacement cover etc. of their purchased products.

In partnership with the RBL Bank, BFL's co-branded credit cards business continued to grow robustly in FY2021. These co-branded credit cards are now offered across 152 locations in India. The number of cards-in-force stood at over 2.05 million as on 31 March 2021. On 19 January 2021, the Company received approval of the RBI for issuance of co-branded credit card in association with DBS Bank (India) Ltd.

BFL continued to grow its co-branded wallet business by offering EMI cards in digital format. It closed FY2021 with over 19.8 million digital cards. It has temporarily suspended its ₹ 5K and ₹ 10K loans to ease pressure on collections team amidst the pandemic.

These partnerships and products have enabled the Company to provide value added services to its customers and grow its fee-based income.

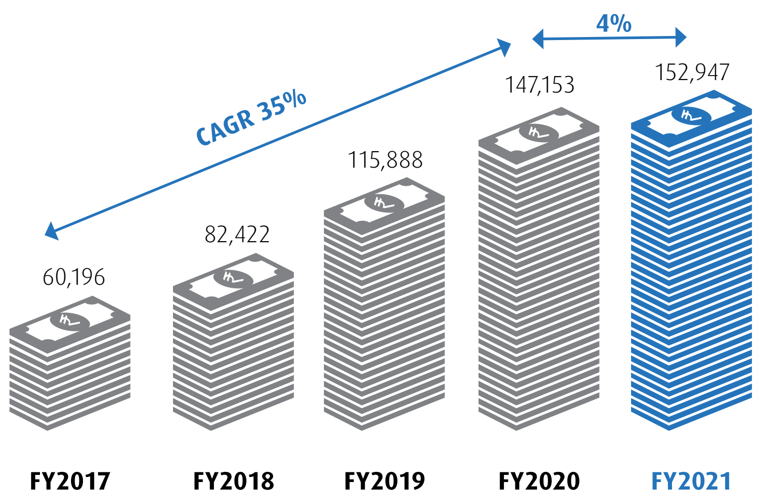
Assets Under Management (AUM): A Snapshot

The Company witnessed its slowest growth in consolidated AUM of 4% since 2009. However, it is important to see the trajectory of recovery of AUM growth on a quarter-on-quarter basis given that first two quarters of the year were a virtual washout owing to the pandemic induced lockdowns followed by an uncertain opening of economy.

BFL delivered a sequential growth of ₹ 7,447 crore (or 5.5% quarterly) in the third quarter adjusted for short-term IPO financing AUM and ₹ 9,397 crore (or 6.6% quarterly) in the fourth quarter of FY2021 while continuing to maintain stricter underwriting norms for new acquisitions. The growth recorded in the third and fourth quarter gives the Company confidence of achieving its pre-pandemic AUM growth momentum.

Chart A depicts BFL's consolidated AUM over the last five years.

Chart A: BFL's Consolidated Asset Under Management (₹ In Crore)



FY2021, FY2020 and FY2019 AUM are as per Ind AS, FY2018 AUM has been recast as per Ind AS while FY2017 AUM is as per the erstwhile IGAAP.

Table 2 breaks down the AUM across the major business verticals.

Table 2: Assets under management

(₹ In Crore)

	Standalone			Consolidated		
Particulars	**FY2021**	**FY2020**	**Change**	**FY2021**	**FY2020**	**Change**
Consumer B2B - auto finance business	12,111	13,085	(7%)	12,111	13,085	(7%)
Consumer B2B - sales finance	11,526	12,657	(9%)	11,526	12,657	(9%)
Consumer B2C businesses	29,310	30,513	(4%)	30,450	31,255	(3%)
SME business	20,057	19,256	4%	20,217	19,429	4%
Rural B2B - sales finance businesses	2,883	2,669	8%	2,883	2,669	8%
Rural B2C businesses	11,822	10,659	11%	11,822	10,659	11%
Commercial lending business	8,293	6,411	29%	8,293	6,411	29%
Loans against securities	5,870	4,819	22%	6,054	4,822	26%
Mortgages	13,546	16,033	(16%)	49,591	46,166	7%
Total	**115,418**	**116,102**	**(1%)**	**152,947**	**147,153**	**4%**

Financial performance

Table 3 gives BFL's standalone and consolidated financial performance for FY2021 vis-à-vis FY 2020.

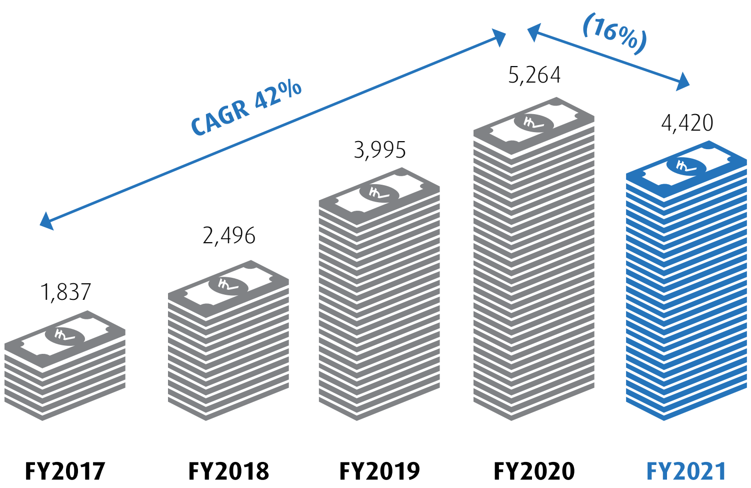
Table 3: BFL's Standalone and Consolidated Financials

(₹ In Crore)

	Standalone			Consolidated		
	FY2021	**FY2020**	**Change**	**FY2021**	**FY2020**	**Change**
Total income	23,546	23,834	(1%)	26,683	26,385	1%
Interest and finance charges	7,446	7,857	(5%)	9,414	9,473	(1%)
Net interest income (NII)	**16,100**	**15,977**	**1%**	**17,269**	**16,912**	**2%**
Employee benefit expenses	2,242	2,295	(2%)	2,499	2,548	(2%)
Depreciation and amortisation	302	271	11%	325	295	10%
Other expenses	2,470	2,798	(12%)	2,484	2,818	(12%)
Pre-impairment operating profit	**11,084**	**10,613**	**4%**	**11,961**	**11,251**	**6%**
Impairment on financial instruments	5,721	3,805	49%	5,969	3,929	52%
Profit before tax (PBT)	**5,363**	**6,808**	**(20%)**	**5,992**	**7,322**	**(18%)**
Profit after tax (PAT)	**3,956**	**4,881**	**(18%)**	**4,420**	**5,264**	**(16%)**
Other comprehensive income/ (expenses)	(58)	(114)		(57)	(115)	
Total comprehensive income	**3,898**	**4,767**	**(17%)**	**4,363**	**5,149**	**(15%)**
Earnings per share (EPS) basic, in ₹	65.85	83.25	(20%)	73.58	89.77	(18%)
Earnings per share (EPS) diluted, in ₹	65.33	82.60	(20%)	73.00	89.07	(18%)
Book value per share, in ₹	597.85	529.85	13%	614.11	538.40	14%

Chart B depicts growth of BFL's consolidated profit after tax over the last five years.

Chart B: BFL's Consolidated PAT (₹ In Crore)



FY2021, FY2020 and FY2019 profit are as per Ind AS, FY2018 profit has been recast as per Ind AS while FY2017 profit is as per the erstwhile IGAAP.

Key Ratios

Table 4 gives a summary of key ratios for FY2021 vis-a-vis FY2020.

Table 4: BFL's key ratios on a consolidated basis

Ratios	FY2021	FY2020
Net interest income to average loans receivable	11.99%	13.32%
Total operating expenses to NII	30.74%	33.47%
Return on average loans receivable (ROA)	3.07%	4.15%
Return on equity (ROE)	12.77%	20.24%
Capital to risk-weighted assets ratio (CRAR) *	28.31%	25.01%
Tier I *	25.11%	21.27%
Tier II *	3.20%	3.74%
Gross NPA	1.79%	1.61%
Net NPA	0.75%	0.65%
Provisioning coverage ratio (PCR)	58%	60%
EPS -Basic (₹)	73.58	89.77
EPS -Diluted (₹)	73.00	89.07

* These ratios are on a standalone basis.

Risk Management, Debt Management and Portfolio Quality

Risk Management

As an NBFC, BFL is exposed to credit, liquidity, market and interest rate risk. It continues to invest in talent, processes and emerging technologies for building advanced risk management capabilities. Over years, sustained efforts to strengthen its risk framework have resulted in stable risk metrics for BFL.

Credit risk

BFL has a strong governance framework and it ensures that the Board of Directors and its committees approve risk strategies and delegate appropriate credit authorities. Its robust underwriting practices and continuous risk monitoring ensure that portfolios stay within acceptable risk levels.

The Company has deeply invested in its risk organisation structure that includes dedicated credit risk units for each business vertical; business specific units such as underwriting, risk containment and fraud control; and horizontal risk analytics, business intelligence and operational risk management units. In addition, BFL continues to invest in increasing collections capacity.

The risk containment and fraud control unit is responsible for preventing frauds perpetrated by customers, sourcing channels and internal employees either alone or in connivance with others, through prevention and deterrence actions. The unit ensures that most fraud checks are performed well before the disbursal of loan through an inbuilt advanced fraud controls analytics in its loan origination system. The fraud rules are periodically updated basis emerging learnings.

BFL has enabled all its employees and agencies to flag any suspicious activity or transaction on the core lending system which then go through extensive checks by the fraud control unit. This unit is further supported by a dedicated BPO and a 350-member field structure spread across 237 locations for faster response to frauds.

During this pandemic year, the Company further enhanced its risk management focus and took multiple step which are discussed below.

BFL calibrated its risk policies and underwriting standards to respond to the pandemic. It significantly tightened underwriting standards to ensure risk metrics and quality of the post-lockdown book is in line or better than that pre-COVID-19 levels. This, combined with a slowdown in demand, resulted in the Company's AUM not growing in line with earlier years.

As economic recovery gained momentum from the second half, and early risk metric reached pre-COVID-19 levels, the Company gradually relaxed the tighter underwriting norms it had adopted. This led to new business volumes slowly reaching pre-COVID-19 levels across most businesses. The Company remains in high vigilance mode and continues to adapt credit policy / underwriting standards in line with emerging risk metrics across the different business portfolios; and constantly monitors various external market indicators, including a watch over the spread of infection and coverage of vaccination across its geographic spread.

BFL carried out multiple risk simulations to assess the potential impact of the pandemic on its loan losses and provisions estimate and continued to absorb additional credit costs based on these simulations.

Through FY2021, the Company made prudent loss provisions and write-offs based on credit weaknesses arising out of the pandemic. In FY2021, BFL absorbed an elevated credit loss of ₹ 5,969 crore versus ₹ 3,929 crore in FY2020. Despite such accelerated provisioning, BFL delivered a consolidated pre-tax profit of ₹ 5,992 crore. This validates the Company's business model which creates an adequate quantum of pre-impairment profitability to absorb higher losses resulting from such unforeseen events.

BFL takes guarantee cover for its portfolios across B2C, MSME and three-wheeler financing business under Credit Guarantee Fund Scheme for NBFCs (CGS-II) from Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) governed by the SIDBI. As on 31 March 2021, the Company has covered ₹ 6,303 crore of its loan assets under this scheme.

The Company's balanced approach to portfolio management coupled with rigorous portfolio review has enabled it to identify early warning signals and take corrective actions. With use of sophisticated analytics, BFL has maintained a healthy new business portfolio quality and taken risk mitigating policy actions with agility and precision. The business acquired in FY2021 reflects healthy risk metrics. Moreover, the anticipated additional risk emanating from the business impacted by the pandemic has been absorbed in FY2021.

Liquidity risk

BFL has Asset Liability Committee (ALCO), set up in line with the guidelines issued by the RBI. It monitors asset liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the balance sheet. The Company follows a prudent approach for managing liquidity and ensures availability of adequate liquidity buffers to overcome mismatches in case of stressed market environment.

The Company's robust liquidity management framework has ensured that it had enough liquidity throughout FY2021 to meet its debt service obligations, despite it having to offer repayment moratoriums to its customers on account of the COVID-19 pandemic.

BFL's liquidity management is elaborated in detail in the section on 'Credit Rating and Asset Liability Management (ALM)'.

Market risk

To effectively manage market risk on its investment portfolio, BFL continues to follow a prudent investment policy and its surpluses are invested in Government securities; liquid and arbitrage funds; and deposits with banks and 'AAA' rated financial institutions. The Company calibrates the duration of investment portfolio to balance the twin objectives of maintaining liquidity for business and minimum fair value change impact on its investment portfolio.

Interest rate risk

BFL is exposed to interest rate risk on its investment portfolio and interest rate sensitivity on fixed and floating rate assets and liabilities with differing maturity profiles. It monitors fair value change impact on its investment book using Value at Risk (VaR) and these parameters are defined in its Board approved investment policy. Interest rate sensitivity on fixed and floating rate assets and liabilities with differing maturity profiles is measured by using the duration gap analysis. This is computed monthly and sensitivity of the market value of equity assuming varied changes in interest rates are presented and monitored by ALCO.

The Company's risk management framework is further detailed in note 49 of standalone financial statement and consolidated financial statement.

Debt management

Apart from its risk management practices, BFL actively focuses on a debt management strategy to ensure that its delinquent debt portfolio is kept at minimal levels. It accords debt management an important place in its portfolio management strategy; and has a dedicated structure where the focus is to follow a strict protocol for missed payments. The Company considers collection as a service to customer to enable fair and ethical recovery of delinquent accounts and past-due payments.

BFL continues to invest in its collection structure, processes, trainings of employees and agencies, strict adherence of compliance requirements and controllership by leveraging technology to follow a non-intrusive collection mechanism. It follows a strong governance model for its collection practices and ensures strict adherence to the regulatory and internal policies, code of conduct and fair practice code. The Company offers a choice to delinquent customers to make payment through digital channels, branch walk-in, at retailer points as well as door-step collection services.

The debt management journey begins well before the customer's EMI falls due. As a matter of good customer service, BFL sends advance intimation to all its customers five to six days before the EMI falls due, to enable customers to maintain adequate funds in their bank account. This practice ensures that the credit history of a good customer is not impacted due to any unintentional default.

BFL follows a graded communication approach with delinquent customer across their repayment lifecycle. These communications clearly indicate: (i) the importance of timely payment; (ii) avoidance of penal charges; (iii) available payment channels; and (iv) payment confirmation. These are also made in vernacular language via multiple channels like SMS, email, tele-calling and in-person visit.

The Company has a dedicated structure aligned to business verticals for servicing customers: (i) with current month outstanding; (ii) in early delinquency; and (iii) in NPA and write-off stage. It uses combination of employees, call centres, digital channels, field agencies and legal channels for debt management.

In an endeavour to follow a non-intrusive debt management practice, BFL collects electronic clearing mandate from its customers. In case of dishonour of bank instrument, BFL provides customers with over 15 different digital payment options such as NEFT, RTGS, Bharat Bill Payment Service (BBPS), Unified Payment Interface (UPI), CC Avenue, Wallets, Google pay, payment banks etc. These digital channels, along with branch walk-ins, account for approximately 35% of collections volume.

During the year, the Company took various measure to further strengthen its debt management process amidst a nearly three-fold increase in its collections volume on account of the pandemic:

- Because of social distancing norms, BFL accelerated its focus on expanding the coverage of digital channels for collections.
- It set up a centralised call monitoring infrastructure for its outsourced collection agency network to improve controllership. All agencies are mandated to make collection calls only through this infrastructure. All collections are now being recorded and monitored periodically to ensure compliance of collection code of conduct.
- It opened dedicated collections service desk across the top 10 branches to address collection related queries of walk-in customers. The Company is committed to expand coverage of this model across more cities.
- It started a Debt Recovery Agent (DRA) certification process for its collection agents. BFL will have all its collection agents DRA certified in the next 12-18 months.
- It expanded the scope of Net Promoter Score (NPS) to seek customer rating of its collections processes.
- It formed a dedicated in-house team and a centralised calling unit to enable speedier resolution of collection related complaints of aggrieved customers.
- It significantly strengthened its collection compliance framework to ensure strict adherence by the collection agencies of its code of conduct policy and fair practice code. This framework lays down a penal staircase for non-compliances. BFL investigates every customer complaint pertaining to collections and takes appropriate corrective and penal action.
- It developed 12 situational videos in eight vernacular languages which form part of the situational training module on its collection mobility app. These training modules provide clear understanding to collection agents on the do's and don'ts while interacting with a customer.

Portfolio Quality

BFL has experience of lending to 48.6 million customers. Most businesses are focused on acquiring mass affluent customers — who represent bigger wallets, larger cross-sell opportunities and acceptable risk. The Company has not only diversified risk across millions of customers and product categories but has also diversified its risk and portfolio in 2,988 urban and rural locations in India.

The Company's diverse portfolio across products, customer class and geographic distribution was severely tested by the disruptions caused by the pandemic. Salaried individuals had to contend with a scenario of reduced income and/or job losses. Corporates, SMEs and MSMEs struggled on account of reduced economic activities and business rhythm that was no longer efficient due to severe disruption in both demand and supply. All these led to major cash flow constraints and erosion in asset values. These developments, in turn, severely tested risk management frameworks across the financial sector; and BFL was no exception.

To provide relief on debt servicing obligations, the RBI permitted financial institutions to offer moratorium to their borrowers on instalments falling due between 1 March 2020 to 31 August 2020 and also permitted restructuring of loans for customers impacted by the pandemic. The credit cost for the year was significantly higher at ₹ 5,969 crore on a consolidated basis and not comparable with past trends.

Even so, BFL ended the year with a net NPA of 0.75% on consolidated basis. The standalone net NPA stood at 0.91%. On a consolidated basis, the Company's provision coverage on non-NPA assets, excluding the management overlay provision, stood at 148 bps; and at 181 bps including the management overlay provision.

The Company took several steps to manage its future risk costs by calibrating its acquisitions in line with emerging economic trends even at the cost of compromising AUM growth in the first half of FY2021.

BFL continues to re-pivot its mix towards lower risk assets like mortgages. It also continues its strategy of 'acquire and cross-sell' to manage cost and portfolio risk, based on its experience of an existing customer demonstrating significantly lower credit risk than a new customer and ensures acceptable risk across portfolios over the cycle.

Having incorporated the learnings of this year into its future business and customer acquisition strategies, BFL believes it will emerge with portfolio that would mirror the pre-pandemic quality by the first half of FY2022 — though difficult to predict given the emergence of second wave of the pandemic.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or human factors, or from external events. Operational risk is inherent in BFL's business activities, as well as related support functions. The goal is to keep operational risk at an appropriate level relative to the characteristics of its businesses, the markets in which it operates and the regulatory environment.

BFL has in place an internal Operational Risk Management Framework to manage the operational risk in an effective and efficient manner. This framework aims at assessing and measuring the magnitude of risks, its monitoring and mitigation.

The businesses, along with support units and operations, play a critical part in managing operational risk on a daily basis, in addition to implementing internal control-related policies and procedures. Continuous monitoring of risk is carried out at multiple levels through Key Risk Indicators (KRI).

- To enhance the effectiveness of internal processes, system and controls and to ensure compliance with regulations and instructions, BFL has defined 'Key Performance Metrics' ('KPI') across various business and functions.
- It ensures complete process adherence at the time of customer onboarding and has formed compliance teams across businesses to monitor adherence to policies and process. As part of this, BFL concurrently reviews four areas: information security, process lapse, misinformation and mis-selling.
- It has established a 'Customer Complaints Root Cause Analysis' team under the customer experience officer to fix policy and process gaps leading to customer complaints.
- It has also established cross-functional teams to identify and put in place processes changes keeping customer expectations in mind. Such initiatives also involve a combination of process, policy and system level changes.
- The operations unit has a dedicated process compliance team for concurrent audits to monitor adherence to laid down policies and processes.
- Controls on operations processes executed from branches and the Head Office have been strengthened through defined processes to be adhered to by customer facing and operations staff.
- As a part of the control governance, the operations compliance team conducts periodic audits and actions are taken in accordance with Company policy.
- It has also established a hind-sighting processes and control charts to monitor operations compliance and adherence.

Technology

Technology is at the forefront of BFL's business transformation journey. The Company has embarked on a major business transformation journey to build an 'omnichannel' model to deliver significant business velocity, reduction in operating costs and significant improvement in customer experience.

The technology unit is well poised to do the heavy lifting of delivering payment solutions; various marketplace platforms; and productivity apps; and integrating adjunct third party apps providing relevant products and services to BFL's customers. These initiatives are detailed out in the Business Transformation section of this Management Discussion and Analysis.

BFL has been a leader in technology adoption among financial services companies in India. It has continuously leveraged existing and emerging technologies to launch new products, accelerate customer acquisition and improve customer experience along with simplifying the back-office processes. In doing so, the Company has invested in tools, technologies and practices for robust and expeditious 'Development-to-Operations' (DevOps) implementation to enable delivery of applications and services at a high velocity.

To facilitate consumer centric builds and improve efficiency in the technology change management, BFL has significantly strengthened its requirement discovery process; and also introduced visual designs, TechOps KPIs and advanced QA automation to deliver fully integrated and tested software development lifecycles.

Enterprise technology architecture is being rapidly modernised to address the need for consumerisation and manage the scale and agility requirements of BFL. This is in collaboration with global technology partners and start-ups. To that end, BFL is re-building its customer facing mobility app with (i) a refreshed visualisation layer; (ii) payments stack encompassing wallets, UPI , bill pay service, single payment check out gateway; (iii) customer engagement features such as In-app programs, rewards, offers, deals, location based services; (iv) enhanced service engagement features and information with robust search mechanism; and (v) frictionless loans, investments and insurance purchase journeys.

The Company is in the process of migrating its Application Programme Interface (API) stack to a more robust technology infrastructure to ensure minimal latency. This will integrate consumer facing interfaces like web portals, mobility applications and BOTs to a micro services architecture hosted on a platform as a service (PaaS) infrastructure. Also, the underlying database is being migrated from relational database schema to NoSQL database for scale and high user loads.

Investment in data technologies has accelerated our transition to the next generation campaign management engine, business intelligence (BI) and analytics. With a scalable cloud-based Enterprise Data Warehouse (EDW) in place, BFL has now started to move raw data through 'change data capture' (CDC) technology from multiple online transaction processing system to a data lake. The data lake is enabling exploratory data analysis on the raw data as against pre-cooked and curated variables in EDW and is being used to run large workloads using Apache Spark as the compute layer.

BFL continues to invest in capabilities in data science space namely Optical Character Recognition (OCR), Natural Language Processing (NLP), Search and Machine learning based models. These technologies enable frictionless customer experience at various touch points.

In the wake of COVID-19, BFL swiftly leveraged its technological capabilities to ensure availability of bandwidth, setting up virtual private networks, making laptops available where needed and making available multiple platforms for collaboration and team meetings over digital media. This enabled continued operations under 'Work-from-Home' (WFH) protocol. Simultaneously, the Company increased its thrust on digital capabilities to connect with customers for servicing and recovery during the lockdown period.

To improve its cyber security defence, BFL has migrated all its critical internet facing properties behind a well-known cloud-based web application firewall to safeguard against web application and distributed denial-of-service ('DDoS') attacks. BFL will continue its focus on automation of security orchestration for timely response to cyber incidents through its security operations centre.

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Analytics

Data, Technology and Analytics are core enabling pillars of BFL's transformational journey. Over the last few years, there has been continued focus and investment in this space and the Company has reached a stage where business application of data solutions is now a business-as-usual practice across all the stages of customer life cycle.

BFL uses business intelligence and analytics across all spheres of its operations. In doing so, it continues to widely democratise its analytical capabilities across the Company. It builds and deploys analytical models across new customer acquisition, cross-sell, propensity management, risk management, collections management and customer service

Adoption of evolving technologies and analytical tools like Big Data, Cloud Computing and Open Source software like R and Python have continued to deepen — which allow access to statistical techniques that were not possible in the past. These have taken analytics and portfolio insights to a level where solutions are much more nuanced and specific. BFL remains fully committed to deepen and widen its analytics capabilities to further sharpen its competitive edge.

The Company has started to build and implement multiple Machine Learning (ML) models. Investments made towards capabilities like OCR, unstructured to structured data etc. have now started to go live, and get integrated with business processes. These state-of-the-art technologies enable decision engines with real time processing capabilities. These also enable unique customer propositions like 'get now' and 'straight through processing' to constantly push towards a smoother and frictionless experience for our customers. In doing so, BFL is conscious of customer's privacy and ensures customer consent is obtained for any cross-sell offerings.

Several solutions deployed last year using ML and AI for predictive insights have yielded positive outcomes. These have given the confidence to commit significant investments to further the use of these new domains. Here are some examples:

- 'Data as Oil', an important initiative of FY2019, continues to focus on large volume of data capture and its effective utilisation for business and risk management.
- BFL's entire data ecosystem and analytic workloads are now hosted on the Microsoft Azure platform. This allows computational flexibility to develop and deploy Big Data workloads.
- There has been an expanding suite of statistical models for risk management across all stages of the credit lifecycle — acquisition, account management and debt management. With new geographies and distribution being added continuously, this also means that BFL has processes and governance defined to expeditiously modify and refine its risk scorecards to meet its business plans. Risk models and loss models are now more nuanced and granular than before. This has enabled ability to understand and draw insights at micro segment levels.
- BFL's capability on risk analytics and scorecards helps adherence to the Expected Credit Loss (ECL) based provisioning requirement. This has also led BFL to re-define and strengthen its governance and processes around model monitoring and build controls around continuous validation of risk scorecards.
- Analytics solutions on product recommendation at point-of-sale, response propensity for targeted cross-sell, call volume forecasting for efficient capacity planning and the like are embedded in our business processes. BFL continues to refine and perfect these solutions on an on-going basis.
- Several Design of Experiments (DOE) and Proof of Concepts (POC) deployed using ML for predictive insights have yielded positive outcomes. Learnings from these experiments have now started to flow into core processes. These are leading into identification of newer segments for business growth and enabling exiting from segments that are at margin and have relatively higher risks.

Customer Service

BFL strives to create a culture of 'Customer Obsession' – by always listening to customers and driving continuous transformation to provide a frictionless experience across the lifecycle, from pre-disbursal to closure of a loan.

The Company regularly captures 'Customer Feedback' and 'Employee Feedback on Customer VOC' to simplify its processes and bring delight to its customers. It always aims to reduce the time to disburse loans with minimal documentation and has enhanced and introduced varied communication and service channels to keep its customers regularly informed and to instantly address their queries and requests.

BFL has adopted Net Promoter Score (NPS) — a comprehensive global methodology to measure customer loyalty — to gauge the outcome of its customer engagement efforts. This survey is conducted through an independent third party and its results play a central role in BFL's future planning process.

Our self-service chat BOT provides support to customers across its website, portal, mobile app and Wallet. BFL also has an interactive voice based self service capability on Google Assistant and Alexa. These help customers in answering their basic queries. It has also introduced 'Google Business Messaging' for its customers by integrating its BLU BOT with Google search and Google Maps on android. Customers can now locate BFL branches on Google Maps. For non-digitally savvy customers, BFL has provisioned a 'Dynamic Missed Call Service' for getting life-stage based details of latest relationships with BFL. To improve communication reach and effectiveness, the Company also communicates with the customer through mobile messaging apps.

BFL also enables various offerings in the language preferred by its customers. BFL provides critical documents like loan agreements, fair practice code (FPC) and branch notices in the language of their choice. In addition, customer communications through digital channels like IVR and mobile apps are also available to customers in vernacular languages.

The cornerstone of the Company's business transformation journey undertaken during the current year is customer experience and servicing of customers in a seamless manner. Business transformation would deliver significant enhancements in self-service infrastructure for customers and lead to superior experience, greater stickiness and larger share of customer's financial services wallet.

During the year, BFL established several cross-functional teams to identify areas to simplify processes across business, operations and collections to deliver superior customer experience. These involved a combination of process, policy and system level changes:

- BFL leveraged Machine Learning (ML) and Robotic Process Automation (RPA) to enable it to quickly respond to customer requests in an automated manner.
- It instituted a dedicated customer complaint reduction unit to identify root cause of customer complaints and dissatisfaction through data analysis.
- On a suo-moto basis, BFL appointed an Internal Ombudsman (IO) and institutionalised a process to strengthen the customer grievance redressal mechanism.
- It has invested in a dedicated team to constantly monitor customer queries and grievances on various social media channels and respond to them appropriately.

During the year, given the pandemic situation, BFL took various steps to support customers. Some of them were:

- Offering EMI moratorium to customers based on request as well as on a suo-moto basis in cases where customers were unable to make their payments or raise requests due to pandemic.
- Offering loan restructuring options to eligible customers based on the RBI guidelines.
- Ex-gratia payments to eligible customers under the Government of India guidelines.
- Offering an option to its existing good customers to convert their term loans into hybrid flexi loans to enable them to better manage their cashflows.
- Introducing a 'book an appointment' option for customers for visiting branches in appropriate time slots to enable social distancing.

Credit Rating and Asset Liability Management (ALM)

BFL enjoys the highest credit rating of AAA/stable from CRISIL, ICRA, CARE and India Rating for its long-term debt programme and A1+ from CRISIL, ICRA and India Ratings for its short-term debt programme. The Company's deposits programme is also rated the highest with credit rating of FAAA/Stable from CRISIL and MAAA(Stable) from ICRA.

These ratings reaffirm the high reputation and trust that BFL has earned for its sound financial management and ability to meet financial obligations.

BFL had been initially assigned a long-term issuer credit rating of 'BBB– / stable' and a short-term issuer credit rating of 'A-3' by S&P Global Ratings for its external commercial borrowings (ECB) programme. On 26 June 2020, S&P has downgraded the long-term rating of BFL to 'BB+/Stable' and short-term rating to 'B' owing to tough operating conditions arising out of the COVID-19 pandemic.

The Company's consolidated total borrowing was ₹ 131,645 crore as on 31 March 2021. Its Asset Liability Committee (ALCO), set up in line with the guidelines issued by the RBI, monitors asset liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the balance sheet. BFL business model lends itself to having an inherent ALM advantage due to large EMI inflow emanating from short tenor businesses which puts it in an advantageous position for servicing of its near-term obligations.

BFL's robust liquidity management framework has ensured that enough liquidity was available throughout FY2021 to meet its debt service obligations, despite it having to offer EMI repayment moratoriums to its customers.

It was only in the third quarter of the fiscal when market conditions were stable that the Company started to wind down the excess liquidity it was carrying.

At a consolidated level, BFL maintained an average liquidity buffer of ₹ 17,737 crore in FY2021, representing 13.6% of its average outstanding borrowings in FY2021. It had a consolidated liquidity surplus of ₹ 16,485 crore as on 31 March 2021, representing 12.5% of outstanding borrowings.

Despite maintaining higher liquidity buffers, BFL calibrated its finance cost by resorting to incremental low-cost borrowings and reduction in interest rate of existing facilities from banks on the back of reduced deposits rates. Further, towards the later part of the third quarter and in the fourth quarter, the Company repaid its higher cost bank loans and replaced them with lower cost non-convertible debentures and commercial papers. These actions enabled the borrowings cost for FY2021 to decrease by 55 bps over FY2020. The benefit of this reduced rate will be seen in FY2022.

The Company exceeds the regulatory requirement of liquidity coverage ratio (LCR) introduced by the RBI in FY2020. This requirement stipulates that NBFCs with an asset size of ₹ 5,000 crore and above are required to maintain 50% of its expected net cash outflows in a stressed scenario in high quality liquid assets (HQLA) by December 2020; which has to be increased to 100% by December 2024 in a phased manner.

As of 31 March 2021, BFL maintained LCR of 270% which is well above the stipulated norms.

Table 5 gives the behavioural maturity pattern of BFL's asset and liabilities; and depicts its prudent approach towards ALM management. As can be seen, BFL has maintained significantly cumulative positive ALM position across all buckets including the 1-7 days, 8-14 days and 15-31 days, while the extant RBI regulation permits a negative ALM mismatch of up to 10%, 10% and 20% respectively.

Table 5: Behaviouralised ALM snapshot as on 31 March 2021

(₹ In Crore)

Particulars	1 to 7 days	8 to 14 days	15 to 30/31 days	Over one month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to one year	Over one year to 3 years	Over 3 to 5 years	Over 5 years	Total
A. Inflows											
Cash and investments	11,658	197	-	509	-	978	103	2439	-	5669	**21,553**
Advances	3,552	1,147	2,849	5,213	5,426	13,464	19,654	38,941	17,280	5,929	**113,455**
Trade receivable and others	47	71	4,777	24	751	53	1249	1351	226	4735	**13,284**
Total inflows	**15,257**	**1,415**	**7,626**	**5,746**	**6,177**	**14,495**	**21,006**	**42,731**	**17,506**	**16,333**	**148,292**
B. Cumulative total inflows	**15,257**	**16,672**	**24,298**	**30,044**	**36,221**	**50,716**	**71,722**	**114,453**	**131,959**	**148,292**	
C. Outflows											
Borrowings repayment	1,320	181	1,298	5,585	3,474	5,592	17,269	49,254	12,825	9,756	**106,554**
Other outflows	3,588	485	809	-	88	3	62	264	260	240	**5,799**
Capital, reserves and surplus										35,939	**35,939**
Total outflows	**4,908**	**666**	**2,107**	**5,585**	**3,562**	**5,595**	**17,331**	**49,518**	**13,085**	**45,935**	**148,292**
D. Cumulative total outflows	**4,908**	**5,574**	**7,681**	**13,266**	**16,828**	**22,423**	**39,754**	**89,272**	**102,357**	**148,292**	
E. Gap (A - C)	**10,349**	**749**	**5,519**	**161**	**2,615**	**8,900**	**3,675**	**(6,787)**	**4,421**	**(29,602)**	
F. Cumulative gap (B - D)	**10,349**	**11,098**	**16,617**	**16,778**	**19,393**	**28,293**	**31,968**	**25,181**	**29,602**	**-**	
G. Cumulative gap (%) (F/D)	**211%**	**199%**	**216%**	**126%**	**115%**	**126%**	**80%**	**28%**	**29%**	**-**	
H. Permissible cum. gap (%)	**(10%)**	**(10%)**	**(20%)**								

The assigned portfolio outstanding as on 31 March 2021 stood at ₹ 2,328 crore on a standalone basis and of ₹ 6,263 crore on a consolidated basis.

Our judicious strategy of maintaining a longer duration for liabilities than assets, coupled with an optimal mix of borrowings between banks, money markets, external commercial borrowings and deposits have helped us to effectively manage our net interest margin throughout FY2021.

Human Resources

BFL's people are its key assets. It has adopted people practices that enable it to attract and retain talent in an increasingly competitive market; and to foster a work culture that is always committed to providing the best opportunities to employees to realise their potential. It is committed as an equal opportunity employer.

Our stated philosophy of 'Do More Earn More' rewards people for their performance and contribution — which are anchored on metricised work deliverables and directly reflected in their earning potential. This ensures ownership and empowerment of our employees all the way down to its frontline facing staff.

BFL has a strong orientation to learning and development. All employees, from a new joiner to a tenured one, are provided tailored learning opportunities as per their role, level and specific focus area. At early career stages, the focus is on making the employee role ready through functional knowledge and skill-based training, moving to managerial capability building at mid-levels, and leadership at senior levels. Even the topmost levels of leadership undergo a leadership programme every year.

We provide our employees opportunities to learn, grow and take their career forward through transparent Internal Job Posting (IJP) and Auto-Promotion policies. IJP allows employees to apply for a role of their interest, thus giving them the choice to acquire multi-disciplinary skills to shape their career. This also leads to development of well-rounded talent for the Company.

To enthuse employees to go from 'Good to Great', We have a robust reward and recognition framework. We reward and recognise exemplary performance, unique contribution and delivering change efforts. A select group of employees (approximately 1%) join the exclusive club of achievers called the 'Excelsior League' every year. The league invites the selected employees and their families to join the recognition celebration at a Company-level function.

To serve our large and diverse base of employees, BFL has formulated policies and practices that cater to their varying needs based on gender, varying age groups and geographic locations. Some of these policies and practices are given below.

- A fortnightly salary policy enables an employee to take salary on fortnightly basis instead of a monthly credit.
- Money-on-call policy allows an employee to take salary in advance in situation of urgent cash requirement for personal reasons.
- A spouse consultant policy encourages qualified spouses to work on special projects in the Company on a flexible timing basis to fulfil their career aspirations while balancing the family demands at home.
- A spectrum policy provides benefits to women employees covering safety, cab facility, travel policy, flexible working hours, preferential transfer policy, maternity linked benefits, creche benefits etc. Our corporate office has 19% female employees.
- Differentiated skill enhancement training programs for employees in rural locations are imparted through our 'Rural Training Centre'

The well-being of our employees has always been at the centre of our philosophy.

BFL has tied-up with various partners to assist employees in managing their physical and mental health using tele-consultation and counselling facilities. It has a comprehensive Mediclaim policy for employees and their immediate family members which can be extended to cover parents. It also has an employee participatory financial assistance program called i-Care for emergency situations whether medical or otherwise. The Company encourages employees to enrol in this programme and contribute a small amount from their monthly salaries, which is matched by BFL contributing an equal amount.

In response to the COVID-19 outbreak, the Company took number of steps to prevent the spread. These were:

a) Migrating from physical to digital trainings and conferences.

b) Curtailing domestic travels.

c) Taking precautionary measures like sanitisation of offices, availability of hand sanitisers and masks.

d) Introducing operations in multiple shifts to ensure lesser number of employees at the workplace.

e) Implementing various COVID-19 related policies for the welfare of the employees. Following are the major initiatives related to COVID-19 taken by BFL for the safety and well-being of its employees:

    - Offering financial aid to its COVID-19 infected employees to reduce their burden of isolation, medicine and other medical expenditure. This was in addition to the medical insurance cover already provided to them. The Company extended support of over ₹ 35 crore to 4,428 employees in FY2021.
    - Allowing employees infected by COVID-19, 18 days of paid leaves over and above the yearly leave quota available to them. A total of 1,113 employees availed of the same.
    - Conducting periodic COVID-19 health risk assessment of employees through online surveys; calling, and contact tracing. BFL also organised camps for antibody and COVID-19 tests for its employees.

- Launching a dedicated 24x7 helpline to support employees and their families. Doctor consultations, testing for COVID-19 and support towards hospitalisation were some of the assistances that were extended. Our COVID helpdesk served more than 10,500 employees and their family members.
- Having the Company's HR team establish contact with almost 99% of BFL's employees to enquire about their and their family's whereabouts and health condition.
- Offering free doctor consultation to employees and their dependents to address their health and COVID-19 related queries. Over 25,000 doctor consultancy sessions were availed by the employees.
- Introducing a '1-to-1 Help', a counselling programme through which employees could connect with professional counsellors on various issues with respect to mental health and well-being. Over 250 employees availed this facility.

In line with its business transformation strategy, the Company has made significant changes to its HR policies and practices.

BFL has adopted a twin lens approach in its human resource practices: one that caters to the needs of its large distributed employee base across its offices, and the second which focuses on rapidly scaling its talent pool across critical domains such as technology, analytics and data science. The transformation aims to build future focused, employee centric and technology enabled practices and processes. The core of this transformation is to empower managers to chart out the career progression of their teams. The manager is enabled and empowered with data and technology platforms that help him take on this responsibility. The HR function takes the responsibility of enablement, governance and assisting the cultural shift.

During the year, Company was awarded with various awards — from Great Place to Work with respect to best in industry: BFSI, Top 25 best large workplaces in Asia for 2019 and India's Best (Top 5) Companies to Work for in 2019.

As on 31 March 2021, BFL, including its subsidiaries, had 28,546 full-time employees. It added 1,577 employees in FY2021.

Internal Control Systems and their Adequacy

BFL has instituted the three lines of defence model, viz. (i) management and internal control measures, (ii) financial controls, risk management practices, security measures and compliance oversight, and (iii) a robust internal audit function providing the third level of defence.

BFL's internal controls and risk management practices are validated periodically with suitable review mechanisms in place. The Internal Control over Financial Reporting (ICOFR) is the bedrock for the risk and control framework for BFL. The Companies Act 2013 requires the Board of Directors and statutory auditors of the Company to comment on sufficiency and effectiveness of internal controls.

BFL has a dedicated unit for testing design and efficiency of ICOFR on regular basis and timely remediation of control deficiencies identified, if any. Further, this unit also monitors Information and Technology General Controls (ITGC) on a periodic basis. The Company has also formed specialised units within IT and Operations function for carrying out regular checks to ensure process set for these functions are complied with and gaps, if any, identified are set right on regular basis.

BFL's Risk Management, Operational Risk Management, Information Technology and Cyber Security practices have been already elaborated in earlier sections of this chapter.

The Company has an independent internal management assurance function which is commensurate with its size and scale. It evaluates 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. BFL has further strengthened its internal audit function by investing in domain specialists to increase effectiveness of controls.

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

Further vide the RBI's notification dated 3 February 2021, BFL is required to implement Risk-Based Internal Audit (RBIA) methodology by 31 March 2022, this would be linked to the Company's overall risk management framework. BFL has opted for an advance implementation with effect from 1 April 2021. BHFL, though not required to have RBIA, has voluntarily adopted the same.

Fulfilment of the RBI's Norms and Standards

BFL fulfils and often exceeds the applicable norms and standards laid down by the RBI relating to the recognition and provisioning of Stage III (qualifying non-performing) assets*, capital adequacy, statutory liquidity ratio, liquidity coverage ratio etc. Table 6 demonstrates BFL and BHFL's prudent practices detailing its performance ratios compared to the minimum requirements of the RBI:

Table 6: BFL and BHFL's regulatory ratios compared to the minimum requirements of the RBI

		BFL		BHFL	
S.No.	Particulars	As of 31 March 2021	RBI stipulation	As of 31 March 2021	RBI stipulation
1	Capital to Risk-weighted Assets Ratio (CRAR)	28.31%	15%	21.33%	14%
	Of which Tier-I	25.11%	10%	20.70%	10%
2	Statutory Liquidity Ratio	21%	15%	NA	NA
3	Liquidity Coverage Ratio	270%	50%	NA	NA
4	Assets liability mismatch				
	1-7 days	211%	(10%)	118%	(10%)
	8-14 days	199%	(10%)	113%	(10%)
	15-30/31 days	216%	(20%)	69%	(20%)

* For recognition and provisioning of Stage III assets refer note no. 49 of Standalone Financial Statement

Bajaj Housing Finance Ltd. (BHFL)

Bajaj Housing Finance Ltd. (BHFL), a 100% subsidiary of BFL, was granted a non-deposit taking housing finance company license by the National Housing Bank (NHB) in September 2015 to carry the business of housing finance. BHFL started its lending operation from July 2017.

BHFL offers the following products to its customers: (i) home loans; (ii) loan against property; (iii) lease rental discounting; and (iv) developer financing. It also has a dedicated vertical offering home loans and loan against property to rural individuals and MSME customers.

BHFL enjoys the highest credit rating of AAA/stable from CRISIL and India Rating for its long-term debt programme and A1+ from CRISIL and India Ratings for its short-term debt programme. These ratings reaffirm the reputation and trust BHFL has earned for its sound financial management and ability to meet financial obligations. BHFL has always maintained strong capital, liquidity, risk and profitability profile amidst pandemic situation to retain the highest credit rating across all types of borrowings.

The onslaught of COVID-19 and the resultant lockdown across the country led to a substantial slowdown in loan acquisition in the first quarter of the year. With the gradual opening of the economy, the housing market started recovering. Sluggish sales, even before the outbreak of pandemic, had constrained developers from increasing prices in major cities. The stable

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prices and relief measures like reduction in stamp duties announced by various states led to the housing market gradually rebalancing and recovering from the troughs into which they had plunged in the first quarter.

The abundant systemic liquidity on account of the RBI's monetary measures was used by most banks to move to lower risk assets like housing mortgages. As interest rates stabilized and banks lowered interest rates on CASA balances, they used it to price home loans at a much lower price. These highly attractive rates resulted in an uptick in home loan volumes. However, these also resulted in balance transfer pressure for non-bank lenders in favour of banks in the initial period. The non-bank lender's cost of funds reduced after a lag and they too started offering lower interest rates.

Business update

In the first half of the fiscal, BHFL primarily focused on capital conservation, availability abundant liquidity, operating cost control, prudent provisioning and gradual restart of business activities post lockdown. It witnessed recovery in business volumes from the second quarter of the fiscal. However, due to heightened attrition pressure driven by lower interest rate offerings of banks, the AUM saw earlier levels of growth only in the last quarter of FY2021.

BHFL's borrowings are largely from banks and as it managed to reduce its pricing in the second half of FY2021, it started offering competitive pricing to its customers.

BHFL AUM grew by 19% to ₹ 38,871 crore as on 31 March 2021.

Home Loans

BHFL offers home loans to mass affluent salaried customers in 32 locations across India for amounts ranging from ₹ 3 million to ₹ 15 million. It offers home loans for ready to move in homes as well as those under construction. It follows a micro-market presence strategy using a mix of direct and indirect channels.

As at the end of FY2021, the home loans business had AUM of ₹ 23,943 crore, a growth of 12% compared to the end of FY2020.

Loans Against Property

BHFL offers Loans Against Property (LAP) to SMEs, MSMEs, self-employed individuals and professionals against mortgage of their residential and commercial properties. The LAP business is operational in 13 locations across India.

It ended FY2021 with AUM of ₹ 4,753 crore, a growth of 19% over FY2020.

Lease Rental Discounting

BHFL focuses on high net worth individuals (HNIs) and developers for their lease rental discounting needs with loan amounts ranging from ₹ 5 crore to ₹ 200 crore. It offers this product across eight cities in India. Moreover, it offers financing against lease rental cashflows of commercial properties occupied by prominent lessees under a long-term lease contract.

The AUM from lease rental discounting grew by 65% in FY2021 to ₹ 4,838 crore.

Developer Financing

BHFL offers construction finance and inventory finance to small and mid-size developers with strong track records of timely delivery of projects and loan repayments. It is present in eight locations across the country. Developer relationships enable BHFL to acquire retail customers for home loans.

Its AUM, as at 31 March 2021, stood at ₹ 2,057 crore a growth of 16% over FY2020.

Rural Mortgages

BHFL offers home loans and loans against property to salaried and self-employed customers across 78 small towns in India. Rural mortgages business operates at an average loan value of nearly ₹ 1.3 million per customer.

It closed FY2021 with AUM of ₹ 1,980 crore a growth of 22% over FY2020.

Tables 7 and 8 give the snapshot of BHFL's operations in FY2021.

Table 7: BHFL's Standalone Financials

(₹ In Crore)

Particulars	FY2021	FY2020	Change
Total income	3,155	2,646	19%
Interest and finance charges	1,966	1,616	22%
Net interest income	**1,189**	**1,030**	**15%**
Total operating expenses	329	339	(3%)
Pre-impairment operating profit	**860**	**691**	**24%**
Impairment on financial instruments	247	124	123%
Profit before tax (PBT)	**613**	**567**	**8%**
Profit after tax (PAT)	**453**	**421**	**8%**
Other comprehensive income/ (expenses)	1	(1)	
Total comprehensive income	**454**	**420**	**8%**
Earnings per share (EPS) basic, in ₹	0.93	1.12	(17%)

Table 8: BHFL's Assets Under Management

(₹ In Crore)

Particulars	FY2021	FY2020	Change
Housing loans (including top ups)	23,943	21,435	12%
Loan against property	4,753	3,996	19%
Lease rental discounting	4,838	2,940	65%
Developer finance	2,057	1,774	16%
Rural mortgage loans	1,980	1,629	22%
Other loans	1,300	931	40%
Total	**38,871**	**32,705**	**19%**

Bajaj Financial Securities Ltd. (BFinsec)

Bajaj Financial Securities Ltd. ('BFinsec'), a 100% subsidiary of BFL, is registered with the SEBI as a stockbroker and depository participant. BFinsec started its business operations from August 2019 with a strategy to ring fence Loan Against Securities (LAS) customers of BFL by providing them a full suite of investment products and services. It offers demat, broking, margin trade financing and financing for offer for sale to retail and HNI clients. It offers spread financing to its customers through BFL. It also offers various financing solution through BFL to its customers. These include financing for new equity listing (IPO finance), financing for employee stock option plan (ESOP finance) and spread financing.

With a base of approximately 42,900 customers as of 31 March 2021, BFinsec offers the following:

HNI Demat and Broking

BFinsec offers demat and broking services to affluent HNI clients, who get an option of call-in-trade service through dedicated traders. It offers customised brokerage plans to such clients which can be availed based upon their trading needs. HNI clients with high trading volumes are provided an option of a trading terminal. As on 31 March 2021, BFinsec had over 2,400 HNI clients.

Retail Demat and Broking

BFinsec offers demat and broking services to retail clients. It offers a set of customised discount broking plan to choose from based upon the trading needs. BFinsec offers trading facility over a web portal and mobile app. A retail client can also avail value added services of call-in-trade from BFinsec. As on 31 March 2021, BFinsec had over 40,500 such customers.

Margin Trade Financing (MTF)

BFinsec offers MTF facility to both HNI and retail clients, who can purchase approved securities by paying required margin and the balance amount is funded by BFinsec. As on 31 March 2021, the MTF AUM stood at ₹ 184 crore.

During the year, BFL infused ₹ 150 crore of additional share capital in BFinsec to finance its near-term growth plans. BFinsec generated total income of ₹ 36 crore and profit after tax of ₹ 6 crore in FY2021.

Table 9 give the snapshot of BFinsec's operations in FY2021.

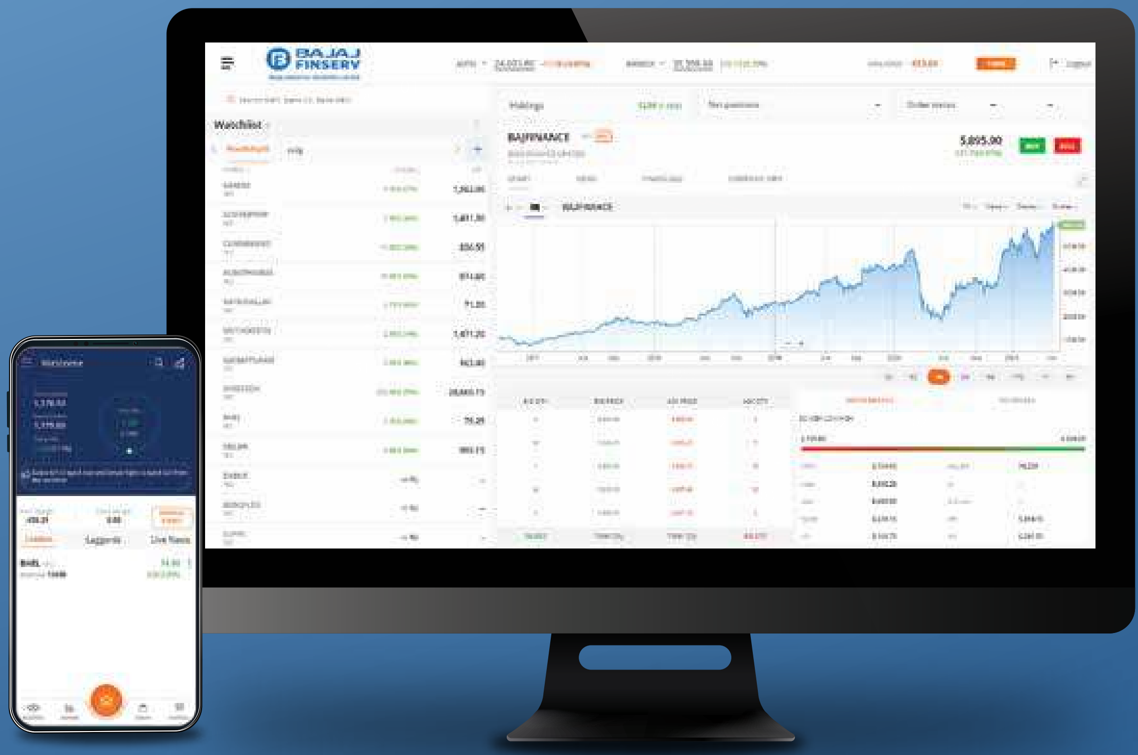
Table 9: BFinsec's Standalone Financials

(₹ In Crore)

Particulars	FY2021	FY2020
Total income	36.33	10.56
Interest and finance charges	3.07	0.24
Net interest income	**33.26**	**10.32**
Total operating expenses	24.41	9.05
Pre-impairment operating profit	**8.85**	**1.27**
Impairment on financial instruments (FY2020 - ₹ 14,689)	0.09	
Profit before tax (PBT)	**8.76**	**1.27**
Profit after tax (PAT)	**5.55**	**2.25**
Other comprehensive income/ (expenses)	(0.01)	-
Total comprehensive income	**5.54**	**2.25**
Earnings per share (EPS) basic, in ₹	0.42	0.32

Cautionary Statement

Some statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking' within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied.



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REPORT ON CORPORATE GOVERNANCE

Corporate governance is about promoting fairness, transparency, accountability, commitment to values, ethical business conduct and about considering all stakeholders' interest while conducting business.

In accordance with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto, (the 'SEBI Listing Regulations'), given below are the corporate governance policies and practices of Bajaj Finance Ltd. (the 'Company' or 'BFL') for FY2021.

This report outlines compliance with requirements of the Companies Act, 2013, as amended (the 'Act'), the SEBI Listing Regulations and the Regulations of RBI for Non–Banking Financial Companies (the 'NBFC Regulations'), as applicable to the Company. As will be seen, the Company's corporate governance practices and disclosures are well beyond complying with the statutory and regulatory requirements stipulated in the applicable laws.

Philosophy

For us, corporate governance is a reflection of principles entrenched in our values and policies and also embedded in our day-to-day business practices, leading to value driven growth. The commitment of Bajaj group to the highest standards of corporate governance predates the provisions of the SEBI Listing Regulations and clause 49 of erstwhile Listing Agreement. Ethical dealings, transparency, fairness, disclosure and accountability are the main thrust of the working of the Bajaj group. The Company maintains the same tradition and commitment.

Key elements of Bajaj Finance's Corporate Governance

- Compliance with applicable law.
- Number of Board meetings more than the statutory requirement, including meetings dedicated for discussing strategy, operating plans and risks.
- Board comprises of directors from diverse backgrounds and substantial experience, who are able to provide appropriate guidance to the executive management as required.
- Panel of independent directors with outstanding track record and reputation.
- Pre-Audit Committee meetings of the Committee's Chair with statutory auditors, internal auditor and members of executive management who are the process owners.
- Separate meeting of independent directors without presence of non-independent directors or executive management.
- Confidential Board evaluation process where each Board member evaluates the performance of every director, Committees of the Board, the Chairman of the Board and the Board as a whole.
- Presentations by key senior management team members of the Company and its subsidiaries to familiarise the directors with key elements of each of the businesses.
- Complete and detailed information provided to Board members in advance to enable them to evaluate matters carefully for meaningful discussions.
- Representation of the Company via non-executive and independent directors on the Board of its material subsidiary which ensures an institutionalised structure of control over subsidiary.
- Adoption of key governance policies and codes by the Board, which are made available to stakeholders for downloading/viewing from the Company's website. These include whistle blower policy/vigil mechanism, policy of materiality of related party transaction specifying thresholds, code of conduct for direct selling agent and direct marketing agent, dividend distribution policy and policy on prevention of sexual harassment at workplace, which are in line with best practices.
- Half-yearly letter from the Chairman to all shareholders of the Company giving an update on the Company's performance.

Board of Directors

Keeping with the commitment to the principle of integrity and transparency in business operations for good corporate governance, the Company's policy is to have an appropriate blend of independent and non-independent directors to maintain the independence of the Board and to separate the Board functions of governance and management.

Composition

In compliance with the provisions of the SEBI Listing Regulations, the Company has an optimum combination of executive and non–executive directors with a woman independent director. The Company has a non–executive Chairman. According to provisions of the SEBI Listing Regulations, if the non–executive chairman is related to promoter, at least one half of the board of the company should consist of independent directors.

As on 31 March 2021, the Board of the Company consisted of twelve directors, of whom one was executive (Managing Director), seven were non-executive independent (including one-woman independent director) and four were non-executive non-independent. The Board does not have any institutional nominee director.

As Table 1 shows, the Company is in compliance with the SEBI Listing Regulations.

Number of meetings of the Board

During FY2021, the Board met six times, viz., 19 May 2020, 21 July 2020, 16 September 2020, 21 October 2020, 20 January 2021 and 15 March 2021. The gap between two meetings has been less than one hundred and twenty days.

Attendance record of directors

Table 1: Composition of the Board and attendance record of directors for FY2021

Name of director	Category	Relationship with other directors	No. of shares held by director	No. of Board meetings attended during FY2021 (Out of 6)	% of meetings attended in last 3 years	Whether attended last AGM
Sanjiv Bajaj	Chairman, non-executive*	Son of Rahul Bajaj and brother of Rajiv Bajaj	530,792	6	100.00	Yes
Rahul Bajaj	Non-executive#	Father of Rajiv Bajaj and Sanjiv Bajaj	10,000	6	91.30	Yes
Rajeev Jain	Managing Director, executive	-	62,450	6	100.00	Yes
Madhur Bajaj	Non-executive	-	64,000	6	78.26	Yes
Rajiv Bajaj	Non-executive	Son of Rahul Bajaj and brother of Sanjiv Bajaj	1,000	6	78.26	Yes
Dipak Poddar	Non-executive, independent	-	-	6	73.91	Yes
Ranjan Sanghi	Non-executive, independent	-	-	6	91.30	Yes
D J Balaji Rao	Non-executive, independent	-	-	6	91.30	Yes
Dr. Omkar Goswami	Non-executive, independent	-	-	6	86.96	Yes
Dr. Gita Piramal	Non-executive, independent	-	-	6	95.65	Yes
Dr. Naushad Forbes	Non-executive, independent	-	-	6	93.33@	Yes
Anami N Roy	Non-executive, independent	-	-	6	86.67@	Yes

* Chairman w.e.f. 1 August 2020.
# Chairman up to close of business hours on 31 July 2020. Resigned as director of the Company w.e.f. close of business hours on 30 April 2021.
@ Appointed w.e.f. 1 April 2019.

Board diversity

In compliance with the provisions of the SEBI Listing Regulations, the Board through Nomination and Remuneration Committee (NRC) has devised a policy on Board Diversity. The board comprises of adequate number of members with diverse experience and skills, such that it best serves the governance and strategic needs of the Company. The present composition broadly meets this objective. The directors are persons of eminence in areas such as profession, business, industry, finance, law, administration, research, etc. and bring with them experience/skills which add value to the performance of the Board. The directors are selected purely on the basis of merit with no discrimination on race, colour, religion, gender or nationality.

Core skills/expertise/competencies

A brief profile of directors is available on the website of the Company at https://www.bajajfinserv.in/finance-board-of-directors.

As stipulated under schedule V to the SEBI Listing Regulations, core skills/expertise/competencies as required in the context of the business and sector for it to function effectively and those actually available with the Board have been identified by the Board of Directors.

The chart/matrix of such core skills/expertise/competencies, along with the names of directors who possess such skills, is hosted on the website of the Company at https://www.bajajfinserv.in/finance-investor-relation-annual-reports.

Opinion of the Board

The Board hereby confirms that, in its opinion, the independent directors fulfil the conditions specified under the SEBI Listing Regulations and the Act and are independent of the management of the Company.

Non-executive directors' compensation

During FY2021, sitting fee of ₹ 100,000 per meeting was paid to non-executive directors (independent and non-independent) for every meeting of the Board and/or Committee of the Board (of which they are members) attended by them.

The members of the Company vide an ordinary resolution passed at the annual general meeting (AGM) of the Company held on 19 July 2017 have, approved the payment of commission up to a sum not exceeding one percent of the net profits of the Company, calculated in accordance with the provisions of sections 197 and 198 of the Act, to one or more or to all the non-executive directors as may be decided by the Board of Directors at its discretion from time to time during the five years commencing from 1 April 2017.

In terms of the said approval and as approved by the Board, at their meeting held on 12 March 2019, the non-executive directors of the Company are being paid commission at the rate of ₹ 200,000 per meeting of the Board and/or its Committees attended by them.

The Board, at their meeting held on 27 April 2021, has increased the rate of the commission from ₹ 200,000 per meeting to ₹ 250,000 per meeting (effective from 1 June 2021) for the Board and/or its Committees attended by them.

The Company believes that non-executive directors' (including independent directors) compensation must reflect the time, effort, attendance and participation in Board and Committee meetings. The payment which is proportionate to attendance ensures directors' remuneration is commensurate with their time, effort, attendance and participation.

The Company does not have a stock option programme for any of its directors other than the Managing Director.

Information placed before to the Board

The Board is presented with relevant information on various matters related to the working of the Company, especially those that require deliberation at the highest level. Presentations are also made to the Board by key members of the senior management on important matters from time to time. Directors have separate and independent access to the officers of the Company. In addition to items required to be placed before the Board for its noting and/or approval, information is provided on various significant items.

In terms of quality and importance, the information supplied by Management to the Board is far ahead of the mandate under the SEBI Listing Regulations. The independent directors of the Company met on 15 March 2021 and expressed their satisfaction on the quality, quantity and timeliness of flow of information between the Company's management and the Board.

Pursuant to the various regulatory requirements and considering business needs, the Board is apprised on various matters, *inter alia*, covering the following:

- Business plans, forecast and strategic initiatives
- Capital expenditure and updates
- Internal financial controls
- Succession planning and organization structure
- Details of incidence of frauds, and corrective action taken thereon
- Supervisory and observation letters issued by RBI
- Performance of subsidiaries
- Status of compliance with Act, SEBI regulations, RBI Regulations and shareholder related matters
- Various policies framed by Company from time to time covering, amongst others, code of conduct for direct selling agent and recovery agent, outsourcing, IT security and management, investment and market risks
- Risk management system, risk management policy and strategy followed
- Compliance with corporate governance standards
- Minutes of meetings of various Committees including Risk Management, Asset-Liability and IT Strategy Committees
- Compliance with fair practices code
- Functioning of customer grievance redressal mechanism

Directors and Officers liability insurance (D&O policy)

The Company has in place a D&O policy which is renewed every year. It covers directors (including independent directors) of the Company and its subsidiaries. The Board is of the opinion that quantum and risk presently covered is adequate.

Orderly succession to Board and Senior Management

One of the key functions of the Board of directors is selecting, compensating, monitoring, and when necessary, replacing key managerial personnel and overseeing succession planning.

Pursuant to regulation 17(4) of the SEBI Listing Regulations, the framework of succession planning for appointment of Board/management is placed before the Board for its review.

Succession planning is a critical element of the human resources strategy at the Company. In selecting between a 'build versus buy' talent model, the Company places a larger emphasis on building talent. This strategy is enabled by hiring most of our employees near the entry level and grooming them using a 'grow from within' career management framework.

Directorships and memberships of Board committees

Table 2: **Number of directorship/committee positions of directors as on 31 March 2021 (including the Company)**

Name of Director	Directorships: In equity listed companies	Directorships: In unlisted public companies	Directorships: In private limited companies	Committee positions in listed and unlisted public companies: As member (including as chairperson)	Committee positions in listed and unlisted public companies: As chairperson
Sanjiv Bajaj	5	5	9	7	0
Rahul Bajaj	2	0	8	0	0
Rajeev Jain	1	1*	0	0	0
Madhur Bajaj	5	0	4	0	0
Rajiv Bajaj	5	0	3	0	0
Dipak Poddar	3	1	5	3	1
Ranjan Sanghi	1	1	3	2	0
D J Balaji Rao	5	0	0	4	2
Dr. Omkar Goswami	4	1	1	6	1
Dr. Gita Piramal	4	0	2	7	3
Dr. Naushad Forbes	5	0	9	6	1
Anami N Roy	6	3	2	5	2

* Managing Director of Bajaj Housing Finance Limited (BHFL), wholly owned subsidiary of the Company. He does not draw any remuneration from BHFL.

Note: For the purpose of considering the limit of committees in which a director can serve, all public limited companies, whether listed or not, have been included; whereas all other companies including private limited companies, foreign companies and companies under section 8 of the Act have been excluded. Only the audit committee and the stakeholders' relationship committee are considered for the purpose of reckoning committee positions.

None of the directors hold office as a director, including as an alternate director, in more than twenty companies at the same time. None of them has directorships in more than ten public companies. For reckoning the limit of public companies, directorships of private companies that are either holding or subsidiary companies of a public company are included; while directorships in dormant companies are excluded. For the purpose of reckoning the directorships in listed companies, only equity listed companies have been considered.

As per declarations received, no director serves as an independent director in more than seven equity listed companies or in more than three equity listed companies if he/she is a whole-time director/managing director in any listed company.

None of the directors was a member in more than ten committees, nor a chairperson in more than five committees across all public companies in which he/she was a director.

Notwithstanding the number of directorships, as highlighted herein, the outstanding attendance record and participation of the directors in Board/Committee meetings indicates their commitment and ability to devote adequate time to their responsibilities as Board/Committee members.

Directorship in equity listed companies

Table 3: Name of equity listed entities where directors of the Company held directorships as on 31 March 2021 (including the Company)

Name of director	Name of listed entity	Category
Sanjiv Bajaj	Bajaj Auto Ltd.	Non-executive
	Bajaj Finance Ltd.	Chairman, non-executive
	Bajaj Finserv Ltd.	Chairman and Managing Director, executive
	Bajaj Holdings & Investment Ltd.	Managing Director and CEO, executive
	Maharashtra Scooters Ltd.	Chairman, non-executive
Rahul Bajaj	Bajaj Auto Ltd.	Chairman, non-executive
	Bajaj Finance Ltd.	Non-executive
Rajeev Jain	Bajaj Finance Ltd.	Managing Director, executive
Madhur Bajaj	Bajaj Auto Ltd.	Vice-Chairman, non-executive
	Bajaj Electricals Ltd.	Non-executive
	Bajaj Finance Ltd.	Non-executive
	Bajaj Finserv Ltd.	Non-executive
	Bajaj Holdings & Investment Ltd.	Non-executive
Rajiv Bajaj	Bajaj Auto Ltd.	Managing Director and CEO, executive
	Bajaj Electricals Ltd.	Non-executive
	Bajaj Finance Ltd.	Non-executive
	Bajaj Finserv Ltd.	Non-executive
	Bajaj Holdings & Investment Ltd.	Non-executive
Dipak Poddar	Bajaj Finance Ltd.	Non-executive, independent
	Poddar Housing and Development Ltd.	Chairman, executive
	VIP Industries Ltd.	Non-executive, independent
Ranjan Sanghi	Bajaj Finance Ltd.	Non-executive, independent
D J Balaji Rao	Bajaj Auto Ltd.	Non-executive, independent
	Bajaj Finance Ltd.	Non-executive, independent
	Bajaj Finserv Ltd.	Non-executive, independent
	Bajaj Holdings & Investment Ltd.	Non-executive, independent
	John Cockril India Ltd.	Non-executive, independent
Dr. Omkar Goswami	Ambuja Cements Ltd.	Non-executive, independent
	Bajaj Auto Ltd.	Non-executive, independent
	Bajaj Finance Ltd.	Non-executive, independent
	Godrej Consumer Products Ltd.	Non-executive, independent

Table 3: Name of equity listed entities where directors of the Company held directorships as on 31 March 2021 (including the Company) (Contd.)

Name of director	Name of listed entity	Category
Dr. Gita Piramal	Bajaj Auto Ltd.	Non-executive, independent
	Bajaj Finance Ltd.	Non-executive, independent
	Bajaj Finserv Ltd.	Non-executive, independent
	Bajaj Holdings & Investment Ltd.	Non-executive, independent
Dr. Naushad Forbes	Bajaj Auto Ltd.	Non-executive, independent
	Bajaj Finance Ltd.	Non-executive, independent
	Bajaj Finserv Ltd.	Non-executive, independent
	Bajaj Holdings & Investment Ltd.	Non-executive, independent
	Zodiac Clothing Co. Ltd.	Non-executive, independent
Anami N Roy	Bajaj Auto Ltd.	Non-executive, independent
	Bajaj Finance Ltd.	Non-executive, independent
	Bajaj Finserv Ltd.	Non-executive, independent
	Bajaj Holdings & Investment Ltd.	Non-executive, independent
	Finolex Industries Ltd.	Non-executive, independent
	Glaxosmithkline Pharmaceuticals Ltd.	Non-executive, independent

Certificate from practicing company secretary

The Company has received a certificate from Shyamprasad D. Limaye, practising company secretary, to the effect that none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as director of the Company by SEBI/Ministry of Corporate Affairs or such other statutory authority. The said certificate forms a part of this Annual Report.

Review of legal compliance reports

The Board periodically reviews compliance reports with respect to the various laws applicable to the Company, as prepared and placed before it by the management.

Code of conduct

The SEBI Listing Regulations requires listed companies to lay down a code of conduct for its directors and senior management, incorporating duties of directors prescribed in the Act.

Accordingly, the Company has a Board approved code of conduct for Board members and senior management of the Company. This code has been placed on the Company's website and can be accessed at https://www.bajajfinserv.in/media/finance/downloads/code-of-conduct.pdf.

All the Board members and senior management personnel have affirmed compliance with the code for the year ended 31 March 2021. A declaration to this effect signed by the Managing Director forms a part of this Annual Report.

Maximum tenure of independent directors

In terms of the Act, independent directors shall hold office for a term of up to five consecutive years on the Board of a company, but shall be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report. The tenure of the independent directors is in accordance with the provisions of the Act.

Formal letter of appointment to independent directors

The Company issued a formal letter of appointment/re-appointment to independent directors in the manner provided in the Act. As per regulation 46(2) of the SEBI Listing Regulations, the terms and conditions of appointment/re-appointment of independent directors are placed on the Company's website and can be accessed at https://www.bajajfinserv.in/finance-investor-relations-policies-and-documents.

Performance evaluation

Pursuant to the provisions of the Act and SEBI Listing Regulations, the Board has carried out an annual performance evaluation of its own performance, that of its Committees, and individual directors. The manner in which formal annual evaluation of performance was carried out by the Board is given below:

- The NRC, at its meeting held on 14 March 2017, revised the criteria for performance evaluation. The criteria is available on the website of the Company at https://www.bajajfinserv.in/media/finance/downloads/performance-evaluation-criteria-for-board-committees-of-board-chairperson-and-directors.pdf.
- Based on the said criteria, a questionnaire-cum-rating sheet was deployed using an IT platform for seeking feedback of the directors with regards to the performance of the Board, its Committees, the Chairman and individual directors.
- From the individual ratings received from the directors, a report on summary of ratings in respect of performance evaluation of the Board, its Committees, Chairman and individual directors for the year 2020 -21 and a consolidated report thereof were arrived at.
- The report of performance evaluation so arrived at was then discussed and noted by the Board at its meeting held on 15 March 2021.
- The NRC reviewed the implementation and compliance of the performance evaluation at its meeting held on 15 March 2021.
- Under the law, as per the report of performance evaluation, the Board shall determine, *inter alia*, whether to continue the term of appointment of an independent director. Based on the report and evaluation, the Board and NRC at their respective meetings held on 15 March 2021, determined that the appointment of all independent directors may continue.
- Details on the evaluation of Board, non-independent directors and Chairman of the Company as carried out by the independent directors at their separate meeting held on 15 March 2021 have been furnished in a separate paragraph elsewhere in this Report.
- During FY2021, the criteria and process followed by the Company was reviewed by the NRC and the Board, which opined these to be satisfactory.

Other than Chairman of the Board and NRC, no other director has access to the individual ratings given by directors.

Remuneration policy

On recommendation of the NRC, the Board has framed a remuneration policy. This policy, *inter alia*, provides (a) the criteria for determining qualifications, positive attributes and independence of directors, and (b) policy on remuneration of directors, key managerial personnel and other employees. The policy is directed towards a compensation philosophy and structure that will reward and retain talent; and provides for a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

The remuneration policy is available on the Company's website and can be accessed at https://www.bajajfinserv.in/media/finance/downloads/remuneration-policy.pdf.

Familiarisation programme

On an ongoing basis, the Company endeavours to keep the Board including independent directors abreast with matters relating to the industry in which Company operates, its business model, risk metrices, mitigation and management, governing regulations, information technology including cyber security, their roles, rights and responsibilities and major developments and updates on the Company and group, etc.

During FY2021, the directors were updated extensively on the following through presentations at Board meetings:

a) Impact of Covid-19, risks arising out of it and the counter-measures;

b) Regulatory changes having a bearing on industry and Company's business model; and

c) Information technology management including cyber security and disaster recovery.

Details of familiarisation programmes are placed on the Company's website and can be accessed at https://www.bajajfinserv.in/familiarisation-programmes-for-independent-directors.pdf.

Whistle blower policy/vigil mechanism

The Company has a whistle blower policy encompassing vigil mechanism pursuant to the requirements of the section 177(9) of the Act and regulation 22 of the SEBI Listing Regulations and meeting the requirements under applicable RBI regulations.

The whistle blower policy/vigil mechanism enables a director or an employee to report confidentially to the management, without fear of victimisation, any unacceptable and/or unethical behaviour, suspected or actual fraud, violation of the Company's code of conduct or ethics policy and instances of leak or suspected leak of unpublished price sensitive information which are detrimental to the organisation's interest. It provides safeguards against victimisation of directors/employees who avail of the mechanism and allows direct access to the Chairman of the Audit Committee in exceptional cases. It also allows employees to share their inputs or raise their concerns anonymously at the dedicated link provided for it.

The policy has been appropriately communicated to the employees within the organisation and has also been hosted on the Company's website which can be accessed at https://www.bajajfinserv.in/media/finance/downloads/whistle-blower-policy.pdf. Employees of the Company are required to undergo mandatory online learning module on code of conduct including whistle blower policy and affirm that they have understood and are aware of vital aspects of the policy.

During FY2021, no employee was denied access to the Chairman of Audit Committee under this policy. During FY2021, 53 complaints were received by Company out which 4 are pending for resolution.

Subsidiary companies

The Company has two wholly owned subsidiaries viz., Bajaj Housing Finance Ltd. (BHFL) and Bajaj Financial Securities Ltd. (BFinsec). Details of the subsidiaries, including their performance, businesses, are given in the Directors' Report.

Provisions of regulation 24 of the SEBI Listing Regulations relating to subsidiary companies, to the extent applicable, have been duly complied with.

BHFL is a material subsidiary within the meaning of the SEBI Listing Regulations. The policy on 'material subsidiaries', as approved by the Board, is available on the Company's website and can be accessed at https://www.bajajfinserv.in/media/finance/downloads/policy-for-determining-material-subsidiaries.pdf.

The Board of BHFL presently, comprises of five directors out which three are independent directors viz., Lila Poonawalla, Dr. Omkar Goswami and Anami N Roy. It is a professional Board comprising of highly qualified and eminent persons. The profile of the directors can be accessed at https://www.bajajhousingfinance.in/directors-board.

Share Capital

As at 31 March 2021, the paid-up capital of the Company was ₹ 120.52 crore consisting of 602,587,339 equity shares of face value of ₹ 2 fully paid up. For details of shares issued during FY2021 please refer to the Directors' Report.

The Company has not issued any convertible securities.

Related party transactions

All related party transactions entered during FY2021 were on an arm's length basis and in the ordinary course of business under the Act and were not material under the SEBI Listing Regulations.

All related party transactions during FY2021 were entered with the approval of the Audit Committee pursuant to provisions of the Act, SEBI Listing Regulations and the RBI guidelines. Details of such transactions were placed before the Audit Committee for its noting/review on a quarterly basis.

A statement containing disclosure of transactions with related parties as required under Indian Accounting Standard 24 (Ind AS 24) including transaction with promoter/promoter group holding 10% or more in the Company is set out separately in this Annual Report. Disclosures relating to related party transactions are filed with the stock exchanges on a half-yearly basis.

During FY2021, there were no materially significant related party transactions that may have potential conflict with the interest of the Company at large. The policy is given below as required pursuant to Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended. It is also hosted on the Company's website at https://www.bajajfinserv.in/media/finance/downloads/policy-on-materiality-of-related-party-transactions.pdf.

Policy on materiality of related party transactions and dealing with related party transactions

Quote

1. Background:

Pursuant to clause 49 of the erstwhile Listing Agreement, the Board at its meeting held on 14 October 2014, [which meets the criteria of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015] had approved a Policy on Materiality of Related Party Transactions. Vide circular dated 9 May 2018, SEBI has notified certain amendments in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations) effective from 1 April 2019 requiring certain changes to be made in the Policy.

2. Policy:

In supersession of the existing policy, the Policy on Materiality of Related Party Transactions is accordingly being revised as under:

1. Related Party Transactions (RPTs) of the Company covered under the Companies Act, 2013 and Regulation 23 of the SEBI Listing Regulations will be approved by the Audit Committee of the Board from time to time.

2. Consent of the Board and the Shareholders would be taken in respect of all RPTs, except in the following cases:

   i. Where the transactions are below the threshold limits specified in the Companies Act, 2013 and Rules thereunder or the SEBI Listing Regulations, as may be applicable; or

   ii. Where the transactions are entered into by the Company in its ordinary course of business and are on arms' length basis; or

   iii. Payments made with respect to brand usage or royalty where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, do not exceed two percent of the annual consolidated turnover as per the last audited financial statements of the company.

   iv. Where the transactions to be entered into individually or taken together with previous transactions during a financial year do not exceed ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company.

3. Notwithstanding the above, approval of the Board and shareholders would be necessary, where the transaction(s) with a related party exceed the following threshold limits:

Sr. No.	Description	Threshold (₹ in crore)
1.	Sale, purchase or supply of any goods or materials or securities	1,250
2.	Borrowing including by way of deposits	
3.	Selling or otherwise disposing off or buying of any property including by way of leave and license arrangement	
4.	Availing or rendering of any services	

The above policy is subject to review from time to time and at least once in every three years.

Unquote

Audit Committee

Pursuant to the Act, SEBI Listing Regulations and NBFC Regulations, the Company has an Audit Committee, meeting the composition prescribed thereunder with a minimum of two-third of its members (including Chairman) being independent directors. All members are non–executive directors, are financially literate and have accounting or related financial management expertise.

The Board reviews the working of the Committee from time to time to bring about greater effectiveness and to ensure compliance with the various requirements under the Act, SEBI Listing Regulations and NBFC Regulations.

The terms of reference of the Committee are in accordance with the Act, SEBI Listing Regulations and NBFC Regulations. These broadly include oversight of the Company's financial reporting process and disclosure of its financial information, review of financial statements, review of compliances and review of systems and controls, approval or any subsequent modification of transactions with related parties, review compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended.

RBI, vide its circular dated 3 February 2021, has introduced risk based internal audit for NBFCs. In terms of the said circulars, applicable NBFCs shall put forth a risk based internal audit framework by 31 March 2022.

The Audit Committee, at their meeting held on 15 March 2021, has approved the implementation framework for the Company w.e.f. 1 April 2021.

Meetings and attendance

During FY2021, the Committee met five times viz., on 19 May 2020, 21 July 2020, 21 October 2020, 20 January 2021 and 15 March 2021. The meetings were scheduled well in advance and not more than one hundred and twenty days elapsed between any two consecutive meetings.

The Board, at its meeting held on 19 May 2020, inducted Dr. Naushad Forbes as member of the Committee.

In addition to the members of the Audit Committee, these meetings were attended by Chief Financial Officer, internal auditor, representative of statutory auditors and other senior executives who were considered necessary for providing inputs to the Committee.

The Company Secretary acted as the secretary to the Audit Committee.

Dr. Omkar Goswami, Chairman of the Committee, was present at the AGM which was held through video conferencing (VC) on 21 July 2020 to answer members' queries.

Table 4: Composition of the Audit Committee and attendance record of the members for FY2021

Name of director	Category	No. of meetings attended during FY2021 (out of 5)	% of meetings Attended last 3 years
Dr. Omkar Goswami	Chairman, non-executive, independent	5	92.31
Sanjiv Bajaj	Non-executive	5	100.00
Ranjan Sanghi	Non-executive, independent	5	92.31
Dr. Naushad Forbes	Non-executive, independent	4	-*

* Appointed as a member w.e.f. 19 May 2020. Hence, percentage of attendance for last 3 years not given.

During FY2021, the Board had accepted all recommendations of the Committee.

Nomination and Remuneration Committee

Pursuant to the Act, SEBI Listing Regulations and NBFC Regulations, the Company has constituted a Nomination and Remuneration Committee.

The terms of reference of the Committee, *inter alia*, includes formulation of criteria for determining qualifications, positive attributes and independence of a director, recommendation of persons to be appointed to the Board and senior management and specifying the manner for effective evaluation of performance of Board, its Committees, Chairperson and individual directors, recommendation of remuneration policy for directors, key managerial personnel and other employees, formulation of criteria for evaluation of performance of independent directors and the Board, devising a policy on Board diversity, etc. The Committee also reviews the remuneration of the senior management team.

The Committee acts as a Nomination Committee, as per the NBFC Regulations, to ensure 'fit and proper' status of the directors to be appointed/re–appointed and recommend their appointment/re–appointment to the Board. It also acts as the Compensation Committee for administration of the Company's Employee Stock Option Scheme, 2009.

Meetings and attendance

During FY2021, the Committee met twice on 19 May 2020 and 15 March 2021.

Ranjan Sanghi, stepped down as Chairman of the Committee w.e.f. close of business hours on 20 January 2021, however, he continues to be member of the Committee. The Board, at its meeting held on 20 January 2021, recorded appreciation for his services as Chairman of the Committee. Anami N Roy, member of the Committee was designated as Chairman w.e.f. 21 January 2021.

Ranjan Sanghi, was present at the AGM held through VC on 21 July 2020 to answer members' queries.

Table 5: Composition of the Nomination and Remuneration Committee and attendance record of the members for FY2021

Name of director	Category	No. of meetings attended (out of 2)
Anami N Roy	Chairman, Non-Executive, independent	2
Rahul Bajaj@	Non-Executive	-
Sanjiv Bajaj	Non-Executive	2
Dr. Omkar Goswami	Non-Executive, independent	2
Ranjan Sanghi	Non-Executive, independent	2

@ Consequent to his resignation, he ceased to be a member of the Committee from close of business hours on 30 April 2021.

During FY2021, the Board had accepted all recommendations of the Committee.

Risk Management Committee

Pursuant to the RBI Regulations and SEBI Listing Regulations, the Company has constituted a Risk Management Committee.

The Board, at its meeting held on 20 January 2021, amended the terms of reference of the Committee to include, review of operational, reputational and market (investment) risks. The other terms *inter alia*, include, managing the integrated risk, laying down procedures to inform the Board about risk assessment and minimisation procedures in the Company, and framing, implementing, monitoring the risk management plan for the Company including cyber security.

The Company has a risk management framework duly approved by its Board. The Committee and the Board periodically review the Company's risk assessment and minimisation procedures to ensure that management identifies and controls risk through a properly defined framework.

RBI, vide its circular dated 16 May 2019, mandated NBFCs with asset size of more than ₹ 5000 crore to appoint a chief risk officer (CRO). Pursuant to that, Fakhari Sarjan has been appointed as CRO.

Meetings and attendance

During FY2021, the Committee met four times viz., on 19 May 2020, 16 September 2020, 20 January 2021 and 15 March 2021.

Table 6: Composition of the Risk Management Committee and attendance record of the members for FY2021

Name of director/senior executive	Category/Designation	No. of meetings attended (out of 4)
Dr. Omkar Goswami	Chairman, non-executive, independent	4
Sanjiv Bajaj	Non-executive	4
Rajeev Jain	Managing Director	4
Dipak Poddar	Non-executive, independent	4
Sandeep Jain	Chief Financial Officer	4
Fakhari Sarjan	Chief Risk Officer	4
Deepak Bagati	President - Collections	4

During FY2021, the Board accepted all recommendations of the Committee.

Stakeholders Relationship Committee

Pursuant to the Act and SEBI Listing Regulations, the Company has constituted a Stakeholders Relationship Committee. This Committee specifically looks into the grievances of debenture holders and fixed deposit holders, in addition to the equity shareholders of the Company.

The terms of reference of the Committee, *inter alia*, includes review of measures taken for effective exercise of voting rights by shareholders and review of adherence to the service standards in respect of various services rendered by the registrar and share transfer agent.

More details on this subject and on shareholders' related matters including unclaimed suspense account have been furnished in 'General Shareholder Information.'

Meetings and attendance

During FY2021, the Committee met once on 20 January 2021 to review the status of investors' services rendered. The secretarial auditor as well as the Company Secretary were present at the said meeting.

The Committee was apprised of the major developments on matters relating to investors. In addition, the Committee also considered matters that can facilitate better investor services and relations.

During FY2021, meeting of senior executives of KFin Technologies Pvt. Ltd., ('KFin') Registrar and Share Transfer agent, with few Committee members was organised to discuss on service standards and operations at KFin.

Ranjan Sanghi stepped down as Chairman of the Committee w.e.f. close of business hours on 20 January 2021. However, he continues to be member of the Committee. The Board, at its meeting held on 20 January 2021, recorded its appreciation for his services as Chairman of the Committee. Dr. Gita Piramal, member of the Committee was designated as its Chairperson w.e.f. 21 January 2021.

Table 7: Composition of the Stakeholders Relationship Committee and attendance record of the members for FY2021

Name of director	Category	No. of meetings attended (out of 1)
Dr. Gita Piramal	Chairperson, non-executive, independent	1
Sanjiv Bajaj	Non-executive	1
Ranjan Sanghi	Non-executive, independent	1

Table 8: Details of the investor complaints received during FY2021

No. of complaints outstanding at the beginning of the year	No. of complaints received	No. of complaints not solved to the satisfaction of the shareholders	No. of complaints solved	No. of pending complaints at the end of the year
0	13	0	13	0

R Vijay, Company Secretary acts as the Compliance Officer.

Ranjan Sanghi was present at the AGM of the Company held through VC on 21 July 2020, to answer shareholders' queries.

During FY2021, the Board accepted all recommendations of the Committee.

Duplicate Share Certificate Issuance Committee

To meet the requirement of the Act and SEBI Listing Regulations, the Company has constituted a Duplicate Share Certificate Issuance Committee of the Board to approve the issuance of duplicate share certificate in lieu of original share certificate lost or misplaced.

The Board, at its meeting held on 20 January 2021, designated Sanjiv Bajaj as Chairman of the Committee in place of Rahul Bajaj, w.e.f. 21 January 2021. Consequent to resignation of Rahul Bajaj, the Committee was re-constituted with induction of Dr. Naushad Forbes as its member w.e.f. 1 May 2021.

Meeting and Attendance

During FY2021, the Committee met once on 20 January 2021.

Table 9: Composition of the Duplicate Share Certificate Issuance Committee and attendance record of the members for FY2021

Name of director	Category	No. of meetings attended (out of 1)
Sanjiv Bajaj	Chairman, non-executive	1
Rahul Bajaj	Non-executive	1
Rajeev Jain	Managing Director, executive	1

Information Technology (IT) Strategy Committee

Pursuant to Master Direction – Information Technology Framework issued by RBI for NBFC Sector, the Company has constituted an IT Strategy Committee. The Committee comprises of Dr. Naushad Forbes, independent director as its Chairman, and other members being Sanjiv Bajaj (non-executive director), Rajeev Jain (Managing Director), Rakesh Bhatt (CEO – Bajaj Finserv Direct Ltd.), Anurag Chottani (Chief Technology Officer) and Rajendra Bisht (Vice President - Technology & Digital, Auto Finance division).

The Committee met twice during FY2021 as required under the above Master Direction.

The terms of reference of the Committee, *inter alia*, includes the following:

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources; and
- Ensuring proper balance of IT investments for sustaining the Company's growth and becoming aware about exposure towards IT risks and controls.

During FY2021, the Committee was apprised, *inter alia*, on new business applications, data analytics, further strengthening of data control, data recovery drills, application security framework, security incident monitoring overview, threat functioning and forensics, and information system audit.

Independent directors' meeting

Pursuant to the Act and SEBI Listing Regulations, the independent directors must hold at least one meeting in a year without attendance of non–independent directors and members of the management. Accordingly, independent directors of the Company met on 15 March 2021 and:

- noted the report of performance evaluation from the Chairman of the Board for the year 2020-21;
- reviewed the performance of non-independent directors and the Board as a whole;
- reviewed the performance of the Chairman of the Board, taking into account the views of executive directors and non-executive directors; and
- assessed the quality, quantity and timeliness of flow of information between the Company's management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The independent directors present elected Dr. Omkar Goswami as Chairman for the meeting. All independent directors were present at the meeting.

In addition, the independent directors have separate meeting with the senior management team (SMT) twice a year, during which the SMT is encouraged to express its views and concerns pertaining to the business. Suggestions from the directors are noted by the management.

Remuneration of directors

Pecuniary relationship/transaction with non-executive directors

During FY2021, there were no pecuniary relationship/transactions of any non–executive directors with the Company, apart from remuneration as directors and transactions in the ordinary course of business and on arm's length basis at par with any member of general public. During FY2021, the Company did not advance any loans to any of its directors.

Criteria of making payments to non-executive directors

Non-executive directors of the Company play a crucial role in the independent functioning of the Board. They bring in an external perspective to decision-making and provide leadership and strategic guidance while maintaining objective judgment. They also oversee the corporate governance framework of the Company.

The criteria of making payments to non–executive directors are placed on the Company's website and can be accessed at https://www.bajajfinserv.in/media/finance/downloads/performance-evaluation-criteria-for-board-committees-of-board-chairperson-and-directors.pdf.

Details of Remuneration of directors

All non–executive directors are paid sitting fees and commission as per the details provided in the Form MGT-7 (annual return) which is hosted on the website of the Company and can be accessed at https://www.bajajfinserv.in/finance-investor-relation-annual-reports.

Managing Director

During FY2021, the Company paid remuneration to Rajeev Jain, Managing Director (MD) of the Company as provided in Form MGT-7 (annual return). The tenure of the MD is of five years up to 31 March 2025 with a notice period of six months or salary in lieu thereof. The performance pay/bonus of the MD is based on the performance of the Company and his contribution towards the same. During FY2021, 245,850 stock options were granted to the MD at a grant price of ₹ 1,938.60, being the closing market price on the NSE on the day preceding the day of grant. These grants will vest over a period of four years (25% every year) after a period of one year from the date of grant. The vested options will be exercisable over a period of five years from the date of vesting. MD is also entitled to other perquisites and benefits mentioned in the agreement entered into with the Company. The Company currently has no stock option plans for any of its directors other than the MD.

During FY2021, none of the directors, other than the MD, were paid any performance–linked incentive.

Management

Management discussion and analysis

This is given as a separate section in the Annual Report.

Disclosure of material transactions

Pursuant to the SEBI Listing Regulations, the senior management is required to make disclosures to the Board relating to all material, financial and commercial transactions, where they had or were deemed to have had personal interest that might have been in potential conflict with the interest of the Company at large. As per the disclosures submitted by the senior management, there were no such transactions during FY2021.

Compliances regarding insider trading

Pursuant to SEBI (Prohibition of Insider Trading) Regulations 2015, as amended, ('SEBI PIT Regulations') the Company has a Board approved code of conduct to regulate, monitor and report trading by insiders ('Code of Conduct') and a code of practices and procedures for fair disclosure of unpublished price sensitive information ('Code of Fair Disclosure').

During FY2021, the Board had revised the Code of Conduct in line with the SEBI PIT Regulations.
Wherever non-compliance by an employee concerned was observed, penalty was levied, and the amount was remitted to the stipulated fund.

The Company also, by frequent communication, makes aware the designated employees of their obligations under the SEBI PIT Regulations.

The status of compliance with SEBI PIT Regulations are reviewed by Audit Committee and Board on a periodic basis.

Means of communication

Quarterly, half-yearly and annual financial results are published in the Business Standard (all editions) and Sakal (Pune edition) along with other public notices. An abridged version of the financial results is also published in Mint (all editions), Hindustan Times (all editions), Hindu Business Line (all editions), Economic Times (all editions), Financial Express (all editions) and Ananda Bazar Patrika (all editions). The Company also sends the half–yearly financial results, along with a detailed writeup, to all its members.

The Company's website, https://www.bajajfinserv.in/corporate-bajaj-finance, under the section of 'investor relations', contains all important public domain information including financial results, various policies framed/approved by the Board, presentations made to the media, analysts and institutional investors, schedule and transcripts of earnings call with investors, matters concerning the shareholders, details of the contact persons, etc.

Sections 20 and 136 of the Act, read with Companies (Accounts) Rules, 2014, permit companies to service delivery of documents electronically to the registered email IDs of the members.

During FY2021, the Company sent documents, such as notice calling the annual general meeting, postal ballot notice, audited financial statements, Directors' Report, auditors' report, credit of dividend intimation letters, etc. in electronic form to the email addresses provided by the members and made available by them to the Company through the depositories.

All financial and other vital official news releases and documents under the SEBI Listing Regulations are also communicated to the concerned stock exchanges, besides being placed on the Company's website.

Information on general body meetings and details of special resolution(s) passed

During the previous three years, the AGM of the Company were held at the registered office of the Company at Akurdi, Pune 411 035 on the following dates and time.

Details of AGM	Date and time of AGM	Details of special resolution(s) passed at the AGM	Voting percentage of shareholders participated: Particulars	% Favour	% Against
31st AGM	19 July 2018 at 12.15 p.m.	Issue of non-convertible debentures through private placement	All shareholders	99.13	0.87
			Non-promoter category	97.24	2.76
32nd AGM	25 July 2019 at 12.15 p.m.	1. Re-appointment of Nanoo Gobindram Pamnani as an independent director of the Company for a second term of five consecutive years with effect from 1 April 2019 and continuation as director upon attaining the age of 75 years	All shareholders	97.03	2.97
			Non-promoter category	89.11	10.89
		2. Re-appointment of Dipak Kumar Poddar as an independent director of the Company for a second term of three consecutive years with effect from 1 April 2019 and continuation as director on having already attained the age of 75 years	All shareholders	96.64	3.37
			Non-promoter category	87.69	12.31
		3. Re-appointment of Ranjan Surajprakash Sanghi as an independent director of the Company for a second term of five consecutive years with effect from 1 April 2019 and continuation as director on having already attained the age of 75 years	All shareholders	94.77	5.23
			Non-promoter category	80.79	19.21
		4. Re-appointment of Balaji Rao Jagannathrao Doveton as an independent director for a second term of five consecutive years with effect from 1 April 2019 and continuation as director on attaining the age of 75 years	All shareholders	97.51	2.49
			Non-promoter category	90.89	9.11
		5. Re-appointment of Dr. Omkar Goswami as an independent director for a second term of five consecutive years with effect from 1 April 2019	All shareholders	93.54	6.46
			Non-promoter category	76.36	23.64
		6. Re-appointment of Dr. Gita Piramal as an independent director for a second term of five consecutive years with effect from 16 July 2019	All shareholders	99.75	0.25
			Non-promoter category	99.09	0.91
		7. Approval for continuation of Rahulkumar Kamalnayan Bajaj as a non-executive and non-independent director of the Company w.e.f. 1 April 2019 on having already attained the age of 75 years	All shareholders	99.55	0.45
			Non-promoter category	98.38	1.62
		8. Issue of non-convertible debentures through private placement	All shareholders	99.44	0.56
			Non-promoter category	97.99	2.01
33rd AGM	21 July 2020 at 12.15 p.m.	1. Re-appointment of Rajeev Jain as Managing Director of the Company for a period of five years with effect from 1 April 2020	All shareholders	93.63	6.37
			Non-promoter category	79.48	20.52
		2. Issue of non-convertible debentures through private placement	All shareholders	99.47	0.53
			Non-promoter category	98.30	1.70

It can be seen from the above, all resolutions proposed by the Board have been passed with overwhelming majority by the shareholders. The percentage of votes in favour, when reckoned to the exclusion of promoters/promoter group category has been quite significant.

The shareholders who participated at the last AGM sought clarifications/comments/questions, *inter alia*, on impact of Covid-19, profitability, size of IPO funding and Loan Against Securities book, complaints through social media and business outlook.

During FY2021, the Company had sought approval of the members through postal ballot, the details of the same are given below:

Postal Ballot notice dated 15 March 2021:

Items of special business:

i. Modification to the Employee Stock Option Scheme, 2009 for increase in options pool by 10,000,000 stock options and retirement related vesting schedule.

ii. Enabling resolution to facilitate grant of options to employees of holding and/or subsidiary company(ies), under the amended Employee Stock Option Scheme, 2009.

  a. Details of voting:

<table>
<tr><th>Sr. No.</th><th>Particulars</th><th>Voting percentage of shareholders participated</th></tr>
<tr><td>1</td><td>Modification to Employee Stock Option Scheme, 2009</td><td><table><tr><th>Particulars</th><th>% Favour</th><th>% Against</th></tr><tr><td>All shareholders</td><td>97.07</td><td>2.93</td></tr><tr><td>Non-promoter category</td><td>91.13</td><td>8.87</td></tr></table></td></tr>
<tr><td>2</td><td>Grant of options to employees of holding and/or subsidiary company(ies), under the amended Employee Stock Option Scheme, 2009</td><td><table><tr><th>Particulars</th><th>% Favour</th><th>% Against</th></tr><tr><td>All shareholders</td><td>97.06</td><td>2.94</td></tr><tr><td>Non-promoter category</td><td>91.08</td><td>8.92</td></tr></table></td></tr>
</table>

  b. Details of scrutiniser: Shyamprasad D. Limaye (FCS No. 1587, CP No. 572)

  c. Date of scrutiniser's report: 20 April 2021

  d. Date of passing the resolutions (last date of for voting): 19 April 2021

The scrutiniser's report for the above postal ballot has been placed on the Company's website and can be accessed at https://www.bajajfinserv.in/finance-investor-relations-general-meeting-and-postal-ballots.

As on the date of this report, no special resolution is proposed to be conducted through postal ballot.

Procedure for postal ballot

Pursuant to the provisions of the Act and SEBI Listing Regulations, the Company provides facility to the members to exercise votes through electronic voting system ('remote e-voting'), in addition to physical ballot. Postal ballot notices and forms are dispatched along with the postage pre-paid business reply envelope to members/beneficial owners through email at their registered email IDs and through physical copy to the members who have not registered their email IDs. The Company also publishes notice in the newspapers for the information of the members. Voting rights are reckoned on the equity shares held by the members as on the cut-off date.

Pursuant to the provisions of the Act, the Company appoints a scrutiniser for conducting the postal ballot process in a fair and transparent manner. The scrutiniser submits his consolidated report to the Chairman and the voting results are announced by the Chairman by placing the same along with the scrutiniser's report on the Company's website, besides being communicated to the stock exchanges. The resolution, if passed by requisite majority, is deemed to have been passed on the last date specified by the Company for receipt of duly completed postal ballot forms or remote e-voting.

In view of the COVID-19 pandemic and dispensation granted by MCA, postal ballot notice was sent through e-mail only, to all those members who had registered their e-mail ids with the Company/depositories. Arrangements were also made for other members to register their e-mail id to receive the postal ballot notice and cast their vote online.

Details of capital market non-compliance, if any

No penalty or stricture has been imposed on the Company by any of the stock exchanges, SEBI or any other statutory authority, in any matter related to capital markets, during the last three years.

Though not concerning the capital market, RBI in January 2021 imposed a monetary policy of ₹ 2.50 crore on the Company for non-compliance with certain provisions of its Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs. The Company maintains that this is neither financially significant nor material in nature and does not affect the going concern status of the Company. The Company has strengthened its collections infrastructure, institutionalised the framework for training of recovery agents and has taken other measures to ensure that such incidents do not recur.

Compliance Certificate

The MD and CFO have certified to the Board with regard to the financial statements and other matters as required under the SEBI Listing Regulations.

Report on corporate governance

This chapter read together with the information given in the 'Directors' Report', the section on 'Management Discussion and Analysis' and 'General Shareholder Information', constitute the compliance report on Corporate Governance during FY2021. The Company has been regularly submitting the quarterly corporate governance compliance report to the stock exchanges as required under regulation 27(2) of the SEBI Listing Regulations.

Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The disclosure as required under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is given below:

Number of complaints filed during FY2021	1
Number of complaints disposed of during FY2021	1
Number of complaints pending at the end of FY2021	Nil

Statutory Auditors

S R B C & Co. LLP are the statutory auditors of the Company. Total fees paid by the Company and its subsidiaries, on a consolidated basis, to the statutory auditors including all entities in their network firm/entity of which they are a part, is given below:

Sr. no	Particulars	Amount (in ₹)
1.	Fees as Statutory Auditors	74,99,986
2.	Fees for other services	90,16,725
	Total	**1,65,16,711**

Auditors' certificate on corporate governance

The Company has obtained a certificate from its statutory auditors regarding compliance with the provisions relating to corporate governance laid down under the SEBI Listing Regulations.

This certificate is annexed to the Directors' Report.

Compliance of mandatory and discretionary requirements

Mandatory

The Company has complied with all the mandatory requirements of the SEBI Listing Regulations including but not limited to the provisions of regulations 17 to 27 and 46(2)(b) to (i) of the said Regulations.

Discretionary

The Company has also complied with the discretionary requirements as under:

1. **The Board**

   A Chairman's office has been made available for the non-executive Chairman. He is allowed reimbursement of expenses incurred in performance of his duties.

2. **Shareholder rights**

   A half-yearly declaration of financial performance including summary of significant events in the preceding six months is sent to each household of members.

3. **Modified opinion(s) in audit report**

   The Company confirms that its financial statements are with unmodified audit opinion.

4. **Reporting of internal auditor**

   The internal auditor reports directly to the Audit Committee.

GENERAL SHAREHOLDER INFORMATION

34th Annual General Meeting

Day and Date	Tuesday, 20 July 2021
Time	3.30 p.m.
Venue/Mode	Meeting will be conducted through video conferencing ('VC')/other audio-visual means ('OAVM')
Financial Year	1 April 2020 to 31 March 2021

Pursuant to Ministry of Corporate Affairs ('MCA') circulars dated 8 April 2020, 13 April 2020, 5 May 2020 and 13 January 2021 read with SEBI Circulars dated 12 May 2020 and 15 January 2021, the ensuing 34th Annual General Meeting ('AGM') is being conducted through VC or OAVM.

In terms of the said circulars, the financial statements (including the Boards' Report, Corporate Governance Report, Management Discussion Analysis, Auditors' Report and other documents required to be attached therewith) are being sent through only electronic mode to those shareholders whose email addresses are registered with the Company's Registrar and Share Transfer Agent, viz., KFin Technologies Pvt. Ltd. or/and with Depository Participants, as on Friday, 18 June 2021. The Company has also made arrangements for those shareholders who have not yet registered their email address to get the same registered by following the procedure prescribed in the Notice of AGM.

Tentative meeting schedule for considering financial related matters for FY2022

Type of meeting	Particulars	Indicative month
Audit Committee and Board	To review and approve the unaudited financial results for the quarter ending 30 June 2021, subject to limited review	July 2021
	To review and approve the unaudited financial results for the quarter and half-year ending 30 September 2021, subject to limited review	October 2021
	To review and approve the unaudited financial results for the quarter and nine months ending 31 December 2021, subject to limited review	January 2022/early February 2022
	To review and approve audited annual results for the year ending 31 March 2022, subject to audit	April 2022/early May 2022

Additional meetings of Board and Committees thereof may be convened as and when deemed necessary.

Registrar and share transfer agent

In terms of regulation 7 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations'), KFin Technologies Pvt. Ltd. (hereinafter referred to as 'KFin') continues to be the Registrar and Share Transfer Agent and handles all relevant share registry services.

All physical transfers (to the extent permitted), transmission, transposition, issue of duplicate share certificate(s), issue of demand drafts in lieu of dividend warrants, etc., as well as requests for dematerialisation/rematerialisation are handled by KFin through connectivity with NSDL and CDSL.

Dates of book closure

The register of members and share transfer books of the Company will remain closed from Saturday, 10 July 2021 to Tuesday, 20 July 2021 (both days inclusive) for the purpose of payment of dividend.

Dividend and date of payment

Board of directors have recommended a dividend of ₹ 10 per equity share (500%) of the face value of ₹ 2 for FY2021, subject to approval of the members at the ensuing AGM, equivalent to ₹ 10 per equity share (500%) for the previous year.

Dividend on equity shares, if declared, at the AGM, will be credited/dispatched between Saturday, 24 July 2021 and/or Monday, 26 July 2021:

a) to all those members holding shares in physical form, as per the details provided to the Company by share transfer agent of the Company, i.e., KFin, as of the end of the day on Friday, 9 July 2021; and

b) to all those beneficial owners holding shares in electronic form as per beneficial ownership details provided to the Company by NSDL and CDSL, as of the end of the day on Friday, 9 July 2021.

Payment of dividend

SEBI Listing Regulations read with SEBI circular dated 20 April 2018 require companies to use any electronic mode of payment approved by the Reserve Bank of India for making payment to the shareholders. Accordingly, the dividend, if declared, will be paid through electronic mode, where the bank account details of the members are available. In other cases, where the dividend could not be paid through electronic mode, the same will be paid by account payee/non-negotiable instruments/warrants with bank account details printed thereon. In case of non–availability of bank account details, address of the members will be printed on such payment instruments.

Pursuant to the aforesaid circular, the Company has written to members holding shares in physical form requesting them to furnish details regarding their PAN and bank details for payment of dividend through electronic mode. Those members who have not yet responded to the Company's request in this regard are once again requested to initiate action in the matter at the earliest.

For enabling payment of dividend for FY2021 through electronic mode, members are requested to update details of their bank account, if not already done, with KFin and/or depository participant on or before Friday, 9 July 2021.
Members holding shares in physical form are requested to send self-attested copy of their PAN card and a 'cancelled' cheque to KFin. In the case of members holding shares in electronic form, they are requested to update details with their respective depository participant.

Tax deducted at source (TDS) on dividend

As per the amended Income Tax Act, 1961, through the Finance Act, 2020, there will be no dividend distribution tax payable by the Company. The dividend, if declared, will be taxable in hands of the shareholders. For details, shareholders are requested to refer to the Notice of AGM.

Unclaimed dividend

As per section 124(5) of Companies Act, 2013 (the 'Act') and section 205 of the erstwhile Companies Act, 1956, any money transferred by the Company to the unpaid dividend account and remaining unclaimed for a period of seven years from the date of such transfer shall be transferred to the Investor Education and Protection Fund ('Fund') set up by the Central Government. Accordingly, unpaid/unclaimed dividends for FY1996 to FY2013 have already been transferred by the Company to the said Fund from FY2003 onwards.

As a measure to reduce unclaimed dividend, efforts are made on an ongoing basis to trace and reach out to such members through email, phone calls and letters requesting them to submit necessary documents for claiming their unpaid/unclaimed dividend.

The following are the details of unclaimed dividends which are due to be transferred to the Fund in the coming years including current year. Members who have not claimed dividends till date are again requested to verify their records and send their claim to the Company or KFin, if any, on or before last day for claiming the dividend as per the table given below:

Year	Dividend type	Date of declaration /credit	Last date for claiming dividend	Due date for transfer
2013-2014	Final	16 July 2014	15 August 2021	14 September 2021
2014-2015	Final	22 July 2015	21 August 2022	20 September 2022
2015-2016	Interim	20 March 2016	19 April 2023	19 May 2023
2015-2016	Final	26 July 2016	25 August 2023	24 September 2023
2016-2017	Final	19 July 2017	18 August 2024	17 September 2024
2017-2018	Final	19 July 2018	18 August 2025	17 September 2025
2018-2019	Final	25 July 2019	24 August 2026	23 September 2026
2019-2020	Interim (confirmed as Final)	09 March 2020	8 April 2027	8 May 2027

The Company has also uploaded the details of unclaimed dividend, unclaimed deposits and unclaimed interest on deposits on its website at https://www.bajajfinserv.in/finance-investor-relations-unclaimed-dividends and also on website specified by the MCA at http://www.iepf.gov.in/IEPF/services.html.

Transfer of shares to IEPF

Pursuant to section 124(6) of the Act and Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended (the 'IEPF Rules'), all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred to Demat Account of the IEPF Authority by the Company within a period of thirty days of expiry of said seven years.

Various steps are being taken by the Company to reach out to shareholder, through emails, phone calls and other modes, whose shares are due to be transferred to IEPF during FY2022 on account of not claiming dividend for a consecutive period of seven years; requesting them to claim the dividend on or before 15 August 2021. The Company will publish a notice in newspapers intimating the members regarding the said transfer. These details will also be made available on the Company's website at https://www.bajajfinserv.in/finance-investor-relations-unclaimed-dividends.

During FY2021, the Company transferred 30,880 equity shares (previous year - 30,200 equity shares) of the face value of ₹ 2 in respect of 26 shareholders (previous year - 28 shareholders) to Demat Account of the IEPF Authority held with NSDL. Shareholder can claim such shares and unclaimed dividends transferred to the Fund by following the procedure prescribed in the IEPF Rules. The procedure for making such claim is also made available on the Company's website at https://www.bajajfinserv.in/finance-investor-relations-unclaimed-dividends.

Members are requested to get in touch with the nodal officer for further details on the subject at investor.service@bajajfinserv.in.

Share transfer system

SEBI amended regulation 40 of the SEBI Listing Regulations, prohibiting transfer of securities (except transmission or transposition of shares) in physical form from 1 April 2019. Accordingly, the Company had sent letters to members holding shares in physical form advising them to dematerialise their holdings.

During FY2021, no shares were transferred in the physical form expect for those for whom the transfer deed was lodged prior to 1 April 2019 and was returned due to deficiency in the document and were thus re-lodged post 1 April 2019.

Further, SEBI vide its circular has fixed 31 March 2021 as the cut-off date for re-lodgment and that such transferred shares shall be issued only in demat mode and provided operational guidelines for effecting demat to the transferee's account.

Share transfers received by KFin/Company are registered within 15 days from the date of receipt, provided the documents are complete in all respects. The total number of shares transmitted/transferred in the physical category during FY2021 were 23,250 against 18,670 during FY2020. The details of physical transfer/transmission were placed before the Board of directors on a quarterly basis.

Dematerialisation/rematerialisation of shares and liquidity

During FY2021, 75,771 shares were dematerialized (previous year - 318,125 shares). Five shares were rematerialised during FY2021 (previous year - nil shares). Shares held in physical and electronic mode as on 31 March 2021 are given in Table 1.

Table 1: Shares held in physical and electronic mode

	Position as on 31 March 2021		Position as on 31 March 2020	
Particulars	**No. of shares**	**% of total shares**	**No. of shares**	**% of total shares**
Physical	796,970	0.13	883,636	0.15
Demat:				
NSDL	586,685,768	97.36	586,398,344	97.46
CDSL	15,104,601	2.51	14,407,089	2.39
Sub-total	601,790,369	99.87	600,805,433	99.85
Total	**602,587,339**	**100.00**	**601,689,069**	**100.00**

Stock codes

BSE Ltd. (BSE)	500034
National Stock Exchange of India Ltd. (NSE)	BAJFINANCE-EQ
ISIN for depositories (NSDL and CDSL)	INE296A01024

Listing on stock exchanges

Name	Address
BSE	1st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001
NSE	Exchange Plaza, Bandra-Kurla Complex, Bandra (E), Mumbai-400 051

The non-convertible debentures and commercial papers are listed on the wholesale debt market (WDM) of BSE.

Annual listing fees, as prescribed, have been paid to the said stock exchanges up to 31 March 2022.

The Company has also listed a secured Euro Medium Term Note (MTN) Programme for USD 1.5 billion on Singapore Exchange Securities Trading Limited (Singapore Stock Exchange).

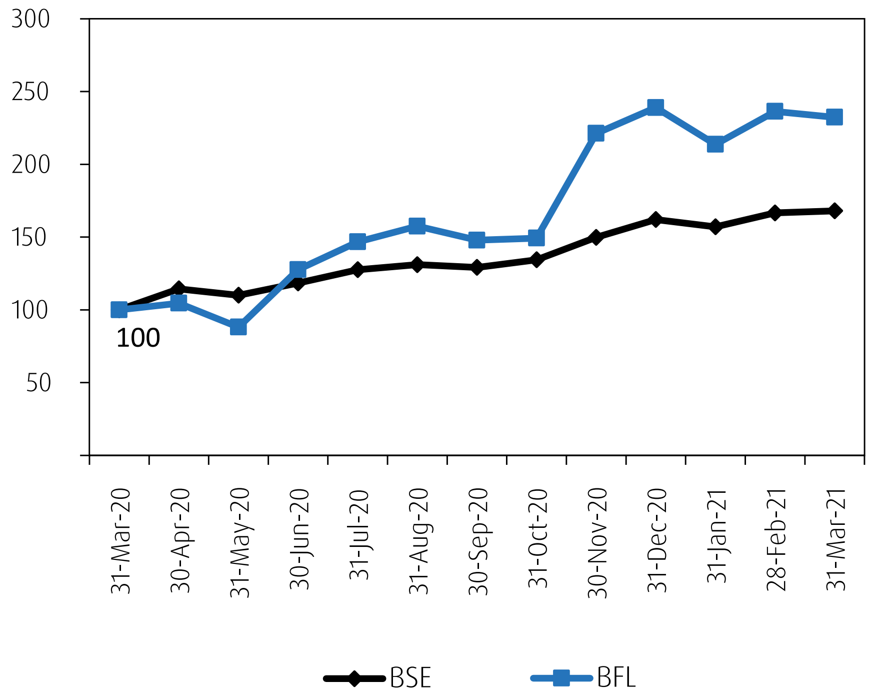
Market price data

Table 2: Monthly highs and lows of equity shares of Bajaj Finance Ltd. during FY2021 (₹ vis-á-vis BSE Sensex)

Month	BSE		NSE		Closing BSE Sensex
	High (₹)	Low (₹)	High (₹)	Low (₹)	
Apr-20	2,566.00	1,916.00	2,566.15	1,915.65	33,717.62
May-20	2,258.00	1,783.10	2,258.95	1,783.00	32,424.10
Jun-20	3,144.00	1,995.30	3,125.00	1,997.05	34,915.80
Jul-20	3,517.75	2,806.30	3,519.50	2,806.00	37,606.89
Aug-20	3,750.00	3,146.00	3,749.85	3,142.85	38,628.29
Sept-20	3,680.00	3,008.85	3,680.00	3,006.90	38,067.93
Oct -20	3,518.00	3,101.60	3,519.00	3,101.35	39,614.07
Nov-20	4,957.50	3,276.00	4,960.00	3,274.65	44,149.72
Dec-20	5,372.75	4,774.90	5,372.50	4,775.00	47,751.33
Jan-21	5,337.00	4,686.30	5,338.00	4,686.00	46,285.77
Feb-21	5,921.75	4,666.30	5,822.20	4,666.50	49,099.99
Mar-21	5,668.15	5,106.00	5,670.00	5,103.15	49,509.15

Chart: Performance in comparison to BSE Sensex

Bajaj Finance Ltd. stock performance Vs BSE Sensex, indexed to 100 on 31 March 2020



Distribution of shareholding

Table 3 gives details about the pattern of shareholding across various categories as on 31 March 2021, while Table 4 gives the data according to size classes.

Table 3: Distribution of shareholding across categories

	31 March 2021		31 March 2020	
Categories	**No. of shares**	**% to total Capital**	**No. of shares**	**% to total Capital**
Promoter and Promoter Group	338,169,045	56.12	338,169,045	56.20
Resident Individuals	50,965,588	8.46	51,604,554	8.58
Bodies Corporates/NBFCs	6,493,106	1.07	7,322,410	1.22
Mutual Funds/Financial Institutions/Banks	38,510,644	6.40	50,165,920	8.34
Foreign Institutional Investor/Foreign Portfolio Investor	145,005,647	24.06	127,317,017	21.16
Non Resident Individuals/Foreign National	4,757,743	0.79	4,719,447	0.78
Alternate Investment Funds	3,924,471	0.65	3,626,422	0.60
Others	14,761,095	2.45	18,764,254	3.12
Total	**602,587,339**	**100.00**	**601,689,069**	**100.00**

Table 4: Distribution of shareholding according to size class as on 31 March 2021

Range of holding	No. of members	% to total members	No. of Shares held	% to total capital
1-1000	482,236	98.50	20,733,619	3.44
1001-5000	5,221	1.07	10,709,071	1.78
5001-10000	702	0.14	5,061,581	0.84
10001-100000	1,106	0.22	34,400,340	5.71
100001-500000	246	0.05	51,899,820	8.61
500001-1000000	46	0.01	31,981,478	5.31
1000001 and above	41	0.01	447,801,430	74.31
TOTAL:	**489,598**	**100.00**	**602,587,339**	**100.00**

Credit rating

Pursuant to SEBI Circular on Enhanced Governance Norms for Credit Rating Agencies, dated 4 November 2019, the Chairman of Audit Committee interacted with credit rating agencies, *inter alia,* to discuss issues on related party transactions, internal financial controls and other material disclosures made by the management, which have a bearing on rating of its listed non-convertible debentures (NCDs).

OVER 50 SMART PRODUCTS THAT SUIT EVERY NEED

Consumer Finance
- Consumer Durable Loan
- Digital Product Loan
- Lifestyle Product Loan
- Lifecare Finance
- 2-Wheeler & 3-Wheeler Loan
- Personal Loan
- Home Loan
- Loan Against Property

Investments
- Systematic Deposit Plan
- Mutual Fund
- Term Deposit

Payments
- EMI Network Card
- Co-branded Credit Card
- Co-branded Wallet

Insurance
- Life, General & Health Insurance Distribution
- Pocket Insurance

SME Finance
- Working Capital Loan
- Loan to Self-employed and Professionals
- Secured Enterprise Loan
- Used-car Finance
- Medical Equipment Finance

Commercial Lending
- Vendor Finance
- Financial Institutions Lending
- Light Engineering Lending
- Specialty Chemicals Lending

Securities
- Loan Against Securities
- IPO Finance
- Trading Account
- Depository Services
- Margin Trading Finance
- HNI Broking
- Retail Broking

During FY2021, the Company retained its credit ratings owing to high capital adequacy, strong promoter support, tightened credit acceptance criteria and robust asset liability management. It reaffirms the high reputation and trust the Company has earned for its sound financial management and its ability to meet all its financial obligations. The credit rating as at 31 March 2021 is given below:

Long term debt rating

- 'CRISIL AAA/Stable' for its long-term borrowing programme, which comprises of ₹ 37,551 crore for the NCD programme, ₹ 3,071 crore for the lower tier II bond/subordinate debt programme, ₹ 21,000 crore for its aggregate bank loan rating programme and 'FAAA/Stable' for the fixed deposit programme.
- 'ICRA AAA(Stable)' for its long-term borrowing programme, which comprises of ₹ 170 crore for the NCD programme and ₹ 1,113 crore for the lower tier II bond/subordinate debt programme and 'MAAA(Stable)' for the fixed deposit programme.
- 'IND AAA/Stable' for its long-term borrowing programme, which comprises of ₹ 12,829 crore for the NCD programme, ₹ 2,000 crore for the subordinate debt programme and ₹ 25,000 crore for its bank loan rating programme.
- 'CARE AAA/Stable' for its long-term borrowing programme, which comprises of ₹ 776 crore for the NCD programme, ₹ 3,455 crore for the subordinate debt programme.

Short term debt rating

- 'CRISIL A1+' for its short-term debt programme with a programme size of ₹ 20,000 crore.
- 'CRISIL A1+' for its short-term bank loan facilities.
- 'ICRA A1+' for its short-term debt programme with a programme size of ₹ 20,000 crore.
- 'IND A1+' for its short-term bank loan facilities with a programme size of ₹ 5,000 crore.

All the above ratings indicate a high degree of safety with regard to timely payment of interest and principal.

International rating

S&P Global Ratings has, vide its letter dated 26 June 2020, downgraded the credit rating of the Company from Long term rating of 'BBB-/Negative' to 'BB+/Stable' and Short-term rating of 'A-3' to 'B'.

Shareholders' and investors' grievances

The Board of directors of the Company have constituted a Stakeholders Relationship Committee to specifically look into and resolve grievances of security-holders, viz., shareholders, debenture holders and deposit holders. Queries/complaints received from stakeholders are promptly attended. The queries/complaints received during FY2021 were mainly related to non-receipt of dividend and change of address and/or bank particulars. As on 31 March 2021, there were no pending issues to be addressed or resolved. During FY2021, letters were received from SEBI/the Registrar of Companies/stock exchanges/ investors concerning 13 complaints filed by the members on various matters. These were duly resolved.

SEBI has issued a circular no. SEBI/HO/OIAE/IGRD/CIR/P/2020/152 dated 13 August 2020 laying down mechanism for redressal of investor complaints by companies and stock exchanges effective from 1 September 2020. It lays down the procedure for handling complaints by the stock exchanges as well as the standard operating procedure for actions to be taken against listed companies for failure to redress investor grievances. An investor can raise complaints in the nature of non-receipt of bonus shares, non-receipt of dividend, non-receipt of duplicate share certificate, delay in demat/remat, etc. Complaints pertaining to deposits and IEPF matters are not governed by this circular.

For further details members are advised to refer the aforesaid circular.

As a green initiative, the Company availed of special services offered by NSDL and CDSL to update email addresses of shareholders of the Company holding shares in electronic form and who have not registered their email addresses. This has enabled such shareholders to immediately receive various communication from the Company from time to time including Annual Report, dividend credit intimation, half-yearly communication, etc., through email. Members, who have not updated their email, are requested to update their email id, by sending a request to the Company/KFin or their respective depository participant.

KPRISM-Mobile service application by KFIN

Members are requested to note that the Company's Registrar and Share Transfer Agent has launched a new mobile app KPRISM and a website https://kprism.kfintech.com/for the members holding shares in physical form. Now members can download the mobile app and see their portfolios serviced by KFin and can check their dividend status; request for annual reports, register change of address; register change in the bank account or update the bank mandate; and download the standard forms. This android mobile application can be downloaded from the Play Store.

Demat suspense account for unclaimed shares

In terms of the provisions of the SEBI Listing Regulations, the Company has a demat account titled 'Bajaj Finance Ltd. – Unclaimed Suspense Account' with HDFC Bank Ltd., Pune, to which unclaimed shares were transferred.

The details of the shares transferred to and from unclaimed suspense account during FY2021 is given below:

Sr. No.	Particulars	No. of folios	No. of shares
1	Shares at the beginning of FY2020	85	96,260
2	Transfer to IEPF during FY2021	11	15,000
3	Transfer to claimants during FY2021	7	7,000
4	Shares at the end of FY2021 (4=1-2-3)	67	74,260

The Company, acting as a trustee in respect of the unclaimed shares, follows the modalities for the operation of the said account in the manner set out in regulation 39(4) of the SEBI Listing Regulations.

The shares lying in the aforesaid account will be transferred to the concerned members on lodging of the claim and after proper verification. Till such time, the voting rights on these shares will remain frozen.

Nomination

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferred in the case of demise of the registered shareholder(s). The prescribed nomination form (SH-13) will be sent by KFin upon such request and is also available on the Company's website at the link https://www.bajajfinserv.in/shareholdern-nomination-form. Nomination facility for shares held in electronic form is also available with depository participants.

Live webcast of AGM

Pursuant to regulation 44(6) of the SEBI Listing Regulations, top 100 listed entities shall, with effect from 1 April 2019, provide one-way live webcast of the proceedings of their AGM. Accordingly, the Company has entered into an arrangement with KFin to facilitate live webcast of the proceedings of the ensuing AGM scheduled on 20 July 2021.

Members who are entitled to participate in the AGM can view the proceedings of AGM by logging on the website of KFin at https://emeetings.kfintech.com/using secure login credentials provided for e-voting.

AGM through VC

Pursuant to MCA Circulars, the Company will also provide two-way video conferencing or webex facility to the members for participating in the 34th AGM. Please refer the Notice of the 34th AGM for more details, which is hosted on the Company's website at https://www.bajajfinserv.in/finance-investor-relation-annual-reports and is also available on the website of stock exchanges.

Voting through electronic means

Pursuant to section 108 of Act and the Rules made thereunder and provisions of SEBI Listing Regulations, every listed company is required to provide its members the facility to exercise their right to vote at general meetings by electronic means.

The Company has entered into an arrangement with KFin, the authorised agency for this purpose, to facilitate such e-voting for its members.

The members will therefore be able to exercise their voting rights on the items put up in the Notice of AGM through e-voting. The Company will also provide facility to members attending the AGM through VC or OAVM to vote at the meeting in accordance with the Companies (Management and Administration) Rules, 2014 and MCA circulars for conducting AGM through VC or OVAM.

SEBI has issued a circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated 9 December 2020 for increasing the participation by the public non-institutional shareholders/retail shareholders in the e-voting process. It has been decided to enable e-voting to all the demat account holders, via a single login credential, through their demat accounts/websites of depositories/depository participants. Demat account holders will be able to cast their vote without having to register again with the e-voting service providers. This will not only facilitate seamless authentication but also enhance the ease and convenience of participating in the e-voting process.

Shareholders who are attending the meeting through VC or OAVM and who have not already cast their votes by remote e-voting will be able to exercise their right of voting at the meeting.

Cut-off date, as per the aforesaid Rules, is 13 July 2021 and the remote e-voting shall be open for a period of 3 (three) days, from 17 July 2021 (9.00 a.m.) till 19 July 2021 (5.00 p.m.).

The Board has appointed Shyamprasad D. Limaye, practising company secretary, as the scrutiniser for the e-voting process.

The detailed procedure is given in the Notice of the 34th AGM and is also placed on the Company's website at https://www.bajajfinserv.in/finance-investor-relation-annual-reports.

For further assistance members may get in touch with the Company Secretary at investor.service@bajajfinserv.in.

Outstanding convertible instruments/ADRs/GDRs/Warrants

The Company does not have any outstanding convertible instruments/ADRs/GDRs/Warrants as on date.

Commodity price/foreign exchange risk and hedging activities

The Company is exposed to foreign currency exchange rate fluctuation risk for its foreign currency borrowing (FCB). The Company's borrowings in foreign currency are governed by RBI guidelines (RBI master direction RBI/FED/2018-19/67 dated 26 March 2019) which requires entities raising ECB for an average maturity of less than 5 years to hedge minimum 70% of its ECB exposure (principal and coupon). The Company hedges its entire ECB exposure for the full tenure of the ECB as per Board approved Interest rate risk and currency risk hedging policy.

For its FCB, the Company evaluates the foreign currency exchange rates, tenure of FCB and its fully hedged costs; and manages its currency risks by entering into derivatives contracts as hedge positions in line with the Board approved policy.

Being a financial service company, the Company is not exposed to commodity price risk.

Address for correspondence

Investors and shareholders can correspond with the office of the share transfer agent of the Company or the registered office or the corporate office of the Company at the following addresses:

Share transfer agent

KFin Technologies Pvt. Ltd.
(earlier known as Karvy Fintech Pvt. Ltd.)
Unit: Bajaj Finance Ltd.
Selenium Tower B,
Plot 31-32, Gachibowli,
Financial District, Nanakramguda,
Hyderabad-500 032

Contact persons

Mr. Mohd. Mohsinuddin
Toll free no.1800 309 4001
Email ID: einward.ris@kfintech.com
Website: www.kfintech.com

Company's Registered Office

Akurdi, Pune-411 035

Corporate Office extn.

Secretarial Department
3rd Floor, Panchshil Tech Park,
Viman Nagar, Pune-411 014
Phone No. (020) 7157 6403
Fax No. (020) 7157 6364
Email ID: investor.service@bajajfinserv.in
Website: www.bajajfinserv.in/corporate-bajaj-finance

Additional information

1. During FY2021, the Company has not sanctioned loans to any of its directors and there are no outstanding loans to directors as on 31 March 2021.
2. None of the employees of the Company are related to any of the directors.
3. Profile of fixed deposits as on 31 March 2021:

Period of deposit (months)	No. of depositors	Amount (₹ In Crore)	% to total deposits
12-23	1,00,376	5,594.68	26.53
24-35	44,121	2,058.93	9.76
36-60	3,53,468	13,434.02	63.71
Grand Total	**4,97,965**	**21,087.63**	**100.00**

As on 31 March 2021, there were 6 FDs amounting to ₹ 16.43 lakh which had matured and remained unclaimed and interest on matured deposits amounting to ₹ 0.18 lakh and interest on active deposits amounting to ₹ 0.95 lakh had also remained unclaimed.

DIRECTORS' REPORT

At the outset, your Company's (BFL) Board of directors commiserates with the families of all employees, shareholders and others who succumbed to this dreadful COVID-19 pandemic.

Your directors present the thirty-fourth Annual Report along with the audited standalone and consolidated financial statements for FY2021. This report read with the Management Discussion and Analysis include details of the macro-economic scenario, Company's performance, various initiatives taken by the Company as well as its approach to risk management.

Circulation of Annual Reports in electronic form

Pursuant to Ministry of Corporate Affairs' ('MCA') circulars dated 8 April 2020, 13 April 2020, 5 May 2020 and 13 January 2021, read with SEBI Circulars dated 12 May 2020 and 15 January 2021, relaxation has been granted to the companies in respect of sending physical copies of annual report to shareholders and requirement of proxy for general meetings held through electronic mode till 31 December 2021.

Accordingly, the financial statements (including Boards' Report, Corporate Governance Report, Management Discussion and Analysis, Auditors' Report and other documents to be attached therewith) are being sent only through electronic mode to those shareholders whose email addresses are registered with the Company's Registrar and Share Transfer Agent viz., KFin Technologies Private Limited ('KFin')/Depository Participants, and whose names appear in the register of members as on Friday, 18 June 2021. The Company has also made arrangements for those shareholders who have not yet registered their email address to get these registered by following the procedure prescribed in the notice of Annual General Meeting (AGM).

The Annual Report for FY2021 is also available on the website of the Company at https://www.bajajfinserv.in/finance-investor-relation-annual-reports.

Financial results

The highlights of the standalone financial results are given below

(₹ In Crore)

Particulars	**FY2021**	**FY2020**	**% change over FY2020**
Total income	23,546	23,834	(1)
Interest and finance charge	7,446	7,857	(5)
Net interest income	**16,100**	**15,977**	**1**
Total operating expenses	5,016	5,364	(6)
Pre-provisioning operating profit	**11,084**	**10,613**	**4**
Impairment on financial instruments	5,721	3,805	50
Profit before tax	**5,363**	**6,808**	**(21)**
Profit after tax	**3,956**	**4,881**	**(19)**
Retained earnings as at the beginning of the year	**10,349**	**7,612**	**36**
Profit after tax	3,956	4,881	(19)
Other comprehensive income on defined benefit plan	(26)	(25)	(0)
Retained earnings before appropriations	**14,279**	**12,468**	**15**
Appropriations			
Transfer to reserve fund u/s 45-IC(1) of the RBI Act, 1934	(792)	(977)	(19)
Dividend paid	-	(950)	
Tax on dividend	-	(195)	
Adjustment of dividend to ESOP Trust	-	3	
Retained earnings as at the end of the year	**13,487**	**10,349**	**30**

Due to rounding off, numbers presented in above table may not add up precisely to the totals provided.

Transfer to reserve fund

Under section 45-IC(1) of Reserve Bank of India Act, 1934, non-banking financial companies (NBFCs) are required to transfer a sum not less than 20% of its net profit every year to reserve fund before declaration of any dividend. Accordingly, the Company has transferred a sum of ₹ 792 crore to its reserve fund.

Vide amendment dated 5 June 2020 to the Companies (Share Capital and Debenture) Rules, 2014, (the 'Rules') the requirement to invest upto 15% of the amount of debentures maturing during the next financial year, in case of privately placed debentures, has been done away with. Further, in terms of the provisions of the Companies Act, 2013 (the 'Act') and the Rules, the Company, being a NBFC, is exempt from transferring any amount to debenture redemption reserve in respect of privately placed debentures.

Dividend distribution policy

Pursuant to the provisions of regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations'), the Company had formulated a dividend distribution policy. The Board, at its meeting held on 15 March 2021, amended the said policy. In terms of the amendment, the Board will endeavour to maintain a dividend pay-out in the range of 15% to 25% of the profit after tax on a standalone basis. Prior to the amendment, the pay-out was up to 15%. The revised policy is annexed to this report and is also available on the website of the Company at https://www.bajajfinserv.in/media/finance/downloads/dividend-distribution-policy.pdf.

Dividend

The directors recommend, for consideration of the members at the ensuing AGM, payment of dividend of ₹ 10 per equity shares (500%) of face value of ₹ 2. The total dividend for FY2021 is ₹ 602.59 crore.

The dividend recommended is in accordance with the principles and criteria set out in the dividend distribution policy.

Dividend paid for FY2020 was ₹ 10 per equity share (500%) of face value of ₹ 2. The amount of dividend and tax thereon aggregated to ₹ 725.37 crore.

In view of the amendment to the Income Tax Act, 1961 through the Finance Act, 2020, imposition of dividend distribution tax has been abolished. The dividend, if declared, at the ensuing AGM will be taxable in the hands of the members of the Company. For further details on taxability, please refer Notice of AGM.

COVID-19 pandemic

The COVID-19 pandemic which is a once in a lifetime occurrence has brought with it an unimaginable suffering to people and to almost all sections of the economy. The nationwide lockdowns to curtail the transmission of disease, had put the global economy in extreme stress of the level not seen since the Great Depression and would have a long-lasting economic impact.

The dynamic and evolving nature of the pandemic with its resurgence (second wave) at the close of the year once again creates uncertainty, including economic impact. Hopefully, the outreach of vaccination drives across the country, additional efforts to set up medical infrastructure and obtain required medical supplies, in addition to continued adherence to COVID-19 specific protocols will help in overcoming this testing situation.

Like the greater economy, the pandemic coupled with the lockdown and relief measures provided by RBI had a bearing on the performance of the Company. The impact of the above on the performance of the Company and the measures adopted by the Company to steer through the pandemic have been discussed in detail in Management Discussion and Analysis.

Working results of the Company

The performance of the Company was impacted due to the COVID-19 pandemic resulting in marginal growth in consolidated Assets Under Management ('AUM') by 4% and a degrowth in the consolidated profit after tax by 16%. FY2021 was earmarked by lower acquisition volumes, higher liquidity buffers and increased recovery costs. Despite the challenges, the Company once again demonstrated the resilience of its business model which generates strong pre-impairment profitability to absorb higher losses resulting from the crisis.

BFL maintained a conservative stance on volumes as post-lockdown restrictions were gradually lifted till August 2020. The conservative stances were maintained considering extended moratoriums, disruption in economic activity, weakened portfolio quality and collections, and absence of updated customer bureau data.

Consolidated Performance highlights for FY2021 are as below

- Number of new loans booked: 16.88 million
- AUM grew by 4% to ₹ 152,947 crore
- Total income increased by 1% to ₹ 26,683 crore
- Net interest income (NII) rose by 2% to ₹ 17,269 crore
- Total operating cost to NII improved to 30.7% from 33.5% in FY2020
- Loan losses and provisions was ₹ 5,969 crore. During FY2021, the Company has done accelerated write-offs of ₹ 3,500 crore of principal outstanding on account of COVID-19 related stress and advancement of its write-off policy. The Company holds a management overlay and macro provision of ₹ 840 crore as of 31 March 2021
- BFL's Gross NPA and Net NPA stood at 1.79% and 0.75%, respectively - amongst the lowest across all NBFCs. The Company's loan book continued to remain strong because of its deeply embedded risk culture and robust risk management practices
- Profit before tax (PBT) decreased by 18% to ₹ 5,992 crore
- Profit after tax (PAT) decreased by 16% to ₹ 4,420 crore
- Capital adequacy ratio as of 31 March 2021 was 28.31%, which is well above the RBI norms. Tier I adequacy ratio was 25.11%

For more details on the performance of the Company, its products and risk management framework and initiatives, please refer to Management Discussion and Analysis.

Operations

BFL, being one of the largest and most diversified NBFCs in India has transformed itself from a mono-line captive lender to a diversified financial service business.

The Company was amongst the early movers to transit to digital process in the financial services industry. The Company has embarked to create an 'omnichannel' framework to conduct its business. The omnichannel model will provide flexibility to the customer to move between online to offline and vice versa in a frictionless manner. It had already moved from 'Physical' to 'Phygital'.

Further details regarding the operations, state of affairs and initiatives of the Company are given in the Management Discussion and Analysis.

Moratorium and restructuring of loans

RBI issued guidelines on 27 March 2020 permitting all commercial banks, co-operative banks, All- India Financial Institutions and NBFCs to give moratorium to customers in respect of instalments falling due between 1 March 2020 to 31 May 2020. It then further extended the moratorium period by three months till 31 August 2020, through its notification dated 23 May 2020. Accordingly, the Company offered moratorium to its customers based on a Board approved policy.

RBI, through its circular dated 6 August 2020, provided a resolution framework for COVID-19 related stress and allowed a one-time restructuring of certain categories of loans from 1 September 2020 till 31 December 2020. In line with the RBI's framework and a Board approved policy, the Company executed restructuring to the tune of ₹1,725 crore (approximately 1.50% of AUM).

The impact of the moratorium and restructuring on the performance of the Company is discussed in the Management Discussion and Analysis.

Customer engagement

The Company strives to create a culture of 'Customer Obsession' and endeavours to provide a frictionless experience across the lifecycle, from pre-disbursal to closure of loan, deposit accepting activities and other value-added services.

The Company measures, through an independent third party, its Net Promoter Score to rate its customer loyalty. This helps the Company to gauge the outcome of its customer engagement efforts.

The initiatives of the Company towards customer engagement are detailed in the Management Discussion and Analysis.

Subsidiaries, associates and joint ventures

The Company has two wholly owned subsidiaries, viz.,

(i) Bajaj Housing Finance Ltd. ('BHFL' or 'Bajaj Housing'), which is registered with National Housing Bank as a Housing Finance Company (HFC); and

(ii) Bajaj Financial Securities Ltd. ('BFinsec'), which is registered with the Securities and Exchange Board of India (SEBI) as a stockbroker and depository participant.

BHFL commenced its business in FY2018. BFinsec commenced its commercial operations in FY2020.

During FY2021, no new subsidiary was incorporated/acquired. The Company does not have any associate company, nor has it entered into a joint venture with any other company.

The financial statements of the subsidiary companies are also available in a downloadable format under the 'Investor Relations' section on the Company's website at https://www.bajajfinserv.in/finance-investor-relation-annual-reports.

The Company's policy for determination of material subsidiary, as adopted by the Board of Directors, in conformity with regulation 16 of the SEBI Listing Regulations, can be accessed on the Company's website at https://www.bajajfinserv.in/media/finance/downloads/policy-for-determining-material-subsidiaries.pdf.

In terms of the said policy and provisions of regulation 16 of the SEBI Listing Regulations, BHFL is a material subsidiary of the Company as its net worth exceeds 10% of the consolidated net worth of the Company.

Performance highlights of the subsidiaries are given below:

BHFL

- AUM as at 31 March 2021 was ₹ 38,871 crore as compared to ₹ 32,705 crore as at 31 March 2020, representing a growth of 19%
- Total income increased by 19% to ₹ 3,155 crore
- NII rose by 15% to ₹ 1,189 crore
- Total operating cost to NII improved significantly to 27.7% from 32.9% in FY2020
- Impairment on financial instruments was ₹ 247 crore. BHFL holds a management overlay provision of ₹ 166 crore as of 31 March 2021 on account of COVID-19 related stress

- Gross NPA and Net NPA were at 0.35% and 0.22%, respectively, amongst the lowest across all HFCs
- PBT increased by 8% to ₹ 613 crore
- PAT grew by 8% to ₹ 453 crore
- As on 31 March 2021, capital adequacy ratio was 21.33%, which is well above the NHB norms of 14%

BFinsec

- Total Income for FY2021 was ₹ 36.34 crore
- PAT was ₹ 5.55 crore

For more detailed discussion on the performance of the subsidiaries and their various segments, refer to the Management Discussion and Analysis.

A separate statement containing the salient features of the subsidiaries in the prescribed form AOC–1 is attached to the standalone financial statements.

Directors and key managerial personnel (KMP)

A. Change in Directorate

Having been at the helm of affairs of the Company for over three decades, Rahul Bajaj, as a part of succession planning, demitted the office of Chairman of the Company w.e.f. close of business hours on 31 July 2020.
The Board, at its meeting held on 21 July 2020, appointed Sanjiv Bajaj as Non-executive Chairman of the Company w.e.f. 1 August 2020.

Due to his health, Rahul Bajaj stepped down from the Board of the Company w.e.f. the close of business hours on 30 April 2021. The Board, after considering his huge contribution to the spectacular success of the Company and in order to benefit from his tremendous experience, conferred upon him the status and title of Chairman Emeritus w.e.f. 1 May 2021. His insights on strategic aspects, corporate governance related matters, brand and image building will further steer the Company to achieve its strategic and business objectives. He has agreed to shoulder the responsibility of Chairman Emeritus without any compensation and would not be considered as a director for the purpose of the provisions of the Act and SEBI Listing Regulations.

B. Directors liable to retire by rotation

Rajiv Bajaj retires by rotation at the ensuing AGM, being eligible, offers himself for re-appointment.
Brief details of Rajiv Bajaj, who is seeking re–appointment, are given in the Notice of AGM.

C. KMP

There was no change in the KMP of the Company during FY2021.

As per the requirements of the RBI Directions and SEBI Listing Regulations, details of all pecuniary relationship or transactions of the non-executive directors vis-à-vis the Company are disclosed in the Corporate Governance Report.

Declaration by independent directors

The independent directors have submitted a declaration of independence, stating that they meet the criteria of independence provided under section 149(6) of the Act, as amended, and regulation 16 of the SEBI Listing Regulations. The independent directors have also confirmed compliance with the provisions of rule 6 of Companies (Appointment and Qualifications of Directors) Rules, 2014, as amended, relating to inclusion of their name in the databank of independent directors.

The Board took on record the declaration and confirmation submitted by the independent directors regarding them meeting the prescribed criteria of independence, after undertaking due assessment of the veracity of the same in terms of the requirements of regulation 25 of the SEBI Listing Regulations.

Policy on directors' appointment and remuneration

The salient features of the policy on directors' appointment and remuneration forms a part of the 'Corporate Governance Report'. This policy is also placed on the Company's website and can be accessed at https://www.bajajfinserv.in/media/finance/downloads/remuneration-policy.pdf.

Annual return

A copy of the annual return as provided under section 92(3) of the Act, in the prescribed form, which will be filed with the Registrar of Companies/MCA, is hosted on the Company's website and can be accessed at https://www.bajajfinserv.in/finance-investor-relation-annual-reports.

Number of meetings of the Board

Six (6) meetings of the Board were held during FY2021. Details of the meetings and attendance thereat forms part of the 'Corporate Governance Report'.

Directors' responsibility statement

The financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) under historical cost convention on accrual basis except for certain financial instruments, which are measured at fair values pursuant to the provisions of the Act and guidelines issued by SEBI/RBI. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy. These form a part of the Notes to the financial statements.

In accordance with the provisions of section 134(3)(c) of the Act and based on the information provided by the management, the directors state that:

(i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for FY2021;

(iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) they have prepared the annual accounts on a going concern basis;

(v) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and

(vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and are operating effectively.

Audit Committee

The Audit Committee comprises of Dr. Omkar Goswami as Chairman and Sanjiv Bajaj, Ranjan Sanghi and Dr. Naushad Forbes as other members.

The brief terms of reference and attendance record of members are given in the Corporate Governance Report.

Particulars of loans, guarantees and investments

The Company, being an NBFC registered with the RBI and engaged in the business of giving loans in ordinary course of its business, is exempt from complying with the provisions of section 186 of the Act with respect to loans. Accordingly, the disclosures of the loans given as required under the aforesaid section have not been made in this Report.

One less thing to worry about

Cover medical expenses on No Cost EMIs with the Digital Health EMI Network Card

Pre-approved limit of up to Rs. 4 lakh

No paperwork

5500+ partners

During FY2021, the Company infused capital in the following:

1. One MobiKwik Systems Pvt. Ltd. (MobiKwik)

Pursuant to a commercial agreement with MobiKwik, the Company was allotted 22,944 Series E compulsorily convertible cumulative preference shares, in tranches, against receivables aggregating to ₹ 18.89 crore. Total investment in MobiKwik as on 31 March 2021 is approximately ₹ 281.21 crore.

2. BFinsec

In order to support BFinsec to augment its minimum net worth and consequently help leverage its Margin Trading Financing requirements, the Company made further investment of approximately ₹ 150 crore. The total investment in BFinsec as on 31 March 2021 is ₹ 270.38 crore.

The Company continues to stay invested in BHFL and RBL Bank Ltd. Information regarding investments covered under the provisions of section 186 of the Act is detailed in the financial statements.

Employee Stock Options (ESOP)

The Company grants share-based benefits to eligible employees with a view to attract and retain talent, align individual performance with the Company objectives, and promote increased participation by them in the growth of the Company.

Shareholders, through postal ballot, approved amendment to the existing ESOP Scheme to, *inter alia*, increasing the limit of options by 10,000,000 options; and treatment of unvested and vested options at the time of retirement. The maximum limit of stock options that can be granted under the scheme now stand revised from 25,071,160 options to 35,071,160 options.

A statement giving complete details, as at 31 March 2021, under regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014, is available on the website of the Company and can be accessed at https://www.bajajfinserv.in/finance-investor-relation-annual-reports.

Grant wise details of options vested, exercised and cancelled are provided in the notes to the standalone financial statements.

The Company has not issued any sweat equity shares or equity shares with differential rights during FY2021.

Share capital

During FY2021, 898,270 equity shares, at applicable grant prices, were allotted to BFL Employee Welfare Trust under the BFL Employee Stock Options Scheme, 2009.

As on 31 March 2021, the paid-up share capital of the Company stood at ₹ 120.52 crore consisting of 602,587,339 equity shares of face value of ₹ 2 fully paid up.

Related party transactions

All contracts/arrangement/transactions entered by the Company during FY2021 with related parties were in compliance with the applicable provisions of the Act and SEBI Listing Regulations. Prior omnibus approval of the Audit Committee is obtained for all related party transactions which are foreseen and of repetitive nature. Pursuant to the said omnibus approval, details of transaction entered into is also reviewed by the Audit Committee on a quarterly basis.

All related party transactions entered during FY2021 were on arm's length basis and in the ordinary course of business of the Company under the Act and not material under the SEBI Listing Regulations or extant RBI guidelines. None of the transactions required members' prior approval under the Act or SEBI Listing Regulations.

Details of transactions with related parties during FY2021 are provided in the notes to the financial statements. There were no transaction requiring disclosure under section 134(3)(h) of the Act. Hence, the prescribed Form AOC-2 does not form a part of this report.

The Company has formulated a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits, duly approved by the Board. The Board has reviewed the policy and has not recommended any change to either the policy or prescribed threshold. The policy is available on the website of the Company at https://www.bajajfinserv.in/media/finance/downloads/policy-on-materiality-of-related-party-transactions.pdf and also forms a part to the Corporate Governance Report.

Material changes and commitments

There were no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year and the date of this report.

Conservation of energy

The operations of the Company are not energy intensive. The Company implements various energy conservation measures across all its functions and value chain, which are highlighted in the Business Responsibility Report.

Technology absorption

The details pertaining to technology absorption have been explained in the annexed Management Discussion and Analysis.

Foreign exchange earnings and outgo

During FY2021, the Company did not have any foreign exchange earnings and the foreign exchange outgo in terms of actual outflow amounted to ₹ 128.17 crore (FY2020 - ₹ 203.67 crore).

Risk management

The Board of Directors have adopted a risk management policy for the Company which provides for identification, assessment and control of risks which, in the opinion of the Board, may pose significant loss or threat to the Company.

The Company re-calibrated its risk management framework and approach to enable it to tide over the ongoing COVID-19 pandemic. These included:

- Tightening of underwriting and LTV norms across all businesses
- Buttressing of collection infrastructure and capacity
- Offering flexible payment options to the customers
- Pausing lending in B2C and commercial lending during the lockdown
- Building multiple scenarios on potential COVID-19 credit cost impacts taking into consideration lockdown, behaviour of moratorium customers, collection capacity management, changes in regulatory forbearance and response of the economy after the lockdown
- Proactive contingency provisioning to the tune of ₹ 672 crore

The above initiatives helped the Company to bounce back to pre-COVID levels in the risk metrics.

Further, during FY2021, the Board enhanced the scope of risk management committee to cover operational, reputational and market (investment) risk. The frequency of the meetings of the Risk Management Committee has been increased to have a closer oversight. Details of the Committee are given in the Corporate Governance Report.

As per RBI circular on Risk Management System – Appointment of Chief Risk Officer dated 16 May 2019, Fakhari Sarjan is the Chief Risk Officer (CRO) of the Company. Further, in terms of the said circular, an independent meeting of the CRO with the Board/Risk Management Committee in absence of the Managing Director is organised on a quarterly basis.

More detailed discussion on the Company's risk management and portfolio quality is covered in the Management Discussion and Analysis.

Corporate social responsibility (CSR)

The CSR Committee comprises of three directors viz., Rahul Bajaj, Sanjiv Bajaj and Dr. Naushad Forbes. Consequent to resignation of Rahul Bajaj w.e.f. close of business hours on 30 April 2021, the CSR Committee was re-constituted with induction of Rajeev Jain as its member and Sanjiv Bajaj, member, was designated as Chairman w.e.f. 1 May 2021. During FY2021, the Committee met three (3) times. The attendance record of members is given in the Annual Report on CSR activities.

Section 135 of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 (the 'CSR Rules') have been amended substantially with effect from 22 January 2021.

In terms of the provisions of the Act, read with the CSR Rules, the Annual Report on CSR activities under the format prescribed in Annexure II of the CSR Rules is annexed to this Report.

In line with the said amendments, the Board, at its meeting held on 27 April 2021, amended the existing Policy. The Policy is uploaded on the website of the Company and can be accessed at https://www.bajajfinserv.in/corporate-social-responsibility.pdf.

Further, in terms of the amended CSR Rules, Chief Financial Officer has certified that the funds disbursed have been utilized for the purpose and in the manner approved by the Board for FY2021.

Formal annual evaluation

Information on the manner in which formal annual evaluation is made by the Board of its own performance and that of its Committees, Chairperson and individual directors is given in the annexed Corporate Governance Report.

Significant and material orders

During FY2021, there were no significant or material orders passed by any regulator or court or tribunal impacting the going concern status and Company's operations in future.

In January 2021, the RBI imposed a monetary penalty of ₹ 2.50 crore on the Company for non-compliance with provisions of Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs. The Company maintains that this is neither financially significant nor material in nature and does not affect the going concern status of the Company. However, the Company has strengthened its collections infrastructure, institutionalised the framework for training of recovery agents and has taken other measures to ensure that such incidents do not recur.

Internal audit

At the beginning of each financial year, an audit plan is rolled out after approval of the Audit Committee. The audit plan is aimed at evaluation of the efficacy and adequacy of internal control systems and compliance thereof, robustness of internal processes, policies and accounting procedures and compliance with laws and regulations. Based on the reports of internal audit function process owners undertake corrective action in their respective areas.

Significant audit observations and corrective actions thereon are presented to the Audit Committee on quarterly basis.

RBI, through its circular dated 3 February 2021, has introduced risk based internal audit (RBIA) for NBFCs, by which applicable NBFCs shall put in place a RBIA framework by 31 March 2022.

On the recommendation of the Audit Committee, the Board has approved a RBIA framework, along with appropriate processes and plans for internal audit. This has been implemented from 1 April 2021.

Business continuity and cyber security

In the wake of COVID-19 pandemic, the Company swiftly leveraged its technological capabilities to ensure bandwidth availability, set-up virtual private networks, make laptops available wherever needed, and created multiple available platforms for collaboration and team meetings over digital media. This allowed operations to continue under the 'Work-from-Home' protocol. The Company also enabled remote access for identified IT vendors/partners to enable full resources for user support, DC support, application maintenance and testing. Simultaneously, the Company increased its thrust on digital capabilities to connect with customers for servicing and recovery during the lockdown period.

To improve its cyber security posture, the Company has migrated all its critical internet-facing properties behind a well-known cloud-based web application firewall to safeguard against web application attacks as well as distributed denial of service attacks.

Further, regular vulnerability assessment and penetration testing, review of segregation of duties, other audit and compliance testing(s) have ensured that the Company's information assets are safe and secure. An awareness program is conducted for all employees using the digital channel regarding cyber security. Employees of the Company are required to undergo a mandatory online learning module on information security and affirm that they have understood and are aware of the protocols to be followed. Regular information security related mailers are also sent to all employees for awareness and training purpose.

The Company will continue its focus on the automation of security orchestration to respond to cyber incidents through its security operations centre.

A detailed discussion on information systems, cyber security and information technology is covered under 'Management Discussion and Analysis'.

Information system audit

In terms of the Master Direction on Information Technology Framework for the NBFC Sector, NBFCs are required to have an information system audit at least once in two years. During FY2021, a system audit was conducted by a CERT-in empaneled audit firm. The areas audited were, *inter alia*, user access management, patch management, business continuity and disaster recovery, data protection and the information security management system framework. The audit revealed no major observations.

Internal financial controls

The Company has in place adequate financial controls commensurate with its size, scale and complexity of operations with reference to its financial statements. Internal financial controls of the Company are also similarly commensurate. These have been designed to provide reasonable assurance about recording and providing reliable financials information, ensuring integrity in conducting business, accuracy and completeness in maintaining accounting records and prevention and detection of frauds and errors.

Deposits

The Company accepts deposits from retail and corporate clients. As on 31 March 2021, it had a deposit book of ₹ 25,803.43 crore, delivering an annual growth of 20% in FY2021. Deposits contributed to 26% of BFL's standalone borrowings versus 21% as at the end of FY2020.

During FY2021, the Company accepted public deposits of ₹ 8,850.82 crore. Public deposits outstanding as at the end of the year aggregated to ₹ 18,961.23 crore.

Pursuant to provisions of the RBI Act, 1934, the Company has created a charge on statutory liquid assets amounting to ₹ 3,275.03 crore in favour of the trustee for FD holders.

During FY2021, the Company accepted inter corporate deposits (ICDs) of ₹ 4,550.59 crore. ICDs outstanding as on 31 March 2021 were ₹ 4,012.86 crore.

During FY2021, the Company accepted other deposits of ₹ 2,448.48 crore. Other deposit outstanding as on 31 March 2021 were ₹ 2,829.34 crore.

During FY2021, there was no default in repayment of deposits or payment of interest thereon.

As on 31 March 2021, there were 6 FDs amounting to ₹ 16.43 lakh which had matured and remained unclaimed and interest on matured deposits amounting to ₹ 0.18 lakh and interest on active deposits amounting to ₹ 0.95 lakh had also remained unclaimed.

To avoid piling up of unclaimed deposits, depositor's money shall be paid by default on maturity date through RTGS/NEFT unless renewal instructions have been submitted by the depositor. Wherever it is not possible to make the payment and the amount remains unclaimed, the following process has been adopted:

- Wherever payment of deposit amount and interest thereon is rejected by bank, the Company's customer service team calls the depositor to inform about the reason(s) for the rejection and advises them on the process of changing their linked bank account.
- In addition, SMS/email are also sent to depositors to inform them of rejection reason(s) which advise them to initiate appropriate action to update their bank details.
- In case of death of depositors, claim settlement process is advised to joint depositors/nominee/legal heir, as the case may be.
- Wherever resident status of the depositors has changed from Resident to Non-Resident, they are advised to submit updated FATCA/CRS declaration and to get their bank details updated.

Borrowings

The Company had established a Secured Euro Medium Term Note Programme for USD 1.5 billion listed on Singapore Exchange Securities Trading Ltd. during FY2020, to be utilised over a period.

During FY2021, the Company has availed external commercial borrowing (ECB) to the tune of USD 175 million in addition to USD 575 million availed during FY2020. The ECB is within overall borrowing limits approved by the shareholders of ₹ 160,000 crore.

During FY2021, the Company has issued non-convertible debenture to the tune of ₹ 8,213 crore and redeemed non-convertible debentures and subordinate debt to the tune of ₹ 10,619.30 crore and ₹ 228.70 crore respectively.

Credit rating

The brief details of the ratings received from credit rating agencies by the Company for its outstanding instruments is given in General Shareholder Information.

Whistle blower policy/vigil mechanism

The Company has a whistle blower policy encompassing vigil mechanism pursuant to the requirements of the section 177(9) of the Act and regulation 22 of the SEBI Listing Regulations. The Audit Committee reviews the functioning of the whistle blower policy. The policy/vigil mechanism enables directors and employees to report to the management their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy and leak or suspected leak of unpublished price sensitive information. More details are given in Corporate Governance Report.

The whistle blower policy is uploaded on the website of the Company and can be accessed at https://www.bajajfinserv.in/media/finance/downloads/whistle-blower-policy.pdf.

RBI guidelines

The Company continues to fulfil all the norms and standards laid down by RBI pertaining to non-performing assets, capital adequacy, statutory liquidity assets, etc. As against the RBI norm of 15%, the capital to risk-weighted assets ratio of the Company was 28.31% as on 31 March 2021. In line with the RBI guidelines for asset liability management (ALM) system for NBFCs, the Company has an asset liability committee, which meets monthly to review its ALM risks and opportunities.

The Company continues to be in compliance with the NBFC – Corporate Governance (Reserve Bank) Directions, 2015.

Statutory disclosures

- The financial statements of the Company and its subsidiaries are placed on the Company's website at https://www.bajajfinserv.in/finance-investor-relation-annual-reports.
- Details required under the provisions of section 197(12) of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, containing, *inter alia*, the ratio of remuneration of directors to median remuneration of employees, percentage increase in the median remuneration, are annexed to this Report.
- Details of top ten employees in terms of the remuneration and employees in receipt of remuneration as prescribed under rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, containing details prescribed under rule 5(3) of the said rules, which form part of the Directors' Report, will be made available to any member on request, as per provisions of section 136(1) of the Act.
- The Company being an NBFC, the provisions relating to Chapter V of the Act, i.e., acceptance of deposit, are not applicable. Disclosures as prescribed by Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and other NBFC regulations have been made in this Annual Report.
- The provision of section 148 of the Act relating to maintenance of cost records and cost audit are not applicable to the Company.
- The Company has a policy on prevention of sexual harassment at the workplace. The Company has complied with the provisions relating to the constitution of Internal Complaints Committee under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The number of complaints received, disposed of and pending during FY2021 is given in the annexed 'Corporate Governance Report'.
- There is no change in the nature of business of the Company during FY2021.
- The Company has not defaulted in repayment of loans from banks and financial institutions.
- There were no delays or defaults in payment of interest/principle of any of its debt securities.
- The Managing Director, as per the terms of his appointment, does not draw any commission or remuneration from subsidiary company. Hence, no disclosure as required under section 197(14) of the Act has been made.
- Disclosures pursuant to RBI Master Directions, unless provided in the Directors' Report, form part of the notes to the standalone financial statements.

Corporate governance

In terms of the SEBI Listing Regulations, a separate section titled Report on Corporate Governance has been included in this Annual Report, along with the Management Discussion and Analysis and report on General Shareholder Information.

All Board members and senior management personnel have affirmed compliance with the Company's code of conduct for FY2021. A declaration to this effect signed by the Managing Director is included in this Annual Report.

The Managing Director and the Chief Financial Officer have certified to the Board in relation to the financial statements and other matters as specified in the SEBI Listing Regulations.

A certificate from auditors of the Company regarding compliance of conditions of corporate governance is annexed to this Report.

Business responsibility report (BRR)

According to the provisions of the SEBI Listing Regulations, BRR has been hosted on the website and can be accessed at https://www.bajajfinserv.in/finance-investor-relation-annual-reports. The BRR highlights the initiatives, actions, process and the way Company conducts its business in line with its environmental, social and governance obligations.

Secretarial standards of ICSI

The Company has complied with the requirements prescribed under the Secretarial Standards on meetings of the Board of directors (SS–1) and general meetings (SS–2) read with the MCA Circulars granting exemptions in view of the COVID-19 pandemic.

Statutory auditors

In terms of section 139 of the Act, S R B C & CO LLP, Chartered Accountants, (Firm Registration No. 324982E/E300003) were appointed as statutory auditors of the Company to hold office from the conclusion of the 30th AGM of the Company till the conclusion of the 35th AGM. The statutory auditors have confirmed they are not disqualified from continuing as auditors of the Company.

The audit report by S R B C & CO LLP, for FY2021 is unmodified, i.e., it does not contain any qualification, reservation or adverse remark or disclaimer.

In terms of the RBI Master Directions – Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016, the auditors have also submitted an additional report dated 21 July 2020, for FY2020 which has been filed with RBI. There were no comments or adverse remarks in the said report.

Secretarial auditor

Pursuant to the provisions of section 204 of the Act, the Board has appointed Shyamprasad D. Limaye, practising company secretary (FCS No. 1587, CP No. 572), to undertake secretarial audit of the Company.

A report from the secretarial auditor in the prescribed Form MR-3 is annexed to this Report. It does not contain any qualification, reservation or adverse remark or disclaimer.

In addition to the above and pursuant to SEBI circular dated 8 February 2019, a report on secretarial compliance issued by Shyamprasad D. Limaye for FY2021 has been submitted with the stock exchanges. There are no observations, reservations or qualifications in that report.

As per regulation 24A of the SEBI Listing Regulations, a listed company is required to annex a secretarial audit report of its material unlisted subsidiary to its Directors Report. The secretarial audit report of BHFL, a material subsidiary (though a debt listed company) for FY2021 is annexed herewith.

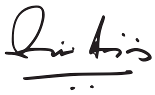
The auditors, i.e., statutory auditors and secretarial auditors have not reported any matter under section 143(12) of the Act, and therefore, no details is required to be disclosed under section 134(3)(ca) of the Act.

Acknowledgement

The Board places its gratitude and appreciation for the support and cooperation from its members, the RBI and other regulators, banks, financial institutions, trustees for debenture holders and fixed deposit holders.

The Board also places on record its sincere appreciation for the commitment and hard work put in by the management and the employees in these trying times.

On behalf of the Board of directors



Sanjiv Bajaj
Chairman

27 April 2021

Dividend Distribution Policy

Pursuant to Regulation 43A of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Dividend Distribution Policy for the company is as under:

- The financial strategy of the company, which encompasses the dividend policy, is primarily aimed at enhancement of long-term shareholder value and sustainable growth, in a way that the shareholders can participate equitably in the company's growth, while maintaining a strong financial foundation for the company.

- The dividend distribution will be subject to internal & external factors, such as, general economic & market conditions, funding requirements for expansion, diversification, growth, new projects, brand / business acquisitions, long-term strategic plans, joint- venture plans, fresh investments in subsidiaries / associates, absorbing unfavourable market conditions, meeting unforeseen contingencies and other circumstances, which in the opinion of the Board, require retention of profits.

- The Board shall endeavour that the Dividend amount in every financial year will be stable and steady. Subject to profits & other financial parameters as per applicable legal provisions, the Board will endeavor to maintain a dividend payout (including dividend distribution tax, if any) in the range of 15% to 25% of profit after tax on standalone basis, subject to the applicable regulations and to the extent possible.

- Final dividend will be recommended by the Board for approval of the shareholders in a general meeting, while interim dividend, if any, may be declared by the Board. The company currently has only one class of shares, i.e. equity shares.

This Policy is subject to review from time to time.

Pune: 15 March 2021 Chairman

Remuneration details under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended for the financial year ended 31 March 2021

Name of director/key managerial personnel	Ratio of remuneration of director to median remuneration of employees	% increase /(decrease) in remuneration in FY2021
A. Whole time director		
Rajeev Jain – Managing Director	211.88	3.98
B. Non- executive directors		
Sanjiv Bajaj – Chairman	8.00	12.50
Rahul Bajaj	2.67	(33.33)
Madhur Bajaj	2.67	50.00
Rajiv Bajaj	2.67	20.00
Dipak Poddar	4.45	233.33
Ranjan Sanghi	6.22	0.00
D J Balaji Rao	2.67	(14.29)
Dr. Omkar Goswami	7.56	41.67
Dr. Gita Piramal	3.11	(22.22)
Dr. Naushad Forbes	4.45	25.00
Anami N Roy	3.56	14.29
C. Key Managerial Personnel		
Rajeev Jain, Managing Director		3.98
Sandeep Jain, Chief Financial Officer		23.30
R Vijay, Company Secretary		32.93
D. % increase /(decrease) in median remuneration of employees other than managing director		(4.40)
E. Number of permanent employees on the rolls of the Company as on 31 March 2021		26,112

Notes:

- Remuneration payable to non-executive directors /independent directors is based on the number of meetings of the Board and/or Committees attended by them during the year. The amount of Commission payable to non-executive directors is fixed at ₹ 200,000/- per meeting
- Remuneration to directors does not include sitting fee paid to them for attending Board and/or Committee meetings.
- There has been no change in the payment criteria for remuneration to non-executive / independent directors. The variation reflected in the column % increase in remuneration in FY2021 is either due to the tenure of directorship, change in the committee composition, membership, chairmanship.

Notes on disclosures under Rule 5

1. Average percentage increase in salary of employees other than Managing Director is 4.34%.
2. Percentage increase in remuneration of Managing Director is 3.98%. The increase in remuneration of Managing Director is keeping in view his duties and responsibilities, the performance of the Company and trend of remuneration in industry.
3. The remuneration paid as above is as per the Remuneration Policy of the Company.
4. The increase in the remuneration of KMPs is primarily on account of performance bonus of FY2020 paid in FY2021.

Annual Report on CSR activities for the financial year ended 31 March 2021

1. **Brief outline of Company's CSR Policy**

Introduction

The vision and philosophy of late Shri Jamnalal Bajaj, the founder of Bajaj Group, guides the Corporate Social Responsibility (CSR) activities of the group. He embodied the concept of trusteeship in business and common good, and laid the foundation for ethical, value-based and transparent functioning.

Bajaj Group believes that true and full measure of growth, success and progress lies beyond balance sheets or conventional economic indices. It is best reflected in the difference that business and industry make to the lives of people.

Through its social investments, Bajaj Group addresses the needs of communities residing in the vicinity of its facilities by taking sustainable initiatives in the areas of health, education, environment conservation, infrastructure and community development, and response to natural calamities. For society, however, Bajaj is more than a corporate identity. It is a catalyst for social empowerment and the reason behind the smiles that light up a million faces.

It is this goodwill that has made us work towards 'Activating Lives'.

Guiding principles

The Company believes that social investments should:

- **Benefit Generations:** 'Investment in resource creation' for use over generations.
  The Company tries to identify sustainable projects which will benefit the society over long periods.
- **Educate for Self-Reliance and Growth:** To usher in a growth-oriented society and thereby a very strong and prosperous nation, by educating each and every Indian.
- **Promote Health:** Good health is a pre-requisite for both education and productivity.
- **Encourage for Self Help:** To guide and do hand holding for self-help, individually and collectively to create excellence for self and for the team.
- **Be Focused:** Activities should be focused around locations where it has a presence and hence can effectively guide, monitor and implement specific projects.
- **Target those who need it most:** Care for the sections of the society, which are socially at the lowest rung irrespective of their religion or caste or language or colour.
- **Sustain Natural Resources:** Encourages balanced development and ensures least adverse impact on environment – Growth with Mother Nature's–blessings.

Brief Contents of CSR Policy

Section 135 of the Companies Act, 2013 (the 'Act') and the Companies (Corporate Social Responsibility Policy) Rules, 2014 have been amended substantially w.e.f. 22 January 2021. Accordingly, the CSR policy which was framed by the Company on 14 May 2014 has been amended on 27 April 2021, with approvals of the CSR Committee and Board of directors.

The policy, *inter alia*, covers the following:

- Philosophy, approach and direction;
- Guiding principles for selection, implementation and monitoring of activities; and
- Guiding principles for formulation of Annual Action Plan.

2. Composition of CSR Committee

Sr. No.	Name of director	Designation	Number of meetings of CSR Committee held during FY2021	Number of meetings attended
1.	Rahul Bajaj	Chairman	3	3
2.	Sanjiv Bajaj	Member		3
3.	Dr. Naushad Forbes	Member		2

Consequent to resignation of Rahul Bajaj, the Committee was re-constituted with induction of Rajeev Jain as its member and Sanjiv Bajaj, member, was designated as Chairman w.e.f. 1 May 2021.

3. Web-link where the following are disclosed on the website of the Company

   a. Composition of CSR Committee : https://www.bajajfinserv.in/finance-investor-relations-composition-of-the-committe

   b. CSR Policy : https://www.bajajfinserv.in/corporate-social-responsibility.pdf

   c. CSR Projects approved by Board : https://www.bajajfinserv.in/corporate-social-responsibility.pdf

4. Details of impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report) : Not applicable

5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any : Not applicable

6. Average net profit of the Company as per section 135(5) : ₹ 5,327.40 crore

7. (a) Two percent of average net profit of the Company as per section 135(5) : ₹ 106.55 crore

   (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years : NIL

   (c) Amount required to be set off for the financial year, if any : NIL

   (d) Total CSR obligation for the financial year (7a+7b-7c) : ₹ 106.55 crore

8. (a) CSR amount spent or unspent for the financial year :

Total Amount Spent for the financial year (in ₹)	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
107.07 crore	Not applicable, since there is no unspent amount				

(b) Details of CSR amount spent against ongoing projects for FY2021:

Sr. No.	Name of the Project	Item from the list of activities in Schedule VII	Local area (Yes/No)	Location of the project – State	Location of the project – District	Project duration* (in months)	Amount allocated for the project (₹ In crore)	Amount spent in the current financial year (₹ In crore)	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through Implementing Agency – Name
1.	Healthy Motherhood-Healthy Childhood and Targeting the Hardcore Poor (THP)	Rural Development (x)	Yes	Rajasthan	Sikar, Dungarpur	42	26.11	7.50	No	Bandhan Konnagar
2.	COEP Construction	Education (ii)	Yes	Maharashtra	Pune	36	7.41	7.41	No	Jankidevi Bajaj Gram Vikas Sanstha
3.	School for the children for Holistic & Optimistic Learning (SCHOOL)	Education (ii)	Yes	West Bengal	Aranghata, Nadia	22	12.00	6.50	No	Bandhan Konnagar
4.	Addressing issues of Child Protection and Nutrition	Healthcare and promoting gender equality (i) and (iii)	Yes	Maharashtra and Rajasthan	Maharashtra (Gadchiroli, Wardha, Nandurbar, Latur, Nanded, Parbhani, Jalna, Ahmednagar, Aurangabad and Pune) Rajasthan (Bharatpur, Alwar, Sikar, Baran and Ajmer)	30	9.46	6.00	No	Child Rights and You (CRY)
5.	Certificate Program for Banking, Finance and Insurance. CPBFI - Fee subsidy and Awareness Campaign Costs	Education (ii)	Yes	Pan India	-	15	14.05	2.77	Yes	-
6.	School for the children for Holistic & Optimistic Learning (SCHOOL)	Education (ii)	Yes	West Bengal	Duttapukur, Taldih	18	12.00	2.50	No	Bandhan Konnagar
7.	Support for non-formal centers	Education (ii)	Yes	West Bengal	Maida, Coochbihar, South Dinajpur, North 24 Pgs, South 24 Pgs, Murshidabad, North Dinajpur	54	9.66	2.42	No	Bandhan Konnagar
8.	Comprehensive Day Care for children living on construction sites	Healthcare (i)	Yes	Maharashtra	Mumbai	26	1.45	1.40	No	Mumbai Mobile Creches
9.	To and through College	Education (ii)	Yes	Maharashtra	Pune	39	1.15	1.15	No	I-Teach Movement
10.	Night School Transformation Programme	Education (ii)	Yes	Maharashtra	Mumbai	40	3.00	1.05	No	Masoom
11.	Early Childhood Care in Rural areas	Healthcare (i)	Yes	Rajasthan	Udaipur	40	3.00	1.00	No	Seva Mandir
12.	For different projects such as providing education to autistic and slow learner children, Community based management of Disability-Childhood to Livelihood, Holistic nutrition support to underprivileged Children afflicted with Cancer, Mother & Child Care, Construction of School Building, Comprehensive Tribal Model Village Development Program, Imparting Vocational Training And Rehabilitation Services etc (expenditure on above project is below ₹ 1 crore per project)	Setting up homes and hostels (iii), Healthcare (i), Environment Education (ii) etc.	Yes	For different locations in Maharashtra, Rajasthan, Uttarakhand and PAN India in both local areas and elsewhere.		13 to 60	35.47	9.75	No	AARAMBH Society for Autism and Slow Learner Children, Apnalaya, Cuddles Foundation, Dr. M. L. Dhawale Memorial Trust, Hutatma Smarak Samiti, KEM Hospital Research Centre, Poona Blind Men's Association,etc.
	Total							**49.45**		

* For any project where the duration is more than 48 months or 4 years that projects are approved before the new CSR law came into implementation.

Note:

There is no amount transferred to unspent CSR account for any of the projects as per section 135(6) of the Act.

(c) Details of CSR amount spent against other than ongoing projects FY2021:

Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project		Amount spent for the project (₹ In crore)	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through implementing agency
				State	District			Name
1	Integrated Development Program	Livelihoods (ii)	Yes	Pan India	NA	15.85	No	Jankidevi Bajaj Gram Vikas Sanstha
2	Creation of COVID response fund in JBGVS	Healthcare (i)	Yes	Maharashtra	Pune	11.28	No	Jankidevi Bajaj Gram Vikas Sanstha
3	Integrated Rural and Urban Development Program 2021-22	Rural Development (x)	Yes	Maharashtra	Pune	5.70	No	Jankidevi Bajaj Gram Vikas Sanstha
4	CSR Contribution for COVID-19	PM Fund (viii)	Yes	Pan India	NA	3.61	Yes	-
5	Free Cleft reconstruction surgeries of children from poor families	Healthcare (i)	Yes	Pan India	NA	3.12	No	Smile Train
6	Rahul Bajaj Technology Innovation Centre	Technology Incubator (xi)	Yes	Maharashtra	Mumbai	2.50	No	Indian Institute of Technology
7	Campaign against trafficking and Child rape	Promoting Gender Equality(iii)	Yes	Maharashtra, Rajasthan	Multiple Districts	1.90	No	Kailash Satyarthi Children's Foundation.
8	COVID Care Center	Healthcare (i)	Yes	Maharashtra	Pune	1.88	No	Jankidevi Bajaj Gram Vikas Sanstha
9	Enabling Financial Inclusion through development of software product ecosystem	Eradicating Poverty (i)	Yes	Pan India	NA	1.50	No	ISPIRT
10	CSR Management Cost	Rural Development (x)	Yes	Maharashtra	Pune	1.50	No	Jankidevi Bajaj Gram Vikas Sanstha
11	Health activities and awareness pertaining to COVID-19	Health (i)	Yes	Maharashtra, Rajasthan	Maharashtra (Gadchiroli, Wardha, Nandurbar, Latur, Nanded, Parbhani, Jalna, Ahmednagar, Aurangabad, Pune) Rajasthan (Bharatpur, Alwar, Sikar, Baran, Ajmer)	1.23	No	CRY (through JBGVS)
12	The School Project	Education (ii)	Yes	Maharashtra	Pune	1.15	No	The Akanksha Foundation
13	Support to purchase instruments to create isolation and quarantine center at PCMC MCCIA	Healthcare (i)	Yes	Maharashtra	Pune	1.00	No	Jankidevi Bajaj Gram Vikas Sanstha
14	For different projects such as health services provided for funding for 120 surgeries of children diagnosed with Congenital Heart Disease, Support for HIV/AIDS infected children rehabilitation project, Purchasing School Bus, Free Cleft reconstruction surgeries of children from poor families, Infrastructure development for new location at ZEP Rehabilitation Center etc. (expenditure on above project is below ₹ 1 crore per project)	Education (ii), Heathcare (i), Homes and hostels for orphans (ii)	Yes	For different locations in Maharashtra, Rajasthan, Uttarakhand and PAN India in both local areas and elsewhere.		3.18	No	Hrudaya Cure A Little Heart Foundation, Infant India, Kamayani Prashikshan and Sanshodhan Society. Smile Train, Zep foundation, etc.
	Total					**55.39**		

Note:
Information on CSR Registration number for the implementing agencies is not given in point 8(b) and (c), since the process of registration is yet to commence at MCA's end.

(d) Amount spent in administrative overheads : ₹ 2.23 crore

(e) Amount spent on impact assessment, if applicable : NIL

(f) Total amount spent for the financial Year (8b+8c+8d+8e) : ₹ 107.07 crore

(g) Excess amount for set off, if any

Sr. No.	Particulars	Amount (₹ In crore)
(i)	Two percent of average net profit of the company as per section 135(5)	106.55
(ii)	Total amount spent for the financial year	107.07
(iii)	Excess amount spent for the financial year [(ii)-(i)]	0.52
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	-
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	0.52

9.	(a) Details of Unspent CSR amount for the preceding three financial years	:	Not applicable
	(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s)	:	Not applicable
10.	In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year	:	Not applicable
11.	Specify the reason(s), if the company has failed to spend two percent of the average net profit as per section 135(5)	:	Not applicable

Rajeev Jain
Managing Director

Sanjiv Bajaj
Chairman, CSR Committee

Date: 27 April 2021

CSR AT BAJAJ FINANCE AND BAJAJ FINSERV GROUP COMPANIES

FINSERV ACTIVATE

The Bajaj Group's humanitarian philosophy was articulated by Shri Jamnalalji Bajaj, who had advised that all business activities should look for opportunities for philanthropy and that these philanthropic contributions to society should be above any thought of business gains. As the Government of India implemented Corporate Social Responsibility rules in 2014, the Bajaj Group of Companies significantly scaled up its activities in the social development space. The Group has collaborated with more than 300 NGO partners – the projects supported are in health, education, women's empowerment, and environmental sustainability – and has made fund allocations of over ₹ 13,000 crore till date.

Healthcare and child welfare are the two main focus areas in the Group's philanthropic work. Specifically, the Group companies support interventions in fighting malnutrition; reaching out to underserved communities with holistic healthcare facilities; and provision of shelter for street children.

Healthcare

The absence of affordable healthcare is one of the main challenges for India, and this drawback leads to high maternal and infant mortality rates and malnourishment as well as widespread communicable and non-communicable diseases. The Bajaj Group strives to mitigate this through a wide variety of projects that provide vulnerable communities with access to best-in-class treatment for paediatric cancer, epilepsy, diabetes, heart ailments, etc.

In addition to direct tertiary care (which is the level of care where sophisticated healthcare infrastructure is required), our programmes with our NGO partners Bandhan (Konnagar, West Bengal) and CRY (Rajasthan) also seek to provide healthcare to expecting mothers and children in rural areas.

Ensuring child health in the first few years of their life, when the growth spurt occurs, is a key priority. The prevalence of underweight children in India is among the highest in the world, and malnourished children often either perish early or grow up with diseases. The Bajaj Group has supported a diverse range of interventions addressing this issue in 500+ remote tribal villages across India – conventional nutrition support in districts of Maharashtra (Gadchiroli, Nandurbar, Palghar, Amravati); technology-led mother and child healthcare in tribal areas of southern Rajasthan; and revival of traditional millet superfoods by gene campaign in Uttarakhand.

Child Protection

The Group's support for child protection and shelter programmes –implemented by Rainbow Homes, SOS, Pride, Tara Mobile Creche, Janaseva Foundation, Seva Mandir, and others – provides vulnerable children with protection and also education and life skills. In many cases, a safe shelter for the children enables their parents to undertake their economic activities. Together, these protection-focused interventions reach more than 2.5 lakh children, and entail a commitment of over ₹ 100 crore.

COVID-19 response

On March 26, 2020, the day the Government of India imposed the nationwide lockdown to curb the spread of the novel coronavirus, the Bajaj Group pledged ₹ 100 crore to the fight against COVID-19. Working with the Government of India and a network of 200+ NGO partners, the Group made a commitment to ensure that resources like healthcare and other necessities of life reach those who need it the most. The Group made a contribution of ₹ 47 crore towards the upgrade of key healthcare infrastructure across Pune, Sikar, Udham Singh Nagar, and Aurangabad.

The focus was on upgrading the Urban, Rural and Peri-urban facilities via the provision of equipment and consumables, and by supporting the operation of COVID-19 care units and isolation wards. Critical equipment was provided to the tertiary care facilities in our core districts and 21 facilities were targeted for key healthcare upgrade in a phased manner. These facilities have played a key role during the second wave of the pandemic.

In related programmes, the Group reached out to people left in deep distress by the stoppage of economic activities following the lockdown. More than 20 lakh meals were distributed in Pune and Aurangabad; 10,000 dry ration packets and equivalent were distributed in Sikar; and more than 40 lakh meals/ration equivalent were given to migrants in Maharashtra, Uttarakhand, and Rajasthan.

Supporting distressed livelihoods was a key part of the Group's strategy in the first wave of the pandemic. Projects were initiated with Jankidevi Bajaj Gram Vikas Sanstha (JBGVS), Sasakawa India Leprosy Foundation, Pradan, Sahjeevan, Gramin Evam Samajik Vikas Sanstha, iCreate India, SVP-Jagruti, Aarohi, and Reanalysis (in collaboration with JBGVS) to start pilots on livelihood, focusing on geographies that had seen the return of migrant workers, so that they would not remain unemployed.

Employment

Banking, financial service and insurance (BFSI) is a growing sector in India that requires very specific attitude, skills, and domain knowledge. To help fresh graduates and final-year undergraduate students to make a career in BFSI, a special course has been designed by Bajaj Finserv. This course, CPBFI (a customised certificate programme in banking, finance, and insurance) not only increases the employability of the Indian youth, but also creates a local talent pool for the BFSI sector in Tier 2 and 3 cities.

To design the course, the Group has partnered with a top management school and experts in the field of mental health. The CPBFI training is imparted by a team of corporate trainers, who go beyond the curriculum and share their corporate experience with the students, becoming their mentors in the process.

A final round of interviews is conducted by recruiters from Bajaj Finserv and its subsidiaries, where the students gain experience of a corporate recruitment process and receive feedback about their own readiness for the industry. Bajaj Finserv has already conducted 2 job fairs on a pilot basis. Going forward, a placement division would be set up to provide employment opportunities for the CPBFI alumni in BFSI and allied sectors. The project is functional across 9 states and 55 districts and more than 9,500 students have benefited from the programme.

Secretarial audit report (Form MR-3)

[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

For the financial year ended 31 March 2021

To,
The Members of
Bajaj Finance Ltd.
(CIN: L65910MH1987PLC042961)
Akurdi, Pune 411 035

I have conducted the secretarial audit of the compliance of applicable statutory provisions and adherence to good corporate practices by **Bajaj Finance Ltd.** (hereinafter called as 'the Company'). Subject to limitation of physical interaction and verification of records caused by COVID-19 pandemic lock down while taking review after completion of financial year, the Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on my verification of the Company, books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit and subject to letter annexed herewith, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March 2021, complied with the applicable 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:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March 2021, according to the provisions of:

1) The Companies Act, 2013 (the 'Act') and the rules made thereunder;
2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
4) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
5) The following regulations and guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable: -
    (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
    (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended;
    (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
    (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
    (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
    (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
    (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
    (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 and The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018; and
    (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

6) Rules, regulations and guidelines issued by the Reserve Bank of India as are applicable to Deposit taking Non-Banking Financial Companies with classification as a 'Loan Company' (subsequently reclassification as 'NBFC - Investment and Credit Company (NBFC-ICC)' vide RBI circular dated 22 February 2019); which are specifically applicable to the Company.

I have also examined compliance with the applicable clauses of the following:-

(i) Secretarial Standards pursuant to section 118(10) of the Act, issued by the Institute of Company Secretaries of India.

(ii) Listing Agreements entered into by the Company with BSE Limited and National Stock Exchange of India Limited as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

During the period under review the Company has complied with the provisions of the Act, rules, regulations, directions, guidelines, standards, etc. mentioned above.

Further I would like to report following:

The Reserve Bank of India (RBI) has, vide its order dated 5 January, 221, imposed a monetary penalty of ₹ 2.5 crore on the Company for non-compliance with direction issued by RBI on Managing Risks and Code of conduct in outsourcing Financial Services by NBFC's and Fair Practices Code for applicable NBFCs contained in the Non-Banking Financial Company -Systemically Important Non Deposit taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016.
The penalty has been imposed in exercise of powers conferred to RBI under the provisions of section 58G(1)(b) read with section 58B(5)(aa) of the RBI Act, 1934.

I further report that the Board of directors of the Company is duly constituted with proper balance of executive directors, non-executive directors and independent directors including one woman director. There is no change in the composition of the Board of Directors during the period under review.

Adequate notice is given to all directors to schedule the Board meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting by the directors. The decisions were carried unanimously.

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

I further report that, during FY2021 the Company has,

1. Allotted 50,000 equity shares of ₹ 2/- each on 24 June 2020 and 848,270 equity shares of ₹ 2/- each 8 July 2020 to BFL Employee Welfare Trust under ESOP Scheme, 2009.

2. Allotted 70,980 non-convertible debentures amounting to ₹ 7,098 Crore on private placement basis from time to time and complied with the rules and regulations under various Acts. The Company has raised ₹ 1,115 crore towards unsecured non-convertible debentures.

3. Applied fresh for compounding on 13 October 2020, for contraventions made on 1 April 2009 and 4 November 2011 year under section 297(1) of Companies Act, 1956 as it had not received any order on earlier compounding application.

I further report that during the audit period there was no other event/action having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, and standards.

Shyamprasad D. Limaye
FCS 1587 CP 572
UDIN: F001587C000186178

Pune: 27 April 2021

To,
The Members,
Bajaj Finance Limited
Akurdi, Pune 411035

My Secretarial Audit Report for Financial Year ended on 31 March 2021 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.

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

3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of event etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.

6. 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.

Shyamprasad D. Limaye
FCS 1587 CP 572
UDIN F001587C000186178

Pune: 27 April 2021

Secretarial audit report form no. MR-3 of Subsidiary Company

[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

For the financial year ended 31 March 2021

To,
The Members of
Bajaj Housing Finance Limited,
(CIN: U65910PN2008PLC132228)
Bajaj Auto Ltd. Complex, Mumbai-Pune Road,
Akurdi, Pune-411 035

I have conducted the secretarial audit of the compliance of applicable statutory provisions and adherence to good corporate practices by **Bajaj Housing Finance Limited** (hereinafter called as 'the company'). Subject to limitation of physical interaction and verification of records caused by COVID-19 pandemic lock down while taking review after completion of financial year, the secretarial audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the company books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the company, its officers, agents and authorised representatives during the conduct of secretarial audit and subject to letter annexed herewith, I hereby report that in my opinion, the company has during the audit period covering the financial year ended on 31 March 2021, complied with the applicable 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:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31 March 2021, according to the provisions of:

1) The Companies Act, 2013 (the 'Act') and the rules made thereunder;

2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

4) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

5) The following regulations and guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable: -

    (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

    (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

    (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

    (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

    (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

    (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

    (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 and The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018; and

(i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

6) Rules, regulations, directions and guidelines issued by the National Housing Bank as are applicable to the Company;

I have also examined compliance with the applicable clauses of the following:-

(i) Secretarial Standards pursuant to section 118(10) of the Act, issued by the Institute of Company Secretaries of India.

(ii) Listing Agreement entered into by the Company with BSE Limited (for debentures) as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During FY2021 the company has complied with the provisions of the Act, rules, regulations, guidelines, standards, etc. mentioned above.

I further report that the board of directors of the company is duly constituted with proper balance of executive directors, non-executive directors and independent directors including one woman director. The changes in the composition of the board of directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notices were given to all directors to schedule the board meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting by the directors. The decisions were carried unanimously.

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

I further report that, during the period, the company has:

(i) Allotted 107,510 secured non-convertible debentures amounting to ₹ 1,975.00 crore on private placement basis from time to time and complied with the rules and regulations under various Acts. The company has also received ₹ 252 crore on unsecured non-convertible debentures.

I further report that during the audit period there was no other event/action having major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc. referred to above.

Shyamprasad D. Limaye
FCS 1587 CP 572
UDIN F001587C000175486

Pune: 26 April 2021

To,
The Members,
Bajaj Housing Finance Limited,
Bajaj Auto Ltd. Complex, Mumbai-Pune Road,
Akurdi, Pune -411 035.

My Secretarial Audit Report for the Financial Year ended on 31 March 2021 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.

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

3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of event etc.

5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.

6. 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.

Shyamprasad D. Limaye
FCS 1587 CP 572
UDIN F001587C000175486

Pune: 26 April 2021

Independent Auditor's Report on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

To
The Members of
Bajaj Finance Limited

1. The Corporate Governance Report prepared by Bajaj Finance Limited (hereinafter the "Company"), contains details as specified in regulations 17 to 27, clauses (b) to (i) of sub – regulation (2) of regulation 46 and para C, D, and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("the Listing Regulations") ("Applicable criteria") for the year ended March 31, 2021 as required by the Company for annual submission to the Stock exchanges.

Management's Responsibility

2. The preparation of the Corporate Governance Report is the responsibility of the management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.

3. The management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to provide a reasonable assurance in the form of an opinion whether, the Company has complied with the conditions of Corporate Governance as specified in the Listing Regulations.

5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

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

7. The procedures selected depend on the auditor's judgement, including the assessment of the risks associated in compliance of the Corporate Governance Report with the Applicable Criteria. Summary of procedures performed include:

   i. Read and understood the information prepared by the Company and included in its Corporate Governance Report;

   ii. Obtained and verified that the composition of the Board of Directors with respect to executive and non-executive directors has been met throughout the reporting period;

   iii. Obtained and verified the Register of Directors as on March 31, 2021 and verified that atleast one independent woman director was on the Board of Directors throughout the year;

iv. Obtained and read the minutes of the following meetings held from April 1, 2020 to March 31, 2021:
   (a) Board of Directors;
   (b) Audit Committee;
   (c) Annual General Meeting (AGM)
   (d) Nomination and Remuneration Committee;
   (e) Stakeholders Relationship Committee;
   (f) Risk Management Committee

v. Obtained necessary declarations from the directors of the Company;

vi. Obtained and read the policy adopted by the Company for related party transactions;

vii. Obtained the schedule of related party transactions during the year and balances at the year-end. Obtained and read the minutes of the audit committee meeting wherein such related party transactions have been pre-approved by the audit committee;

viii. Performed necessary inquiries with the management and also obtained necessary representations from management.

8. The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

Opinion

9. Based on the procedures performed by us, as referred in paragraph 7 above, and according to the information, explanations and representations provided to us by the management, we are of the opinion that the Company has complied with the conditions of Corporate Governance as specified in the Listing Regulations, as applicable for the year ended March 31, 2021.

Other matters and Restriction on Use

10. This report is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

11. This report is addressed to and provided to the members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership No.: 213935
UDIN:

Pune: 27 April 2021

Declaration by Chief Executive Officer (MD)

[Regulation 34(3) read with schedule V (Part D) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,
The board of directors
BAJAJ FINANCE LIMITED

I, Rajeev Jain, Managing Director of Bajaj Finance Limited hereby declare that all the board members and senior managerial personnel have affirmed compliance with the code of conduct of the company laid down for them for the year ended 31 March 2021.

Rajeev Jain
Managing Director

Pune : 20 April 2021

Certificate by practising company secretary

[Pursuant to schedule V read with regulation 34(3) of the SEBI Listing Regulations (as amended)]

In the matter of Bajaj Finance Ltd. (CIN: L65910MH1987PLC042961) having its registered office at Akurdi, Pune - 411 035.

On the basis of examination of the books, minute books, forms and returns filed and other records maintained by the Company and declarations made by the directors and explanations given by the Company and subject to limitation of physical interaction and verification of records caused by COVID-19 pandemic lock down;

I certify that the following persons are directors of the Company (during 01/04/2020 to 31/03/2021) and none of them **have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority:**

Sr. No.	Name of director	DIN	Designation
1	Sanjivnayan Rahulkumar Bajaj	00014615	Chairman*
2	Rahulkumar Kamalnayan Bajaj	00014529	Non- executive director#
3	Rajeev Jain	01550158	Managing Director
4	Madhurkumar Ramkrishnaji Bajaj	00014593	Non- executive director
5	Rajivnayan Rahulkumar Bajaj	00018262	Non- executive director
6	Dipak Kumar Poddar	00001250	Independent director
7	Ranjan Surajprakash Sanghi	00275842	Independent director
8	Balaji Rao Jagannathrao Doveton	00025254	Independent director
9	Omkar Goswami	00004258	Independent director
10	Gita Piramal	01080602	Independent director
11	Naushad Darius Forbes	00630825	Independent director
12	Anami Narayan Prema Roy	01361110	Independent director

* appointed as a Chairman w.e.f. 1 August 2020.
\# Chairman up to close of business hours on 31 July 2020.

Place : Pune
Date : 27 April 2021
UDIN : F001587C000186233

Shyamprasad D. Limaye
FCS. 1587 C.P. No. 572

STANDALONE FINANCIAL STATEMENTS

Independent Auditors’ Report on the Standalone Financial Statements

To the Members of **Bajaj Finance Ltd.**

Opinion

We have audited the accompanying standalone financial statements of Bajaj Finance Ltd. (‘the Company’), which comprise the Balance Sheet as at 31 March 2021, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013, as amended (‘the Act’) in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2021, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs), as 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 standalone 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 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 audit opinion on the standalone financial statements.

Emphasis of matter

We draw attention to note 2.1 to the standalone financial statements, which describes the uncertainty caused by the continuing COVID-19 pandemic and the related probable events which could impact the Company’s estimates of impairment of loans to customers. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements for the financial year ended 31 March 2021. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the standalone financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone financial statements.

Independent Auditors' Report on the Standalone Financial Statements (Contd.)

Key audit matters	How our audit addressed the key audit matter
(a) Impairment of financial assets as at balance sheet date (expected credit losses) (as described in note 9 of the standalone financial statements)	
Ind AS 109 requires the Company to provide for impairment of its loan receivables (designated at amortised cost and fair value through other comprehensive income) using the expected credit loss (ECL) approach. ECL involves an estimation of probability weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the Company's loans and advances. In the process, a significant degree of judgement has been applied by the Management for: • Staging of loans [i.e. classification in 'significant increase in credit risk' ('SICR') and 'default' categories]; • Grouping of borrowers based on homogeneity by using appropriate statistical techniques; • Estimation of behavioral life; • Determining macro-economic factors impacting credit quality of receivables; • Estimation of losses for loan products with no/ minimal historical defaults. **Additional considerations on account of COVID-19** Considering the evolving nature of the COVID-19 pandemic, which has continued to impact the Company's business operations, resulting in higher loan losses, the Company has maintained a Management overlay of ₹ 672 crore as part of its ECL, to reflect among other things the increased risk of deterioration in macro-economic factors. Given the unique nature of the pandemic and the extent of its economic impact which depends on future developments including governmental and regulatory measures and the Company's responses thereto, the actual credit loss can be different than that being estimated. In view of such high degree of Management's judgement involved in estimation of ECL, accentuated by the COVID-19 pandemic and related events, it is a key audit matter.	• Read and assessed the Company's accounting policies for impairment of financial assets and their compliance with Ind AS 109 and the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines issued on 13 March 2020. • Read and assessed the Company's policy with respect to one-time restructuring offered to customers pursuant to the 'Resolution Framework for COVID-19-related Stress' issued by RBI on 6 August 2020 and tested the implementation of such policy on a sample basis. • Evaluated the reasonableness of the Management estimates by understanding the process of ECL estimation and related assumptions and tested the controls around data extraction and validation. • Assessed the criteria for staging of loans based on their past-due status to check compliance with requirement of Ind AS 109. Tested a sample of performing (stage 1) loans to assess whether any SICR or loss indicators were present requiring them to be classified under higher stages. • Assessed the additional considerations applied by the Management for staging of loans as SICR or default categories in view of Company's policy on one-time restructuring. • Tested the ECL model, including assumptions and underlying computation. Assessed the floor/ minimum rates of provisioning applied by the Company for loan products with inadequate historical defaults. • Tested assumptions used by the Management in determining the overlay for macro-economic factors (including COVID-19 pandemic). • Assessed disclosures included in the standalone financial statements in respect of expected credit losses including the specific disclosures made with regards to the impact of COVID-19 on ECL estimation.
(b) IT systems and controls	
Financial accounting and reporting processes, especially in the financial services sector, are fundamentally reliant on IT systems and IT controls to process significant transaction volumes, hence we identified IT systems and controls over financial reporting as a key audit matter for the Company. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure reliable financial reporting.	• We tested the design and operating effectiveness of the Company's IT access controls over the information systems that are important to financial reporting and various interfaces, configuration and other identified application controls. • We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing requests for access to systems were reviewed and authorized. • We tested the Company's periodic review of access rights. We also tested requests of changes to systems for approval and authorization. • In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting.

Independent Auditors' Report on the Standalone Financial Statements (Contd.)

Other information

The other information comprises the information included in the Annual report but does not include the standalone financial statements and our auditor's report thereon. The Company's Board of Directors is responsible for the other information.

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the standalone 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 standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the 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 judgements and estimates that are reasonable and prudent; and the 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone financial statements.

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

- Identify and assess the risks of material misstatement of the standalone 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.

Independent Auditors' Report on the Standalone Financial Statements (Contd.)

- 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 adequate 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 standalone financial statements, including the disclosures, and whether the standalone 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended 31 March 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

(1) As required by 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 the 'Annexure 1' a statement on the matters specified in paragraphs 3 and 4 of the Order.

(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 including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

Independent Auditors' Report on the Standalone Financial Statements (Contd.)

(d) In our opinion, the aforesaid standalone 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 31 March 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 from being appointed as a director in terms of Section 164(2) of the Act;

(f) With respect to the adequacy of the internal financial controls with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in 'Annexure 2' to this report;

(g) In our opinion, the managerial remuneration for the year ended 31 March 2021 has been paid / provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

(h) 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, as amended in our opinion and to the best of our information and according to the explanations given to us:

   (i) The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer note 42 to the standalone financial statements;

   (ii) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer note 7 to the standalone financial statements;

   (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership number: 213935
UDIN: 21213935AAAABX9196

Pune: 27 April 2021

Annexure 1 to Independent Auditors' Report

Annexure 1 referred to in paragraph (1) under the heading 'Report on other legal and regulatory requirements' of our report of even date

(1) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the Management during the year and no material discrepancies were identified on such verification.

(c) According to the information and explanations given by the Management, the title deeds of immovable properties included in property, plant and equipment/ fixed assets are held in the name of the Company.

(2) The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company and hence not commented upon.

(3) (a) The Company has granted loans to parties covered in the register maintained under section 189 of the Act. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant of such loans are not prejudicial to the Company's interest.

(b) The Company has granted loans to parties covered in the register maintained under section 189 of the Act. The schedule of repayment of principal and payment of interest has been stipulated for the loans granted and the repayment/receipts are regular.

(c) There are no amounts of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Act which are overdue for more than ninety days.

(4) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.

(5) In our opinion and according to the information and explanations given to us, the Company being a non-banking financial company registered with the Reserve Bank of India, the provisions of sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 2014, as amended, with regard to the deposits accepted are not applicable to the Company. We are informed by the Management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

(6) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the services of the Company.

(7) (a) Undisputed statutory dues including provident fund, employees' state insurance, income tax, goods and service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues applicable to the Company have generally been regularly deposited with the appropriate authorities.

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

Annexure 1 to Independent Auditors' Report (Contd.)

(c) According to the records of the Company, the dues of income tax, sales tax, service tax, duty of custom, duty of excise, value added tax, goods and services tax and cess which have not been deposited on account of any dispute, are as follows:

(₹ In Crore)

Name of the statute	Nature of disputed dues	Amount under dispute	Amount paid*	Period to which the amount relates	Forum where dispute is pending
Employees State Insurance Act, 1948	ESIC contribution	4.46	Nil	FY 1999-2000 to FY 2006-07	Employees State Insurance Court
Employees State Insurance Act, 1948	ESIC contribution	0.68	Nil	FY 1991-92 to FY 2002-03	Deputy Director Employee State Insurance Corporation
Income Tax Act, 1961	Income Tax	22.84	Nil	FY 2015-16	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	7.81	Nil	FY 1996-97 to FY 2002-03, FY 2005-06, FY 2011-12 and FY 2012-13, FY 2013-14	Income Tax Appellate Tribunal (Pune)
Income Tax Act, 1961	Income Tax	15.49	Nil	FY 1995-96 to FY 2010-11	Mumbai High Court
Finance Act, 1994	Service Tax	1,905.44**	10.00	FY 2010-11 to September 2016	Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax	237.25**	7.06	July 2012 to June 2016	Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax	2.53	0.18	FY 2007-08 to September 2016	Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax	3.46**	0.10	July 2012 to June 2016	Additional Commissioner
Finance Act, 1994	Service Tax	188.37	Nil	October 2014 to June 2017	Commissioner of Central Excise and CGST Pune
Goods and Service Tax Act 2017	Goods and Service Tax	0.13	Nil	July 2017	Assis. Commissioner of Central GST, Pune
Goods and Service Tax Act 2017	Goods and Service Tax	0.30	Nil	July 2017	Joint Commissioner (Appeals), GST Commissionerate, Pune
West Bengal Value Added Tax Act, 2003	Value Added Tax	0.86	Nil	FY 2005-06 to FY 2008-09	Additional Commissioner, Sales Tax
Rajasthan Value Added Tax Act, 2003	Value Added Tax	3.28	1.29	FY 2008-09 to July 2014	Supreme Court of India
Rajasthan Value Added Tax Act, 2003	Value Added Tax	0.15	0.06	July 2014 to March 2017	VAT Appellate Tribunal

* paid under protest
** Includes interest and penalty

(8) In our opinion and according to the information and explanations given by the Management, the Company has not defaulted in repayment of loans or borrowings to a financial institution or bank or dues to debenture holders.

(9) According to the information and explanations given by the Management, the Company has not raised any money by way of initial public offer or further public offer.

Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.

(10) Based upon the audit procedures performed for the purpose of reporting on the true and fair view of the financial statements and according to the information and explanations given by the Management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(11) According to the information and explanations given by the Management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

Annexure 1 to Independent Auditors' Report (Contd.)

(12) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.

(13) According to the information and explanations given by the Management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(14) According to the information and explanations given to us and on an overall examination of the Balance Sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.

(15) According to the information and explanations given by the Management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.

(16) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership number: 213935
UDIN: 21213935AAAABX9196

Pune: 27 April 2021

Annexure 2 to Independent Auditors' Report

Annexure 2 referred to in paragraph 2(f) under the heading 'Report on other legal and regulatory requirements' of our report of even date

Report on 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 standalone financial statements of Bajaj Finance Ltd. (the 'Company') as of 31 March 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's responsibility for internal financial controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). 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 the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to these standalone 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 adequacy of the internal financial controls with reference to these standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of internal financial controls with reference to these standalone 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 our audit opinion on the Company's internal financial controls with reference to these standalone financial statements.

Meaning of internal financial controls with reference to these standalone financial statements

A Company's internal financial controls with reference to standalone 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 controls with reference to standalone 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 authorisations of Management and Directors of the Company; and

Annexure 2 to Independent Auditors' Report (Contd.)

(3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls with reference to standalone financial statements

Because of the inherent limitations of internal financial controls with reference to standalone 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 standalone financial statements to future periods are subject to the risk that the internal financial control with reference to standalone 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, adequate internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at 31 March 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership number: 213935
UDIN: 21213935AAAABX9196

Pune: 27 April 2021

Balance Sheet

(₹ In Crore)

Particulars	Note No.	As at 31 March 2021	As at 31 March 2020
ASSETS			
Financial assets			
Cash and cash equivalents	5	1,383.63	674.53
Bank balances other than cash and cash equivalents	6	2.13	4.83
Derivative financial instruments	7	-	171.76
Trade receivables	8	720.10	867.18
Loans	9	113,089.94	113,417.08
Investments	10	20,169.12	20,138.98
Other financial assets	11	487.33	349.51
		135,852.25	**135,623.87**
Non-financial assets			
Current tax assets (net)		155.07	204.57
Deferred tax assets (net)	12	919.21	847.61
Property, plant and equipment	13	972.44	1,016.16
Capital work-in-progress		7.07	-
Intangible assets under development		43.99	-
Intangible assets	13	254.76	211.98
Other non-financial assets	14	134.10	99.38
		2,486.64	**2,379.70**
Total assets		**138,338.89**	**138,003.57**
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities			
Derivative financial instruments	7	137.87	-
Payables	15		
Trade payables			
Total outstanding dues of micro enterprises and small enterprises		0.27	0.30
Total outstanding dues of creditors other than micro enterprises and small enterprises		676.62	636.76
Other payables			
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		191.08	179.46
Debt securities	16	43,071.71	41,713.77
Borrowings (other than debt securities)	17	27,092.09	36,923.32
Deposits	18	25,803.43	21,427.15
Subordinated debts	19	3,898.61	4,141.75
Other financial liabilities	20	743.65	669.85
		101,615.33	**105,692.36**

Balance Sheet (Contd.)

(₹ In Crore)

Particulars	Note No.	As at 31 March 2021	As at 31 March 2020
Non-financial liabilities			
Current tax liabilities (net)		172.78	52.10
Provisions	21	136.56	78.87
Other non-financial liabilities	22	475.48	367.03
		784.82	**498.00**
Equity			
Equity share capital	23	120.32	119.99
Other equity	24	35,818.42	31,693.22
		35,938.74	**31,813.21**
Total liabilities and equity		**138,338.89**	**138,003.57**
Summary of significant accounting policies	3		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership number: 213935

Pune: 27 April 2021

On behalf of the Board of Directors

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Chairman

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Statement of Profit and Loss

(₹ In Crore)

Particulars	Note No.	For the year ended 31 March 2021	2020
Revenue from operations			
Interest income	26	20,419.10	20,668.15
Fees and commission income	27	2,362.79	2,489.89
Net gain on fair value changes	28	527.72	460.47
Sale of services	29	59.55	53.32
Other operating income	30	163.00	150.70
Total revenue from operations		**23,532.16**	**23,822.53**
Other income	31	14.17	11.62
Total income		**23,546.33**	**23,834.15**
Expenses			
Finance costs	32	7,446.39	7,857.55
Fees and commission expense	33	1,301.56	1,104.79
Impairment on financial instruments	34	5,721.28	3,805.15
Employee benefits expense	35	2,242.42	2,293.44
Depreciation and amortisation expenses	13	302.25	270.70
Other expenses	36	1,169.55	1,694.39
Total expenses		**18,183.45**	**17,026.02**
Profit before tax		**5,362.88**	**6,808.13**
Tax expense			
Current tax		1,470.70	2,079.96
Deferred tax (credit)/charge		(63.33)	(152.95)
Total tax expense	12	**1,407.37**	**1,927.01**
Profit after tax		**3,955.51**	**4,881.12**
Other comprehensive income (OCI)			
Items that will not be reclassified to profit or loss:			
Remeasurement losses on defined benefit plans		(34.12)	(29.53)
Tax impact on above		8.59	4.02
Changes in fair value of fair value through OCI (FVOCI) equity instruments		30.87	(92.10)
Tax impact on above		(16.17)	23.18
Items that will be reclassified to profit or loss in subsequent periods:			
Changes in fair value of FVOCI debt securities		(41.73)	49.82
Tax impact on above		10.50	(12.42)
Cash flow hedge reserve		(21.24)	(75.68)
Tax impact on above		5.35	19.05
Total other comprehensive income for the year (net of tax)		**(57.95)**	**(113.66)**
Total comprehensive income for the year		**3,897.56**	**4,767.46**

Statement of Profit and Loss (Contd.)

Particulars	Note No.	For the year ended 31 March 2021	2020
Earnings per share:	37		
(Nominal value per share ₹ 2)			
Basic (₹)		65.85	83.25
Diluted (₹)		65.33	82.60
Summary of significant accounting policies	3		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership number: 213935

Pune: 27 April 2021

On behalf of the Board of Directors

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Chairman

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Statement of Changes in Equity

Equity share capital

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Balance at the beginning of the year	119.99	115.37
Changes in equity share capital during the year [refer note no. 23(a)]	0.33	4.62
Balance at the end of the year	**120.32**	**119.99**

Other equity

For the year ended 31 March 2021

(₹ In Crore)

Particulars	Note No.	Reserves and surplus: Securities premium	Retained earnings	Reserve fund as per RBI Act	General reserve	Infra-structure reserve	Share options outstanding account	Other comprehensive income on: Debt securities through OCI	Equity instruments through OCI	Cash flow hedge reserve	Total other equity
Balance as at 31 March 2020	24	16,841.43	10,349.21	3,579.75	787.82	9.25	213.17	38.14	(68.92)	(56.63)	31,693.22
Profit after tax		-	3,955.51	-	-	-	-	-	-	-	3,955.51
Other comprehensive income		-	(25.53)	-	-	-	-	(31.23)	14.70	(15.89)	(57.95)
		16,841.43	**14,279.19**	**3,579.75**	**787.82**	**9.25**	**213.17**	**6.91**	**(54.22)**	**(72.52)**	**35,590.78**
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		-	(792.00)	792.00	-	-	-	-	-	-	-
Share based payment to employees - for the year		-	-	-	-	-	124.76	-	-	-	124.76
Received on allotment of shares to Trust for employees pursuant to ESOP scheme		122.80	-	-	-	-	-	-	-	-	122.80
Transfer on allotment of shares to employees pursuant to ESOP scheme		34.14	-	-	-	-	(34.14)	-	-	-	-
Transfer on cancellation of stock options		-	-	-	0.54	-	(0.54)	-	-	-	-
		16,998.37	**13,487.19**	**4,371.75**	**788.36**	**9.25**	**303.25**	**6.91**	**(54.22)**	**(72.52)**	**35,838.34**
Add: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2020		67.04	-	-	-	-	-	-	-	-	67.04
Less: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2021		86.96	-	-	-	-	-	-	-	-	86.96
Balance as at 31 March 2021	24	**16,978.45**	**13,487.19**	**4,371.75**	**788.36**	**9.25**	**303.25**	**6.91**	**(54.22)**	**(72.52)**	**35,818.42**

Statement of Changes in Equity (Contd.)

Other equity (Contd.)

For the year ended 31 March 2020

(₹ In Crore)

Particulars	Note No.	Reserves and surplus: Securities premium	Retained earnings	Reserve fund as per RBI Act	General reserve	Infra-structure reserve	Share options outstanding account	Other comprehensive income on: Debt securities through OCI	Equity instruments through OCI	Cash flow hedge reserve	Total other equity
Balance as at 31 March 2019	24	8,298.81	7,612.22	2,602.75	786.64	9.25	137.85	0.74	-	-	19,448.26
Profit after tax		-	4,881.12	-	-	-	-	-	-	-	4,881.12
Other comprehensive income (net of tax)		-	(25.51)	-	-	-	-	37.40	(68.92)	(56.63)	(113.66)
		8,298.81	**12,467.83**	**2,602.75**	**786.64**	**9.25**	**137.85**	**38.14**	**(68.92)**	**(56.63)**	**24,215.72**
Issue of equity share capital		8,495.64	-	-	-	-	-	-	-	-	8,495.64
Share issue expenses		(45.06)	-	-	-	-	-	-	-	-	(45.06)
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		-	(977.00)	977.00	-	-	-	-	-	-	-
Dividend including tax thereon		-	(1,141.62)	-	-	-	-	-	-	-	(1,141.62)
Share based payment to employees - for the year		-	-	-	-	-	100.76	-	-	-	100.76
Received on allotment of shares to Trust for employees pursuant to ESOP scheme		100.14	-	-	-	-	-	-	-	-	100.14
Transfer on allotment of shares to employees pursuant to ESOP scheme		24.26	-	-	-	-	(24.26)	-	-	-	-
Transfer on cancellation of stock options		-	-	-	1.18	-	(1.18)	-	-	-	-
		16,873.79	**10,349.21**	**3,579.75**	**787.82**	**9.25**	**213.17**	**38.14**	**(68.92)**	**(56.63)**	**31,725.58**
Add: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2019		34.68	-	-	-	-	-	-	-	-	34.68
Less: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2020		67.04	-	-	-	-	-	-	-	-	67.04
Balance as at 31 March 2020	24	**16,841.43**	**10,349.21**	**3,579.75**	**787.82**	**9.25**	**213.17**	**38.14**	**(68.92)**	**(56.63)**	**31,693.22**

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership number: 213935

Pune: 27 April 2021

On behalf of the Board of Directors

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Chairman

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Statement of Cash Flows

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
(I) Operating activities		
Profit before tax	5,362.88	6,808.13
Adjustments for:		
Interest income	(20,419.10)	(20,668.15)
Depreciation and amortisation	302.25	270.70
Impairment on financial instruments	5,721.28	3,805.15
Net loss on disposal of property, plant and equipment	6.41	1.80
Finance costs	7,446.39	7,857.55
Share based payment to employees	111.39	93.71
Net gain on fair value changes	(527.72)	(460.47)
Service fees for management of assigned portfolio of loans	(59.55)	(53.32)
Dividend income	-	(0.64)
	(2,055.77)	(2,345.54)
Cash inflow from interest on loans	18,498.14	20,617.76
Cash inflow from service asset	50.10	53.53
Cash outflow towards finance costs	(7,428.48)	(7,105.65)
Cash generated from operation before working capital changes	**9,063.99**	**11,220.10**
Working capital changes		
(Increase)/decrease in trade receivables	137.64	(99.33)
(Increase)/decrease in loans	(3,680.82)	(22,133.46)
(Increase)/decrease in other financial assets	(135.12)	28.96
(Increase)/decrease in other non-financial assets	(34.97)	(46.31)
Increase/(decrease) in trade payables	39.83	89.37
Increase/(decrease) in other payables	11.62	(39.18)
Increase/(decrease) in other financial liabilities	78.61	(1,055.84)
Increase/(decrease) in provisions	23.57	(19.54)
Increase/(decrease) in other non-financial liabilities	108.45	51.90
	(3,451.19)	(23,223.43)
Income tax paid (net of refunds)	(1,300.52)	(2,107.00)
Net cash generated from/(used in) operating activities (I)	**4,312.28**	**(14,110.33)**
Carried forward	4,312.28	(14,110.33)

Statement of Cash Flows (Contd.)

(₹ In Crore)

Particulars		For the year ended 31 March 2021	2020
	Brought forward	4,312.28	(14,110.33)
(II)	**Investing activities**		
	Purchase of property, plant and equipment	(124.41)	(369.22)
	Proceeds from sale of property, plant and equipment and intangible assets	9.83	6.09
	Purchase of intangible assets	(116.30)	(106.90)
	Purchase of intangible assets under development and capital work-in-progress	(51.06)	-
	Purchase of investments measured under amortised cost	(500.00)	-
	Proceeds from sale of investments measured under amortised cost	20.32	33.39
	Purchase of investments measured under FVOCI	(3,004.37)	(2,246.45)
	Proceeds from sale of investments measured under FVOCI	2,082.54	826.09
	Purchase of investments measured under FVTPL	(212,917.51)	(387,261.18)
	Proceeds from sale of investments measured under FVTPL	214,980.43	381,111.79
	Purchase of equity investments designated under FVOCI	-	(150.00)
	Dividend received	-	0.64
	Interest received on investments	194.79	123.21
	Investment in subsidiaries	(150.00)	(1,600.00)
	Net cash generated from/(used in) investing activities (II)	**424.26**	**(9,632.54)**
(III)	**Financing activities**		
	Issue of equity share capital (including securities premium)	103.21	8,568.04
	Share option cost recovered from subsidiary	20.42	-
	Share issue expenses	-	(45.06)
	Dividends paid	(2.74)	(943.28)
	Dividend distribution tax paid	-	(195.20)
	Payment of lease liability	(78.67)	(62.04)
	Deposits received (net)	4,246.41	7,987.91
	Debt securities issued (net)	1,622.50	2,135.17
	Borrowings other than debt securities issued/(repaid), net	(9,709.85)	6,731.86
	Subordinated debts repaid (net)	(228.72)	-
	Net cash generated from/(used in) financing activities (III)	**(4,027.44)**	**24,177.40**
Net increase in cash and cash equivalents (I+II+III)		**709.10**	**434.53**
Cash and cash equivalents at the beginning of the year		**674.53**	**240.00**
Cash and cash equivalents at the end of the year		**1,383.63**	**674.53**

- The above Statement of Cash Flows has been prepared under the indirect method as set out in Ind AS 7 'Statement of Cash Flows'.
- Components of cash and cash equivalents are disclosed in note no. 5.

As per our report of even date

On behalf of the Board of Directors

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Chairman

per Vaibhav Kumar Gupta
Partner
Membership number: 213935

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Pune: 27 April 2021

Notes to standalone financial statements for the year ended 31 March 2021

1 Corporate information

Bajaj Finance Ltd. ('the Company', 'BFL') is a company limited by shares, incorporated on 25 March 1987 and domiciled in India. The Company is mainly engaged in the business of lending. BFL has a diversified lending portfolio across retail, SME and commercial customers with a significant presence in urban and rural India. It also accepts public and corporate deposits and offers variety of financial services products to its customers. The Company has its registered office at Akurdi, Pune, Maharashtra, (India) and its principal place of business at 4th floor, Bajaj Finserv Corporate Office, Pune, Maharashtra (India). The parent of the Company is Bajaj Finserv Ltd.

The Company is a deposit taking non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI) with effect from 5 March 1998, with Registration No. A-13.00243 and classified as NBFC - Investment and Credit Company (NBFC-ICC) pursuant to circular DNBR (PD) CC.No.097/03.10.001/2018-19 dated 22 February 2019.

The audited financial statements were subject to review and recommendation of Audit Committee and approval of Board of Directors. On 27 April 2021, Board of Directors of the Company approved and recommended the audited financial statements for consideration and adoption by the shareholders in its Annual General Meeting.

2 Basis of preparation

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and notified under section 133 of the Companies Act, 2013 (the Act) along with other relevant provisions of the Act, the Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('the NBFC Master Directions') and notification for Implementation of Indian Accounting Standard vide circular RBI/2019-20/170 DOR(NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020 ('RBI Notification for Implementation of Ind AS') issued by RBI. The Company uses accrual basis of accounting except in case of significant uncertainties [Refer note no. 3.1(i) and 3.1(iii)(a)].

The standalone financial statements are presented in Indian Rupee (INR) which is also the functional currency of the Company. The standalone financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value.

The financial statements are prepared on a going concern basis, as the Management is satisfied that the Company shall be able to continue its business for the foreseeable future and no material uncertainty exists that may cast significant doubt on the going concern assumption. In making this assessment, the Management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. The outbreak of COVID-19 has not affected the going concern assumption of the Company.

2.1 Presentation of financial statements

The Company presents its Balance Sheet in order of liquidity.

The Company prepares and present its Balance Sheet, the Statement of Profit and Loss and the Statement of Changes in Equity in the format prescribed by Division III of 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'.

The Company generally reports financial assets and financial liabilities on a gross basis in the Balance Sheet. They are offset and reported net only when Ind AS specifically permits the same or it has an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event. Similarly, the Company offsets incomes and expenses and reports the same on a net basis when permitted by Ind AS.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

2 Basis of preparation (Contd.)

Critical accounting estimates and judgements

The preparation of the Company's financial statements requires Management to make use of estimates and judgements. In view of the inherent uncertainties and a level of subjectivity involved in measurement of items, it is possible that the outcomes in the subsequent financial years could differ from those on which the Management's estimates are based. Accounting estimates and judgements are used in various line items in the financial statements for e.g.:

- Business model assessment [Refer note no. 3.4(i)(a) and 9]
- Fair value of financial instruments (Refer note no. 3.15, 47 and 48)
- Effective interest rate (EIR) [Refer note no. 3.1(i)]
- Impairment of financial assets [Refer note no. 3.4(i), 9 and 49]
- Provisions and contingent liabilities (Refer note no. 3.10 and 42)
- Provision for tax expenses (Refer note no. 3.6)
- Residual value, useful life and indicators of impairment and recoverable value of property, plant and equipment (Refer note no. 3.7 and 3.9)

<u>Estimation of impairment allowance on financial assets amidst COVID-19 pandemic</u>

Estimates and associated assumptions used for determining the impairment allowance on the Company's financial assets, are based on historical experience and other emerging factors emanating from the COVID-19 pandemic which may also influence the expected credit loss. The Company has used One Time Restructuring (OTR) and repayment moratorium on loans as early indicators suggesting higher flow rates and loss given default and accordingly accounted for commensurate expected credit loss. The Company believes that the factors considered are reasonable under the current circumstances and information available. However, the uncertainty caused by resurgence of the COVID-19 pandemic and related events could further influence the estimate of credit losses.

3 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Income

(i) Interest income

The Company recognises interest income using effective interest rate (EIR) on all financial assets subsequently measured under amortised cost or fair value through other comprehensive income (FVOCI). EIR is calculated by considering all costs and incomes attributable to acquisition of a financial asset or assumption of a financial liability and it represents a rate that exactly discounts estimated future cash payments/receipts through the expected life of the financial asset/financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. In case of credit-impaired financial assets [as set out in note no. 3.4 (i) regarded as 'Stage 3'], the Company recognises interest income on the amortised cost net of impairment loss of the financial asset at EIR. If the financial asset is no longer credit-impaired [as outlined in note no. 3.4 (i)], the Company reverts to calculating interest income on a gross basis.

Delayed payment interest (penal interest and the like) levied on customers for delay in repayments/non payment of contractual cashflows is recognised on realisation.

Interest on financial assets subsequently measured at fair value through profit or loss (FVTPL) is recognised at the contractual rate of interest.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

(ii) Dividend income

Dividend income on equity shares is recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

(iii) Other revenue from operations

The Company recognises revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue from contracts with customers'. The Company identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognises revenue only on satisfactory completion of performance obligations. Revenue is measured at the fair value of the consideration received or receivable.

(a) Fees and commission income

The Company recognises service and administration charges towards rendering of additional services to its loan customers on satisfactory completion of service delivery. Bounce charges levied on customers for non payment of instalment on the contractual date is recognised on realisation.

Fees on value added services and products are recognised on rendering of services and products to the customer.

Distribution income is earned by distribution of services and products of other entities under distribution arrangements. The income so earned is recognised on successful distribution on behalf of other entities subject to there being no significant uncertainty of its recovery.

Foreclosure charges are collected from loan customers for early payment/closure of loan and are recognised on realisation.

(b) Net gain on fair value changes

The Company designates certain financial assets for subsequent measurement at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The Company recognises gains on fair value change of financial assets measured at FVTPL and realised gains on derecognition of financial asset measured at FVTPL and FVOCI on net basis in profit or loss.

(c) Sale of services

The Company, on de-recognition of financial assets where a right to service the derecognised financial assets for a fee is retained, recognises the fair value of future service fee income over service obligations cost on net basis as service fee income in the Statement of Profit and Loss and, correspondingly creates a service asset in Balance Sheet. Any subsequent increase in the fair value of service assets is recognised as service income and any decrease is recognised as an expense in the period in which it occurs. The embedded interest component in the service asset is recognised as interest income in line with Ind AS 109 'Financial instruments'.

(d) Other operating income

The Company recognises income on recoveries of financial assets written off on realisation or when the right to receive the same without any uncertainties of recovery is established.

(iv) Taxes

Incomes are recognised net of the goods and services tax, wherever applicable.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.2 Expenditures

(i) Finance costs

Borrowing costs on financial liabilities are recognised using the EIR [refer note no. 3.1(i)].

(ii) Fees and commission expense

Fees and commission expenses which are not directly linked to the sourcing of financial assets, such as commission/incentive incurred on value added services and products distribution, recovery charges and fees payable for management of portfolio etc., are recognised in the Statement of Profit and Loss on an accrual basis, net of goods and services tax.

(iii) Other expenses

Expenses are recognised on accrual basis net of the goods and services tax, except where credit for the input tax is not statutorily permitted.

3.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.4 Financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Trade receivables and payables, loan receivables, investments in securities and subsidiaries, debt securities and other borrowings, preferential and equity capital etc. are some examples of financial instruments.

All financial instruments are at amortised cost, unless otherwise specfied.

All the financial instruments are recognised on the date when the Company becomes party to the contractual provisions of the financial instruments. For tradable securities, the Company recognises the financial instruments on settlement date.

(i) Financial assets

Financial assets include cash, or an equity instrument of another entity, or a contractual right to receive cash or another financial asset from another entity. Few examples of financial assets are loan receivables, investment in equity and debt instruments, trade receivables and cash and cash equivalents.

Initial measurement

All financial assets are recognised initially at fair value including transaction costs that are attributable to the acquisition of financial assets except in the case of financial assets recorded at FVTPL where the transaction costs are charged to profit or loss. Generally, the transaction price is treated as fair value unless proved to the contrary.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified into four categories as per the Company's Board approved policy:

(a) Debt instruments at amortised cost

(b) Debt instruments at FVOCI

(c) Debt instruments at FVTPL

(d) Equity instruments designated under FVOCI

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

(a) Debt instruments at amortised cost

The Company measures its debt instruments at amortised cost if both the following conditions are met:

- The asset is held within a business model of collecting contractual cash flows; and
- Contractual terms of the asset give rise on specified dates to cash flows that are Sole Payments of Principal and Interest (SPPI) on the principal amount outstanding.

To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the nature of portfolio, the period for which the interest rate is set and other factors which are integral to a lending arrangement.

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated financial assets going forward.

The business model of the Company for assets subsequently measured at amortised cost category is to hold and collect contractual cash flows. However, considering the economic viability of carrying the delinquent portfolios on the books of the Company, it may enter into immaterial and infrequent transactions to sell these portfolios to banks and/or asset reconstruction companies without affecting the business model of the Company.

After initial measurement, such financial assets are subsequently measured at amortised cost on Effective Interest Rate (EIR). For further details, refer note no. 3.1(i). The expected credit loss (ECL) calculation for debt instruments at amortised cost is explained in subsequent notes in this section.

b) Debt instruments at FVOCI

The Company subsequently classifies its debt instruments as FVOCI, only if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
- Contractual terms of the asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

Debt instruments included within the FVOCI category are measured at each reporting date at fair value with such changes being recognised in other comprehensive income (OCI). The interest income on these assets is recognised in profit or loss. The ECL calculation for debt instruments at FVOCI is explained in subsequent notes in this section.

Debt instruments such as long term investments in Government securities to meet regulatory liquid asset requirement of the Company's deposit program are classified as FVOCI. (also refer note no. 9 for change in business model during the financial year 2019-20).

On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from other comprehensive income to profit or loss.

(c) Debt instruments at FVTPL

The Company classifies its debt instruments which are held for trading under FVTPL category. Held for trading assets are recorded and measured in the Balance Sheet at fair value. Interest and dividend incomes are recorded in Statement of Profit and Loss according to the terms of the contract, or when the right to

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

receive the same has been established. Gains and losses on changes in fair value of debt instruments are recognised on net basis through profit or loss.

The Company's investments into mutual funds, Government securities (trading portfolio) and certificate of deposits for trading and short term cash flow management have been classified under this category.

(d) Equity investments designated under FVOCI

All equity investments in scope of Ind AS 109 'Financial instruments' are measured at fair value. The Company has strategic investments in equity for which it has elected to present subsequent changes in the fair value in other comprehensive income. The classification is made on initial recognition and is irrevocable.

All fair value changes of the equity instruments, excluding dividends, are recognized in OCI and not available for reclassification to profit or loss, even on sale of investments. Equity instruments at FVOCI are not subject to an impairment assessment.

Derecognition of financial assets

The Company derecognises a financial asset (or, where applicable, a part of a financial asset) when:

- The right to receive cash flows from the asset has expired; or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under an assignment arrangement and the Company has transferred substantially all the risks and rewards of the asset. Once the asset is derecognised, the Company does not have any continuing involvement in the same.

The Company transfers its financial assets through the partial assignment route and accordingly derecognises the transferred portion as it neither has any continuing involvement in the same nor does it retain any control. If the Company retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. A service liability in respect of a service is recognised at fair value if the fee to be received is not expected to compensate the Company adequately for performing the service. If the fees to be received is expected to be more than adequate compensation for the servicing, a service asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset (also refer note no. 9 for change in business model during the financial year 2019-20).

On derecognition of a financial asset in its entirety, the difference between:

- the carrying amount (measured at the date of derecognition) and
- the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Financial assets subsequently measured at amortised cost are generally held for collection of contractual cashflow. The Company on looking at economic viability of certain portfolios measured at amortised cost may enter into immaterial and infrequent transaction for sale of portfolios which doesn't affect the business model of the Company.

Reclassification of financial assets

The Company changes classification of its financial assets only on account of changes in its business model for managing those financial assets. Such reclassifications are given prospective impact as per the principles laid down in Ind AS 109 'Financial Instruments' (also refer note no. 9 for change in business model during the financial year 2019-20).

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

Impairment of financial assets

General approach

Expected credit losses ('ECL') are recognised for applicable financial assets held under amortised cost, debt instruments measured at FVOCI, and certain loan commitments as per the Board approved policy.

Financial assets where no significant increase in credit risk has been observed are considered to be in 'stage 1' for which a 12 month ECL is recognised. Financial assets that are considered to have significant increase in credit risk are considered to be in 'stage 2' and those which are in default or for which there is an objective evidence of impairment are considered to be in 'stage 3'. Life time ECL is recognised for stage 2 and stage 3 financial assets.

At initial recognition, allowance (or provision in the case of loan commitments) is required for ECL towards default events that are possible in the next 12 months, or less, where the remaining life is less than 12 months.

In the event of a significant increase in credit risk, allowance (or provision) is required for ECL towards all possible default events over the expected life of the financial instrument ('lifetime ECL').

One time restructuring (OTR) of loan accounts allowed by RBI vide circular resolution framework for COVID-19 related stress to the extent having no overdues have been considered to have a significant increase in credit risk and accordingly classified under stage 2.

Financial assets (and the related impairment allowances) are written off in full, when there is no realistic prospect of recovery. The Company may apply enforcement activities to certain qualifying financial assets written off.

Treatment of the different stages of financial assets and the methodology of determination of ECL

(a) Credit impaired (stage 3)

The Company recognises a financial asset to be credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- Contractual payments of either principal or interest are past due for more than 90 days;
- The loan is otherwise considered to be in default

Restructured loans (other than OTR) where repayment terms are renegotiated as compared to the original contracted terms due to significant credit distress of the borrower are classified as credit impaired. Such loans continue to be in stage 3 until they exhibit regular payment of renegotiated principal and interest over a minimum observation of period, typically 12 months- post renegotiation, and there are no other indicators of impairment. Having satisfied the conditions of timely payment over the observation period these loans could be transferred to stage 1 or 2 and a fresh assessment of the risk of default be done for such loans.

Interest income is recognised by applying the effective interest rate to the net amortised cost amount i.e. gross carrying amount less ECL allowance.

(b) Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default of the loan exposure. However, unless identified at an earlier stage, 30 days past due is considered as an indication of financial assets to have suffered a significant increase in credit risk. Based on other indications such as borrower's frequently delaying payments beyond due dates though not 30 days past due are included in stage 2 for mortgage loans.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

The measurement of risk of defaults under stage 2 is computed on homogenous portfolios, generally by nature of loans, tenors, underlying collateral, geographies and borrower profiles. The default risk is assessed using PD (probability of default) derived from past behavioural trends of default across the identified homogenous portfolios. These past trends factor in the past customer behavioural trends, credit transition probabilities and macroeconomic conditions. The assessed PDs are then aligned considering future economic conditions that are determined to have a bearing on ECL.

(c) Without significant increase in credit risk since initial recognition (stage 1)

ECL resulting from default events that are possible in the next 12 months are recognised for financial instruments in stage 1. The Company has ascertained default possibilities on past behavioural trends witnessed for each homogenous portfolio using application/behavioural score cards and other performance indicators, determined statistically.

(d) Measurement of ECL

The assessment of credit risk and estimation of ECL are unbiased and probability weighted. It incorporates all information that is relevant including information about past events, current conditions and reasonable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money. Forward looking economic scenarios determined with reference to external forecasts of economic parameters that have demonstrated a linkage to the performance of our portfolios over a period of time have been applied to determine impact of macro economic factors.

The Company has calculated ECL using three main components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD). ECL is calculated by multiplying the PD, LGD and EAD and adjusted for time value of money using a rate which is a reasonable approximation of EIR.

- Determination of PD is covered above for each stages of ECL.
- EAD represents the expected balance at default, taking into account the repayment of principal and interest from the Balance Sheet date to the date of default together with any expected drawdowns of committed facilities.
- LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The Company recaliberates above components of its ECL model on a periodical basis by using the available incremental and recent information, except where this informations does not represent the future outcome, as well as assessing changes to its statistical techniques for a granular estimation of ECL. A more detailed description of the methodology used for ECL is covered in the 'credit risk' section of note no. 49.

Simplified Approach

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables and other financial assets. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. The Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables and other financial assets. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and other financial assets and is adjusted for forward-looking estimates. At every reporting date, the historically observed default rates are updated for changes in the forward looking estimates.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

(ii) 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. Few examples of financial liabilities are trade payables, debt securities and other borrowings and subordinated debts.

Initial measurement

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade payables, other payables, debt securities and other borrowings.

Subsequent measurement

After initial recognition, all financial liabilities are subsequently measured at amortised cost using the EIR method [Refer note no 3.1(i)]. Any gains or losses arising on derecognition of liabilities are recognised in the Statement of Profit and Loss.

Derecognition

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet only if there is an enforceable legal right to offset the recognised amounts with an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

3.5 Investment in subsidiaries

Investment in subsidiaries is recognised at cost and are not adjusted to fair value at the end of each reporting period as allowed by Ind AS 27 'Separate financial statement'. Cost of investment represents amount paid for acquisition of the said investment.

The Company assesses at the end of each reporting period, if there are any indications that the said investment may be impaired. If so, the Company estimates the recoverable value/amount of the investment and provides for impairment, if any i.e. the deficit in the recoverable value over cost.

3.6 Taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS) prescribed therein. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in OCI or directly in other equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

(ii) Deferred tax

Deferred tax is recognised using the Balance Sheet approach on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets, if any, are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or in other equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.7 Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition less accumulated depreciation and impairment losses, if any, consistent with the criteria specified in Ind AS 16 'Property, plant and equipment'.

Recognition and Derecognition

Property, plant and equipment is recognised when it is probable that future economic benefits associated with the item is expected to flow to the Company and the cost of the item can be measured reliably.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included under other income/expenses in the Statement of Profit and Loss when the asset is derecognised.

Depreciation on property, plant and equipment:

(a) Depreciation is provided on a pro rata basis for all tangible assets on straight line method over the useful life of assets.

(b) Useful lives of assets are determined by the Management by an internal technical assessment except where such assessment suggests a life significantly different from those prescribed by Schedule II – Part C of the Companies Act, 2013 where the useful life is as assessed and certified by a technical expert.

(c) Depreciation on leasehold improvements is provided on straight line method over the primary period of lease of premises or 5 years whichever is less.

(d) Depreciation on addition to assets and assets sold during the year is being provided for on a pro rata basis with reference to the month in which such asset is added or sold as the case may be.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

(e) Useful life as used by the Company and as indicated in Schedule II are listed below:

Nature of assets	Useful life as per Schedule II	Useful life adopted by the Company
Building	60 years	60 years
Computers		
End user machines	3 years	4 years
Servers and Networks	6 years	6 years
Office equipment	5 years	5 years
Furniture and fixtures	10 years	10 years
Vehicles	8 years	8 years

Based on internal assessment, the Management believes that the useful lives adopted by the Company best represent the period over which Management expects to use these assets.

(f) The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.8 Intangible assets and amortisation thereof

Intangible assets, representing softwares are initially recognised at cost and subsequently carried at cost less accumulated amortization and accumulated impairment, if any. The intangible assets are amortised using the straight line method over a period of five years, which is the Management's estimate of its useful life. The useful lives of intangible assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets not ready for the intended use on the date of Balance Sheet are disclosed as 'Intangible assets under development'.

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

3.9 Impairment of non-financial assets

An assessment is done at each Balance Sheet date to ascertain whether there is any indication that an asset may be impaired. If any such indication exists, an estimate of the recoverable amount of asset is determined. If the carrying value of relevant asset is higher than the recoverable amount, the carrying value is written down accordingly.

3.10 Provisions and contingent liabilities

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. The Company also discloses present obligations for which a reliable estimate cannot be made as a contingent liability. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.11 Foreign currency translation

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are re-translated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

Exchange differences

All exchange differences are accounted in the Statement of Profit and Loss or other comprehensive income as permitted under the relevant Ind AS.

3.12 Retirement and other employee benefits

(i) Gratuity

Payment for present liability of future payment of gratuity is made to the approved gratuity fund viz. Bajaj Auto Ltd. gratuity fund trust, which covers the same under cash accumulation policy and debt fund of the Life Insurance Corporation of India (LIC) and Bajaj Allianz Life Insurance Company Ltd. (BALICL). However, any deficits in plan assets managed by LIC and BALICL as compared to actuarial liability determined by an appointed actuary using the projected unit credit method are recognised as a liability. Gains and losses through remeasurements of the net defined benefit liability/assets are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. The effect of any planned amendments are recognised in Statement of Profit and Loss. Remeasurements are not reclassified to profit or loss in subsequent periods.

(ii) Superannuation

Defined contribution to superannuation fund is made as per the scheme of the Company.

(iii) Provident fund

Contributions are made to Bajaj Auto Ltd. provident fund trust. Deficits, if any, of the fund as compared to aggregate liability is additionally contributed by the Company and recognised as an expense. Shortfall in fund assets over present obligation determined using the projected unit credit method by an appointed actuary is recognised as a liability.

(iv) Employees’ state insurance

The Company contributes to Employees State Insurance Scheme and recognizes such contribution as an expense in the Statement of Profit and Loss in the period when services are rendered by the employees.

(v) Compensated absences

Privilege leave entitlements are recognised as a liability as per the rules of the Company. The liability for accumulated leaves which can be availed and/or encashed at any time during the tenure of employment is recognised using the projected unit credit method at the actuarially determined value by an appointed actuary. The liability for accumulated leaves which is eligible for encashment within the same calendar year is provided for at prevailing salary rate for the entire unavailed leave balance as at the Balance Sheet date.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

Remeasurements on defined benefit plans, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets, are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

3.13 Employee Stock Option Scheme

The Company operates a group Employee Stock Option Scheme for its employees and employees of its subsidiaries through a trust formed for the purpose. Equity shares are issued to the trust on the basis of the Company's expectation of the number of options that may be exercised by employees.

The cost of equity settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The cost is recognised as employee benefits expenses/recharge receivables together with a corresponding increase in employee stock option outstanding account in other equity, over the period in which the service conditions are fulfilled. The cumulative expense/recharge recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has not expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions are not met.

The balance equity shares not exercised and held by the trust are disclosed as a reduction from the share capital and securities premium account with an equivalent adjustment to the subscription loan advanced to the Trust.

3.14 Leases

With effect from 1 April 2019, the Company has applied Ind AS 116 'Leases' for all long term and material lease contracts covered by the Ind AS. The Company has adopted modified retrospective approach as stated in Ind AS 116 'Leases' for all applicable leases on the date of adoption.

Measurement of lease liability

At the time of initial recognition, the Company measures lease liability as present value of all lease payments discounted using the Company's incremental cost of borrowing and directly attributable costs. Subsequently, the lease liability is –

(i) increased by interest on lease liability;

(ii) reduced by lease payments made; and

(iii) remeasured to reflect any reassessment or lease modifications specified in Ind AS 116 'Leases', or to reflect revised fixed lease payments.

Measurement of Right-of-use assets

At the time of initial recognition, the Company measures 'Right-of-use assets' as present value of all lease payments discounted using the Company's incremental cost of borrowing w.r.t said lease contract. Subsequently, 'Right-of-use assets' is measured using cost model i.e. at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease liability specified in Ind AS 116 'Leases'.

Depreciation on 'Right-of-use assets' is provided on straight line basis over the lease period.

The exception permitted in Ind AS 116 'Leases' for low value assets and short term leases has been adopted by Company, wherever applicable.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.15 Fair value measurement

The Company measures its qualifying financial instruments at fair value on each Balance Sheet date.

Fair value is the price that would be received against sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the accessible principal market or the most advantageous accessible market as applicable.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into Level I, Level II and Level III based on the lowest level input that is significant to the fair value measurement as a whole. For a detailed information on the fair value hierarchy, refer note no. 47 and 48.

For assets and liabilities that are fair valued in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

3.16 Derivative financial instruments

The Company has entered into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held by the Company are Cross Currency Interest Rate Swaps (CCIRS). Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each Balance Sheet date. The resulting gain/loss is recognised in the Statement of Profit and Loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the Statement of Profit and Loss depends on the nature of the hedge relationship.

The Company has designated derivatives as cash flow hedges of a recognised liability and has no fair value hedges. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

The Company makes use of derivative instruments to manage exposures to interest rate risk and foreign currency risk. In order to manage particular risks, the Company applies hedge accounting for transactions that meet specified criteria.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company’s risk management objective and strategy for undertaking hedge, the hedging/economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Company would assess the effectiveness of changes in the hedging instrument’s fair value in offsetting the exposure to changes in the hedged item’s cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

During the year, hedges that meet the criteria for hedge accounting and qualify as cash flow hedges are accounted as follows:

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability and could affect profit or loss.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately as finance cost in the Statement of Profit and Loss.

When the hedged cash flow affects the Statement of Profit and Loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the Statement of Profit and Loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the statement of profit and loss.

4 Change in accounting estimates

(i) During the year ended 31 March 2021, the Company has revised its estimate for charging off loans considered as bad debts. Had the Company applied the estimates followed in the previous year, the profit before tax for the period would have been higher by ₹ 103 crore.

(ii) The Company has changed the following accounting estimates in property, plant and equipments :

- Change of estimated useful life of computer and vehicles from 3 years to 4 years and from 4 years to 8 years respectively.
- Depreciation method for building changed from written down value method to straight line method.

Had the Company applied the estimates followed in the previous year, the profit before tax for the period would have been lower by ₹ 26.91 crore.

5 Cash and cash equivalents

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Cash on hand	56.84	27.12
Balance with banks:		
In current accounts	1,026.59	71.48
In fixed deposits (with original maturity less than 3 months)	300.20	575.93
	1,383.63	674.53

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

6 Bank balances other than cash and cash equivalents

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Fixed deposits (with original maturity more than 3 months)	0.02	-
Earmarked balance with banks:		
against matured fixed deposits	0.01	0.01
against unclaimed dividend	2.10	4.82
	2.13	4.83

7 Derivative financial instruments (at FVTPL)

(₹ In Crore)

Particulars	As at 31 March 2021		
	Notional amounts	**Fair value assets**	**Fair value liabilities**
Cross currency interest rate swaps:			
Cash flow hedge	5,382.16	-	137.87
	5,382.16	-	137.87

(₹ In Crore)

Particulars	As at 31 March 2020		
	Notional amounts	**Fair value assets**	**Fair value liabilities**
Cross currency interest rate swaps:			
Cash flow hedge	4,082.66	171.76	-
	4,082.66	171.76	-

The Company has a Board approved policy for entering into derivative transactions. Derivative transactions comprise of currency and interest rate swaps. The Company undertakes such transactions for hedging borrowings. The Asset Liability Management Committee periodically monitors and reviews the risk involved.

8 Trade receivables

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Considered good - unsecured		
Interest subsidy	450.65	536.58
Fees, commission and others	167.26	237.86
Service asset	102.19	92.74
	720.10	867.18

- Impairment allowance recognised on trade receivables is ₹ Nil (Previous year: ₹ Nil).
- No trade receivables are due from directors or other officers of the Company either severally or jointly with any other person.
- No trade receivables are due from firms or private companies respectively in which any director is a partner, a director or a member.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

9 Loans

(₹ In Crore)

Particulars	As at 31 March 2021 At amortised Cost	As at 31 March 2021 At fair value through OCI*	As at 31 March 2021 Total	As at 31 March 2020 At amortised Cost	As at 31 March 2020 At fair value through OCI*	As at 31 March 2020 Total
(A) Term loans	117,042.09	-	117,042.09	117,020.82	-	117,020.82
Less: Impairment loss allowance	3,952.15	-	3,952.15	3,603.74	-	3,603.74
Total (A)	113,089.94	-	113,089.94	113,417.08	-	113,417.08
(B) Out of above						
(I) Secured						
Against hypothecation of automobiles, equipments, durables and plant and machinery, equitable mortgage of immovable property and pledge of securities etc.	54,158.33	-	54,158.33	54,944.46	-	54,944.46
Less: Impairment loss allowance	1,798.50	-	1,798.50	1,595.46	-	1,595.46
Total (I)	52,359.83	-	52,359.83	53,349.00	-	53,349.00
(II) Unsecured	62,883.76	-	62,883.76	62,076.36	-	62,076.36
Less: Impairment loss allowance	2,153.65	-	2,153.65	2,008.28	-	2,008.28
Total (II)	60,730.11	-	60,730.11	60,068.08	-	60,068.08
Total (B) = (I+II)	113,089.94	-	113,089.94	113,417.08	-	113,417.08
(C) Out of above						
(I) Loans in India						
(i) Public sector	-	-	-	-	-	-
Less: Impairment loss allowance	-	-	-	-	-	-
Sub-total (i)	-	-	-	-	-	-
(ii) Others	117,042.09	-	117,042.09	117,020.82	-	117,020.82
Less: Impairment loss allowance	3,952.15	-	3,952.15	3,603.74	-	3,603.74
Sub-total (ii)	113,089.94	-	113,089.94	113,417.08	-	113,417.08
Total (I) = (i+ii)	113,089.94	-	113,089.94	113,417.08	-	113,417.08
(II) Loans outside India	-	-	-	-	-	-
Total (C) = (I+II)	113,089.94	-	113,089.94	113,417.08	-	113,417.08

Summary of loans by stage distribution

(₹ In Crore)

Particulars	As at 31 March 2021 Stage 1	Stage 2	Stage 3	Total	As at 31 March 2020 Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	108,365.09	6,065.35	2,611.65	117,042.09	111,827.03	2,854.48	2,339.31	117,020.82
Less: Impairment loss allowance	967.30	1,435.16	1,549.69	3,952.15	1,623.32	564.20	1,416.22	3,603.74
Net carrying amount	107,397.79	4,630.19	1,061.96	113,089.94	110,203.71	2,290.28	923.09	113,417.08

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

9 Loans (Contd.)

Analysis of changes in the gross carrying amount and corresponding ECL allowances in relation to loans

(₹ In Crore)

Particulars	For the year ended 31 March 2021							
	Stage 1		Stage 2		Stage 3		Total	
	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance
As at 31 March 2020	111,827.03	1,623.32	2,854.48	564.20	2,339.31	1,416.22	117,020.82	3,603.74
Transfers during the year								
transfers to stage 1	268.32	42.37	(223.21)	(27.27)	(45.11)	(15.10)	-	-
transfers to stage 2	(4,704.59)	(63.18)	4,735.07	73.72	(30.48)	(10.54)	-	-
transfers to stage 3	(5,487.64)	(87.52)	(1,534.28)	(321.82)	7,021.92	409.34	-	-
	(9,923.91)	(108.33)	2,977.58	(275.37)	6,946.33	383.70	-	-
Impact of changes in credit risk on account of stage movements	-	(933.23)	-	1,039.84	-	4,750.79	-	4,857.40
Changes in opening credit exposures (additional disbursement net of repayments)	(56,194.27)	(133.87)	(750.41)	(192.76)	(2,070.72)	(196.78)	(59,015.40)	(523.41)
New credit exposures during the year, net of repayments	62,656.24	519.41	983.70	299.25	939.48	738.51	64,579.42	1,557.17
Amounts written off during the year	-	-	-	-	(5,542.75)	(5,542.75)	(5,542.75)	(5,542.75)
As at 31 March 2021	**108,365.09**	**967.30**	**6,065.35**	**1,435.16**	**2,611.65**	**1,549.69**	**117,042.09**	**3,952.15**

(₹ In Crore)

Particulars	For the year ended 31 March 2020							
	Stage 1		Stage 2		Stage 3		Total	
	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance
As at 31 March 2019	93,456.34	595.91	1,950.92	359.03	1,802.37	1,073.43	97,209.63	2,028.37
Transfers during the year								
transfers to stage 1	246.81	45.71	(187.39)	(23.21)	(59.42)	(22.50)	-	-
transfers to stage 2	(2,573.66)	(28.78)	2,611.74	43.49	(38.08)	(14.71)	-	-
transfers to stage 3	(2,897.36)	(38.97)	(981.92)	(240.20)	3,879.28	279.17	-	-
	(5,224.21)	(22.04)	1,442.43	(219.92)	3,781.78	241.96	-	-
Impact of changes in credit risk on account of stage movements	-	(39.37)	-	328.41	-	1,211.61	-	1,500.65
Changes in opening credit exposures (additional disbursement net of repayments)	(39,341.46)	(168.30)	(1,237.42)	(132.94)	(1,643.31)	668.28	(42,222.19)	367.04
New credit exposures during the year, net of repayments	62,936.36	1,257.12	698.55	229.62	613.58	436.05	64,248.49	1,922.79
Amounts written off during the year	-	-	-	-	(2,215.11)	(2,215.11)	(2,215.11)	(2,215.11)
As at 31 March 2020	**111,827.03**	**1,623.32**	**2,854.48**	**564.20**	**2,339.31**	**1,416.22**	**117,020.82**	**3,603.74**

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

9 Loans (Contd.)

Details of impairment of financial instruments disclosed in the Statement of Profit and Loss

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
(i) Net impairment loss allowance charge/(release) for the year	348.41	1,575.37
(ii) Amounts written off during the year	5,542.75	2,215.11
Impairment on loans	5,891.16	3,790.48
Less : Claimable amount under CGTMSE scheme	195.60	-
Add: Impairment on other assets	25.72	14.67
Impairment on financial instruments	5,721.28	3,805.15

* With effect from 1 April 2019, the Company has reclassified its loans which were erstwhile measured under FVOCI category to amortised cost on account of change in its business model, wherein the purpose for which these loans were held has changed to collection of contractual cash flows representing payments of principal and interest. Earlier, these loans were held under a dual business model of collecting contractual cash flows representing solely payments of principal and interest as well as sale/assignment of such loans. The change in business model has been necessitated by the Company's intention to restrict the sale/assignment of these loans to an infrequent periodicity and insignificant value.

The following table depicts the quantitative disclosures with respect to the aforesaid change in business model

(₹ In Crore)

Subsequent measurement category as of 31 March 2019	Subsequent measurement category from 1 April 2019 onwards	Amount of reclassification, net of impairment allowance	Fair value as on 31 March 2020^	Notional fair value gain/(loss) recognised in OCI in FY 19-20 per erstwhile measurement
Fair Value through Other Comprehensive Income (FVOCI)	Amortised Cost	4,916.55	4,008.35	-

^ approximates the amortised cost as at 31 March 2020 and hence amortised cost treated as fair value.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

10 Investments

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(A) At amortised cost		
In pass through certificates (PTC) representing securitisation of loan receivables#	-	20.32
In fixed deposits	508.88	-
Total (A)	508.88	20.32
(B) At fair value through other comprehensive income		
(i) In Government securities*	3,708.39	2,713.63
Add: Fair value gains	9.24	50.97
Sub-total (i)	3,717.63	2,764.60
* includes ₹ 3,350.48 crore (Previous year ₹ 2,242.09 crore) pledged towards floating charge in favour of trustees representing the public deposit holders of the Company towards maintenance of liquid assets as prescribed by RBI Act, 1934 and ₹ 340.12 crore (Previous year ₹ Nil) pledged in favour of Credit Corporation of India Limited for Collateral Lending and Borrowing Obligation (CBLO).		
(ii) In equity instruments		
Equity shares	150.01	150.01
Add: Fair value gains/(losses)	(61.23)	(92.09)
	88.78	57.92
Compulsorily convertible preference shares	281.20	262.31
Sub-total (ii)	369.98	320.23
Total (B) = (i+ii)	4,087.61	3,084.83
(C) At fair value through profit or loss		
(i) In mutual funds	8,152.86	10,705.59
Add: Fair value gains	24.28	32.66
Sub-total (i)	8,177.14	10,738.25
(ii) In Government securities#	2,096.88	642.19
Add: Fair value gains	0.23	1.43
Sub-total (ii)	2,097.11	643.62
(iii) In certificates of deposit#	-	98.73
Add: Fair value gains	-	0.46
Sub-total (iii)	-	99.19
(iv) In commercial paper	-	396.60
Add: Fair value gains	-	0.74
Sub-total (iv)	-	397.34
Total (C) = (i+ii+iii+iv)	10,274.25	11,878.40
(D) At cost		
Investment in subsidiaries	5,298.38	5,155.43
Total (D)	5,298.38	5,155.43
Total (A+B+C+D)	**20,169.12**	**20,138.98**

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Out of above		
In India	20,169.12	20,138.98
Outside India	-	-
	20,169.12	20,138.98

Impairment allowance recognised on these investments is ₹ Nil (Previous year ₹ Nil).

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

11 Other financial assets

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Security deposits	54.35	48.82
Advances to dealers	93.08	193.78
Others	339.90	106.91
	487.33	349.51

- Impairment allowance recognised on other financial assets is ₹ Nil (Previous year: ₹ Nil).

12 Deferred tax assets (net)

Reconciliation of tax expenses and profit before tax multiplied by corporate tax rate

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Profit before tax	5,362.88	6,808.13
At corporate tax rate of 25.17% (Previous year 25.17%)	1,349.84	1,713.61
Tax on expenditure not considered for tax provision (net of allowance)	63.56	36.78
Tax on additional deductions	(6.03)	(4.76)
Tax on income not subject to tax	-	(0.16)
Tax impact due to revaluation of deferred tax due to change in Income tax rate*	-	181.54
Tax expense (effective tax rate of 26.243%, Previous year 28.305%)	1,407.37	1,927.01

* From the financial year 2019-20, the Company opted for reduced corporate tax rate of 25.17% under section 115BAA of the Income Tax Act, 1961.

Deferred tax assets (net) recorded in Balance Sheet

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Deferred tax relates to the following:		
(a) Deferred tax assets		
Disallowance u/s 43B of the Income Tax Act, 1961	34.09	20.85
Impairment of financial instruments	869.21	796.46
Cash flow hedge reserve	24.40	19.05
Changes in fair value of FVOCI equity instruments	7.01	23.18
Lease liability	8.01	4.12
Other temporary differences	7.65	20.65
Gross deferred tax assets (a)	950.37	884.31

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

12 Deferred tax assets (net) (Contd.)

Deferred tax assets (net) recorded in Balance Sheet (Contd.)

(₹ In Crore)

Particulars	As at 31 March 2021	2020
(b) Deferred tax liabilities		
Depreciation and amortisation	0.35	2.17
EIR impact on financial instruments measured at amortised cost	20.00	10.49
Unrealised net gain on fair value changes	6.15	8.88
Changes in fair value of FVOCI debt securities	2.33	12.83
Other temporary differences	2.33	2.33
Gross deferred tax liabilities (b)	31.16	36.70
Deferred tax assets/(liabilities), net (a-b)	919.21	847.61

Changes in deferred tax recorded in profit or loss

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Deferred tax relates to the following:		
Disallowance u/s 43B of the Income Tax Act, 1961	(4.65)	5.17
Impairment on financial instruments	(72.75)	(196.47)
Depreciation and amortisation	(1.82)	(7.65)
EIR impact on financial instruments measured at amortised cost	9.51	31.51
Unrealised net gain on fair value changes	(2.73)	7.44
Lease liability	(3.89)	(4.12)
Other temporary differences	13.00	11.17
	(63.33)	(152.95)

Changes in deferred tax recorded in other comprehensive income

(₹ In Crore)

Particulars	For the year ended 2021	2020
Deferred tax relates to the following:		
Changes in fair value of FVOCI debt securities	(10.50)	12.42
Disallowance u/s 43B of the Income Tax Act, 1961	(8.59)	(4.02)
Cash flow hedge reserve	(5.35)	(19.05)
Changes in fair value of FVOCI equity instruments	16.17	(23.18)
	(8.27)	(33.83)

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

13 Property, plant and equipment and intangible assets

For the financial year 2020-21

(₹ In Crore)

Particulars	Gross block: As at 1 April 2020	Gross block: Additions	Gross block: Deductions	Gross block: As at 31 March 2021	Depreciation and amortisation: As at 1 April 2020	Depreciation and amortisation: Deductions	Depreciation and amortisation: For the year	Depreciation and amortisation: As at 31 March 2021	Net block: As at 31 March 2021
Property, plant and equipment (a)									
Freehold land (b)	100.87	4.60	-	105.47	-	-	-	-	105.47
Buildings (c)	211.76	-	0.66	211.10	60.03	0.35	2.84	62.52	148.58
Computers	217.70	40.09	25.16	232.63	109.85	18.23	34.61	126.23	106.40
Office equipment	191.77	17.02	12.08	196.71	87.02	10.87	32.02	108.17	88.54
Furniture and fixtures	206.74	18.59	17.56	207.77	69.54	11.41	19.32	77.45	130.32
Vehicles	73.76	23.12	9.62	87.26	31.19	7.22	7.35	31.32	55.94
Leasehold improvements	158.77	21.24	1.03	178.98	81.95	1.08	37.76	118.63	60.35
Right-of-use - Premises	339.61	86.23	30.99	394.85	70.58	22.22	90.27	138.63	256.22
Right-of-use - Server	29.77	-	0.50	29.27	4.43	0.34	4.56	8.65	20.62
Sub-total	**1,530.75**	**210.89**	**97.60**	**1,644.04**	**514.59**	**71.72**	**228.73**	**671.60**	**972.44**
Intangible assets (d)									
Computer softwares	378.01	116.30	0.22	494.09	166.03	0.22	73.52	239.33	254.76
Sub-total	**378.01**	**116.30**	**0.22**	**494.09**	**166.03**	**0.22**	**73.52**	**239.33**	**254.76**
Total	**1,908.76**	**327.19**	**97.82**	**2,138.13**	**680.62**	**71.94**	**302.25**	**910.93**	**1,227.20**

For the financial year 2019-20

(₹ In Crore)

Particulars	Gross block: As at 1 April 2019	Gross block: Additions	Gross block: Deductions	Gross block: As at 31 March 2020	Depreciation and amortisation: As at 1 April 2019	Depreciation and amortisation: Deductions	Depreciation and amortisation: For the year	Depreciation and amortisation: As at 31 March 2020	Net block: As at 31 March 2020
Property, plant and equipment (a)									
Freehold land (b)	2.26	98.61	-	100.87	-	-	-	-	100.87
Buildings (c)	203.48	8.28	-	211.76	52.62	-	7.41	60.03	151.73
Computers	155.32	78.51	16.13	217.70	82.96	10.99	37.88	109.85	107.85
Office equipment	131.63	62.76	2.62	191.77	60.27	1.85	28.60	87.02	104.75
Furniture and fixtures	168.04	40.93	2.23	206.74	47.78	1.58	23.34	69.54	137.20
Vehicles	47.11	30.44	3.79	73.76	19.99	2.56	13.76	31.19	42.57
Leasehold improvements	105.89	53.18	0.30	158.77	54.27	0.25	27.93	81.95	76.82
Right-of-use - Premises	202.42*	140.60	3.41	339.61	-	3.40	73.98	70.58	269.03
Right-of-use - Server	-	29.77	-	29.77	-	-	4.43	4.43	25.34
Sub-total	**1,016.15**	**543.08**	**28.48**	**1,530.75**	**317.89**	**20.63**	**217.33**	**514.59**	**1,016.16**
Intangible assets (d)									
Computer softwares	271.44	106.90	0.33	378.01	112.95	0.29	53.37	166.03	211.98
Sub-total	**271.44**	**106.90**	**0.33**	**378.01**	**112.95**	**0.29**	**53.37**	**166.03**	**211.98**
Total	**1,287.59**	**649.98**	**28.81**	**1,908.76**	**430.84**	**20.92**	**270.70**	**680.62**	**1,228.14**

* Represents Right-of-use assets recognised on application of Ind AS 116 'Leases' w.e.f 1 April 2019.

(a) See note no. 3.7 and 3.14

(b) Represents share in undivided portion of land on purchase of office premises.

(c) Includes cost of shares in co-operative society of ₹ 500 (Previous year ₹ 500).

(d) See note no. 3.8

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

14 Other non-financial assets

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Capital advances	-	0.25
Indirect tax credits available for utilisation	33.12	27.27
Deposits against appeals	20.08	17.14
Advances to suppliers and others	80.90	54.72
	134.10	99.38

15 Payables

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(I) Trade payables		
Total outstanding dues of micro enterprises and small enterprises#	0.27	0.30
Total outstanding dues of creditors other than micro enterprises and small enterprises	676.62	636.76
	676.89	637.06
(II) Other payables		
Total outstanding dues of micro enterprises and small enterprises#	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	191.08	179.46
	191.08	179.46

Based on and to the extent of information received by the Company from the suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) and relied upon by the auditors, the relevant particulars as at the year-end are furnished below:

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Principal amount due to suppliers under MSMED Act, as at the year end (since paid)	0.27	0.30
Interest accrued and due to suppliers under MSMED Act, on the above amount as at the year end	-	-
Payment made to suppliers (other than interest) beyond the appointed day, during the year	28.64	6.09
Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
Interest paid to suppliers under MSMED Act (Section 16)	0.31	-
Interest due and payable to suppliers under MSMED Act, for payments already made	-	0.07
Interest accrued and remaining unpaid at the year end to suppliers under MSMED Act	-	-

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

16 Debt securities

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(A) At amortised cost		
(I) Secured*		
Privately placed redeemable non-convertible debentures	33,055.89	36,813.66
Sub-total (I)	33,055.89	36,813.66
(II) Unsecured		
Privately placed partly paid redeemable non-convertible debentures	4,164.24	3,008.64
Borrowings by issue of commercial papers	5,851.58	1,891.47
Sub-total (II)	10,015.82	4,900.11
Total (I + II)	43,071.71	41,713.77
(B) Out of above		
In India	43,071.71	41,713.77
Outside India	-	-
	43,071.71	41,713.77

* secured by pari passu charge created by mortgage of Company's Chennai office, on loan receivables as stated in the respective information memorandum.

(C) Terms of repayment of non-convertible debentures (NCDs) as at 31 March 2021

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
Up to 730	-	2,107.75	-	-	2,107.75
731-1095	-	6,380.07	2,325.00	-	8,705.07
1096-1460	425.00	2,462.27	270.40	1,500.06	4,657.73
More than 1460	1,118.50	337.00	1,994.79	11,606.29	15,056.58
Issued at par and redeemable at premium					
731-1095	-	960.12	-	-	960.12
1096-1460	619.70	3,090.56	75.00	-	3,785.26
More than 1460	18.50	3.80	-	-	22.30
Interest accrued and impact of EIR					1,925.32
					37,220.13

- Interest rate ranges from 4.66% to 9.36% as at 31 March 2021
- As at 31 March 2021, partly called and paid unsecured debentures of ₹ 4,164.24 crore.
- Amount to be called and paid is ₹ 200 crore in Jun 2021
- Amount to be called and paid is ₹ 915 crore each in Nov 2021 and Nov 2022

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

16 Debt securities (Contd.)

Terms of repayment of non-convertible debentures (NCDs) as at 31 March 2020

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
731-1095	-	-	6,371.73	-	6,371.73
1096-1460	7,799.53	425.00	2,467.80	70.57	10,762.90
More than 1460	1,255.20	1,118.50	337.00	11,608.14	14,318.84
Issued at par and redeemable at premium					
731-1095	12.00	-	960.12	-	972.12
1096-1460	1,552.10	619.70	3,090.56	-	5,262.36
More than 1460	-	18.50	3.80	-	22.30
Interest accrued and impact of EIR					2,112.05
					39,822.30

- Interest rate ranges from 7.10% to 9.36% as at 31 March 2020
- As at 31 March 2020, partly called and paid unsecured debentures of ₹ 3,008.64 crore.
- Amount to be called and paid is ₹200 crore each in Jun 2020 and Jun 2021
- Amount to be called and paid is ₹915 crore each in Nov 2020, Nov 2021 and Nov 2022

(D) Terms of repayment of commercial papers as at 31 March 2021

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at discount and redeemable at par					
Up to 365	5,852.29	-	-	-	5,852.29
Interest accrued and impact of EIR					(0.71)
					5,851.58

- Interest rate ranges from 3.65% to 4.60% p.a as at 31 March 2021
- Face value of commercial paper is ₹ 5,930 crore as at 31 March 2021

Terms of repayment of commercial papers as at 31 March 2020

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at discount and redeemable at par					
Up to 365	1,892.68	-	-	-	1,892.68
Interest accrued and impact of EIR					(1.21)
					1,891.47

- Interest rate ranges from 6.82% to 7.85% p.a as at 31 March 2020
- Face value of commercial paper is ₹ 1,925 crore as at 31 March 2020

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

17 Borrowings (other than debt securities)

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(A) In India		
At amortised cost:		
Term loans from banks	21,061.64	29,070.59
Cash credit/Overdraft facility	11.84	620.61
Working capital demand loans	250.00	2,082.33
Collateralised borrowing and lending obligation (CBLO) against Government securities	299.97	839.98
	21,623.45	32,613.51
Outside India		
External commercial borrowing (ECB)*	5,468.64	4,309.81
	5,468.64	4,309.81
(B) Out of above		
Secured (Against hypothecation of loans, book debts and other receivables)	27,092.09	36,923.32
Unsecured	-	-
	27,092.09	36,923.32

* ECB is denominated in foreign currency and secured against book debts

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

17 Borrowings (other than debt securities) (Contd.)

(C) Terms of repayment of term loans from bank as at 31 March 2021

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
Quarterly									
Up to 365	9	695.90	-	-	-	-	-	-	695.90
366-730	15	884.03	9	695.91	-	-	-	-	1,579.94
731-1095	29	1,789.45	19	1,521.53	15	1,433.41	-	-	4,744.39
More than 1095	6	565.97	25	1,599.17	22	1,536.90	17	1,055.00	4,757.04
Half yearly									
366-730	4	200.00	-	-	-	-	-	-	200.00
731-1095	2	200.00	4	200.00	-	-	-	-	400.00
More than 1095	18	1,525.00	7	425.00	7	450.00	5	300.00	2,700.00
Yearly									
Up to 365	2	56.25	-	-	-	-	-	-	56.25
366-730	-	-	4	206.25	-	-	-	-	206.25
731-1095	3	322.50	-	-	2	56.25	-	-	378.75
More than 1095	4	357.50	6	588.75	7	751.25	5	446.25	2,143.75
On maturity (Bullet)									
731-1095	-	-	-	-	2	750.00	-	-	750.00
More than 1095	1	1,250.00	2	465.00	1	750.00	-	-	2,465.00
Interest accrued and impact of EIR									(15.63)
									21,061.64

- Interest rate ranges from 5.10% p.a to 8.85% p.a as at 31 March 2021

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

17 Borrowings (other than debt securities) (Contd.)

Terms of repayment of term loans from bank as at 31 March 2020

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
Quarterly									
Up to 365	6	281.25	-	-	-	-	-	-	281.25
366-730	27	1,519.63	11	459.38	-	-	-	-	1,979.01
731-1095	6	409.72	39	2,429.02	10	565.63	-	-	3,404.37
More than 1095	18	925.00	10	734.72	33	2,594.98	27	2,384.45	6,639.15
Half yearly									
Up to 365	4	200.00	-	-	-	-	-	-	200.00
366-730	2	200.00	4	200.00	-	-	-	-	400.00
731-1095	2	250.00	2	200.00	4	200.00	-	-	650.00
More than 1095	35	1,237.50	13	675.00	10	725.00	15	1,050.00	3,687.50
Yearly									
Up to 365	2	517.50	-	-	-	-	-	-	517.50
366-730	2	220.00	3	713.74	-	-	-	-	933.74
731-1095	4	125.00	10	857.50	6	980.00	4	511.25	2,473.75
More than 1095									-
On maturity (Bullet)									
366-730	1	15.00	-	-	-	-	-	-	15.00
731-1095	2	900.00	1	15.00	-	-	-	-	915.00
More than 1095	15	2,750.00	5	2,100.00	7	1,280.00	5	880.00	7,010.00
Interest accrued and impact of EIR									(35.68)
									29,070.59

- Interest rate ranges from 6.81% p.a to 9.05% p.a as at 31 March 2020

(D) Terms of repayment of working capital demand loans from bank as at 31 March 2021

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
On maturity (Bullet)									
Up to 365	3	250.00	-	-	-	-	-	-	250.00
Interest accrued and impact of EIR									-
									250.00

- Interest rate ranges from 4.10% p.a to 7.25% p.a as at 31 March 2021

Terms of repayment of working capital demand loans from bank as at 31 March 2020

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 year		Total
Original maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
On maturity (Bullet)									
Up to 365	8	2,081.78	-	-	-	-	-	-	2,081.78
Interest accrued and impact of EIR									0.55
									2,082.33

- Interest rate ranges from 7.45% p.a to 8.30% p.a as at 31 March 2020

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

17 Borrowings (other than debt securities) (Contd.)

(E) Terms of repayment of CBLO as at 31 March 2021

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original Maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
On maturity (Bullet)									
Up to 365	2	299.97	-	-	-	-	-	-	299.97
Interest accrued and impact of EIR									-
									299.97

- Interest rate ranges from 1.25% p.a as at 31 March 2021

Terms of repayment of CBLO as at 31 March 2020

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
On maturity (Bullet)									
Up to 365	4	839.98	-	-	-	-	-	-	839.98
Interest accrued and impact of EIR									-
									839.98

- Interest rate ranges from 0.28% p.a to 0.32% p.a as at 31 March 2020

(F) Terms of repayment of ECB as at 31 March 2021

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
On maturity (Bullet)									
731 to 1095	-	-	-	-	1	746.57	-	-	746.57
More than 1095	-	-	13	4,152.58	1	575.19	-	-	4,727.77
Interest accrued and impact of EIR									(5.70)
									5,468.64

- Interest rate ranges from 5.85% p.a to 7.68% p.a as at 31 March 2021

Terms of repayment of ECB as at 31 March 2020

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
On maturity (Bullet)									
731 to 1095	-	-	-	-	13	4,330.10	-	-	4,330.10
Interest accrued and impact of EIR									(20.29)
									4,309.81

- Interest rate ranges from 7.31% p.a to 7.68% p.a as at 31 March 2020

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

18 Deposits (Unsecured)

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(A) At amortised cost		
Public deposits*	18,961.23	13,127.38
From others	6,842.20	8,299.77
	25,803.43	21,427.15

* as defined in chapter II, para 3 (xiii) of Master directions - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016 as issued by RBI.

(B) Terms of repayment of public deposits as at 31 March 2021

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
366-730	3,462.08	1,080.58	-	-	4,542.66
731-1095	645.26	292.30	2,454.24	-	3,391.80
More than 1095	2,603.09	4,200.68	1,215.48	2,366.75	10,386.00
Interest accrued and impact of EIR					640.77
					18,961.23

Terms of repayment of public deposits as at 31 March 2020

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
366-730	1,838.51	100.23	-	-	1,938.74
731-1095	337.52	662.76	242.66	-	1,242.94
More than 1095	795.51	2,654.19	4,315.69	1,843.48	9,608.87
Interest accrued and impact of EIR					336.83
					13,127.38

(C) Terms of repayment of deposit from others as at 31 March 2021

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Up to 365	824.50	-	-	-	824.50
366-730	4,157.32	961.03	-	-	5,118.35
731-1095	256.81	6.24	87.70	-	350.75
More than 1095	53.81	151.78	129.95	44.51	380.05
Interest accrued and impact of EIR					168.55
					6,842.20

- Interest rates range from 4.05% p.a. to 9.35% p.a. as at 31 March 2021

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

18 Deposits (Unsecured) (Contd.)

Terms of repayment of deposit from others as at 31 March 2020

(₹ In Crore)

Original maturity (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Up to 365	1,090.02	-	-	-	1,090.02
366-730	5,817.39	220.37	-	-	6,037.76
731-1095	38.30	332.41	5.44	-	376.15
More than 1095	77.36	54.84	253.16	141.50	526.86
Interest accrued and impact of EIR					268.98
					8,299.77

- Interest rates range from 6.20% p.a. to 9.60% p.a. as at 31 March 2020

19 Subordinated debts (Unsecured)

(₹ In Crore)

Particulars	As at 31 March 2021	2020
(A) In India		
At amortised cost		
Privately placed subordinated (Tier II) redeemable non-convertible debentures	3,898.61	4,141.75
	3,898.61	4,141.75
(B) Outside India	-	-

(C) Terms of repayment of subordinated debts as at 31 March 2021

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
More than 1825	50.00	207.10	50.00	3,402.50	3,709.60
Interest accrued and impact of EIR					189.01
					3,898.61

- Interest rate ranges from 8.05% to 10.21% as at 31 March 2021

Terms of repayment of subordinated debts as at 31 March 2020

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
More than 1825	228.70	50.00	207.10	3,452.50	3,938.30
Interest accrued and impact of EIR					203.45
					4,141.75

- Interest rate ranges from 8.05% to 10.21% as at 31 March 2020

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

20 Other financial liabilities

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Unclaimed dividends	2.08	4.82
Book overdraft	0.85	4.46
Security deposits	141.15	115.11
Lease liability+	308.67	310.74
Others	290.90	234.72
	743.65	669.85

+ Disclosures as required by Ind AS 116 'Leases' are stated below

(A) Lease liability movement

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Opening Balance/Transition adjustment	310.74	202.42
Add: Addition during the year	86.23	170.36
Interest on Lease liability	26.60	23.65
Less: Deletion during the year	9.63	-
Lease rental payments	105.27	85.69
Balance at the end of the year	308.67	310.74

(B) Lease rentals of ₹ 7.92 crores (Previous year ₹ 4.76 crores) pertaining to short term leases and low value assets has been charged to Statement of Profit and Loss.

(C) Future lease cash outflow for all leased assets

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Not later than one year	104.83	94.34
Later than one year but not later than five years	227.93	225.90
Later than five years	43.28	64.48
	376.04	384.72

(D) Maturity analysis of lease liability

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Within 12 months	78.36	71.36
After 12 months	230.31	239.38

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

21 Provisions

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits		
Gratuity	94.26	50.86
Compensated absences*	18.53	17.22
Provident fund	5.10	-
Other long term service benefits	18.67	10.79
	136.56	78.87

* includes amount payable for encashable leaves not permitted to be carried forward of ₹ 7.17 crore (Previous year ₹ 5.67 crore) .

22 Other non-financial liabilities

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Statutory dues	368.33	292.27
Others	107.15	74.76
	475.48	367.03

23 Equity share capital

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Authorised		
750,000,000 (750,000,000) equity shares of ₹ 2 each	150.00	150.00
Issued		
602,587,339 (601,689,069) equity shares of ₹ 2 each	120.52	120.34
Subscribed and paid up		
602,587,339 (601,689,069) equity shares of ₹ 2 each fully called up and paid up	120.52	120.34
Less: 1,021,714 (1,742,578) equity shares of ₹ 2 each held in a trust for employees under ESOP Scheme [See footnote (e) below]	0.20	0.35
	120.32	119.99

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

23 Equity share capital (Contd.)

(a) Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	Nos.	₹ In Crore
As at 1 April 2019	577,968,388	115.59
Add: Issued during the year to Trust for employees pursuant to ESOP scheme	1,925,810	0.39
Add: Issued during the year to eligible Qualified Institutional Buyers #	21,794,871	4.36
	601,689,069	120.34
Less: equity shares held in trust for employees under ESOP scheme	1,742,578	0.35
As at 31 March 2020	**599,946,491**	**119.99**
As at 1 April 2020	601,689,069	120.34
Add: Issued during the year to Trust for employees pursuant to ESOP scheme	898,270	0.18
	602,587,339	120.52
Less: equity shares held in trust for employees under ESOP scheme	1,021,714	0.20
As at 31 March 2021	**601,565,625**	**120.32**

On 7 November 2019, the Company through Qualified Institutions Placement (QIP) allotted 21,794,871 equity shares to the eligible Qualified Institutional Buyers (QIB) at a price of ₹ 3,900 per equity share of ₹ 2 face value (inclusive of premium of ₹ 3,898 per share) aggregating to approximately ₹ 8,500 crore. The issue was made in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. Funds received in the QIP of equity shares have been utilised for the purpose mentioned in the objects of the issue in the offer document.

On 14 September 2016, the Allotment Committee of the Board of Directors allotted 269,360,950 equity shares of face value of ₹ 2 each as bonus shares in the proportion of one bonus equity share for every one equity share of face value of ₹ 2 held as on the record date, by capitalising an amount of ₹ 538,721,900 from securities premium account. The bonus shares were listed on BSE Limited and National Stock Exchange of India Limited w.e.f. 19 September 2016. Other than this, Company has not allotted any bonus shares in previous five years.

(b) Terms/rights/restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The dividend recommended by the Board of Directors and approved by the shareholders in the Annual General Meeting is paid in Indian Rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by Holding Company (Face value ₹2 per share)

	As at 31 March 2021		As at 31 March 2020	
Particulars	Nos.	₹ In Crore	Nos.	₹ In Crore
Bajaj Finserv Ltd.*	317,816,130	63.56	317,816,130	63.56

* An associate of Bajaj Holdings and Investments Ltd.

(d) Details of shareholders holding more than 5% shares in the Company (Face value ₹2 per share)

	As at 31 March 2021		As at 31 March 2020	
Particulars	Nos.	% Holding	Nos.	% Holding
Bajaj Finserv Ltd.*	317,816,130	52.74%	317,816,130	52.82%

* An associate of Bajaj Holdings and Investments Ltd.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

23 Equity share capital (Contd.)

(e) Shares reserved for issue under Employee Stock Option Plan

	Particulars	No. of Stock options/ Equity shares
a.	Number of equity shares approved/reserved for issue under Employee Stock Option Plan, 2009 to employees of the Company drawn in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines,1999 (SEBI Guidelines) (i.e. 5% of the then subscribed and paid up share capital)	25,071,160
b.	Options granted under the scheme up to 31 March 2021	27,980,466
c.	Options cancelled up to 31 March 2021 and added back to pool for future grants	3,755,825
d.	Options granted net of cancellation under the scheme up to 31 March 2021 (d=b-c)	24,224,641
e.	Balance available under the scheme for future grants (e=a-d)	846,519
f.	Equity shares allotted to BFL Employee Welfare Trust up to 31 March 2021	18,613,080
g.	Stock options exercised up to 31 March 2021	17,591,366
h.	Balance stock options available with BFL Employee Welfare trust on 31 March 2021 (h=f-g)	1,021,714

Consequent to the opinion expressed by the 'Expert Advisory Committee' of the Institute of Chartered Accountants of India on the applicability of clause 22A.1 of the SEBI Guidelines, the balance unexercised equity shares held by the trust at the close of the year have been reduced against the share capital as if the trust is administered by the Company itself. The securities premium related to the unexercised equity shares held by the trust at the close of the year aggregating ₹ 869,605,787 (As at 31 March 2020 ₹ 670,428,124) has also been reduced from securities premium account and adjusted against the loan outstanding from the trust.

Dividends declared by the Company do not accrete to unexercised options. Accordingly, any dividend received by the ESOP trust is remitted to the Company and adjusted against the source from which dividend has been paid.

24 Other equity

(₹ In Crore)

Particulars	As at 31 March 2021	2020
(i) Securities premium		
Balance at the beginning of the year	16,908.47	8,333.49
Add: Received during the year		
On allotment of shares to Trust for employees pursuant to ESOP scheme	122.80	100.14
On allotment of shares to employees pursuant to ESOP scheme	34.14	24.26
On issue of shares under Qualified Institutional Buyers	-	8,495.64
Less: Share issue expenses as per section 52 of the Companies Act, 2013	-	45.06
	17,065.41	16,908.47
Less: Premium on equity shares held in trust for employees under the ESOP scheme	86.96	67.04
Balance at the end of the year	16,978.45	16,841.43

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

24 Other equity (Contd.)

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(ii) Retained earnings		
Balance at the beginning of the year	10,349.21	7,612.22
Profit for the year	3,955.51	4,881.12
Item of other comprehensive income recognised directly in retained earnings		
On defined benefit plan	(25.53)	(25.51)
	14,279.19	12,467.83
Appropriations:		
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934	(792.00)	(977.00)
Dividend paid	-	(949.63)
Tax on dividend	-	(195.20)
Adjustment of dividend to ESOP Trust [refer note no. 23 (e)]	-	3.21
Total appropriations	(792.00)	(2,118.62)
Balance as at the end of the year	13,487.19	10,349.21
Other reserves		
(iii) Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		
Balance as at the beginning of the year	3,579.75	2,602.75
Add: Transferred during the year	792.00	977.00
Balance as at the end of the year	4,371.75	3,579.75
(iv) General reserve		
Balance as at the beginning of the year	787.82	786.64
Add: Transfer on cancellation of stock options	0.54	1.18
Balance as at the end of the year	788.36	787.82
(v) Infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961		
Balance as at the beginning of the year	9.25	9.25
Balance as at the end of the year	9.25	9.25
(vi) Other comprehensive income		
Balance as at the beginning of the year	(87.41)	0.74
Addition/(reduction) during the year	(32.42)	(88.15)
Balance as at the end of the year	(119.83)	(87.41)

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

24 Other equity (Contd.)

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(vii) Share options outstanding account		
Balance as at the beginning of the year	213.17	137.85
Add: Share based payments to employees	124.76	100.76
Less: Transfer on allotment of shares to employees pursuant to ESOP scheme	34.14	24.26
Less: Transfer on cancellation of stock options	0.54	1.18
Balance as at the end of the year	303.25	213.17
Total other equity	35,818.42	31,693.22

25 Nature and purpose of other equity

(i) Securities premium

Securities premium is used to record the premium on issue of shares. It can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

(ii) Retained earnings

Retained earnings represents the surplus in Profit and Loss Account and appropriations.

The Company recognises change on account of remeasurement of the net defined benefit liability (asset) as part of retained earnings with separate disclosure, which comprises of:

- actuarial gains and losses;
- return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) ; and
- any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

(iii) Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934

Reserve fund is created as per the terms of Section 45 IC(1) of the Reserve Bank of India Act, 1934 as a statutory reserve.

(iv) General reserve

Amounts set aside from retained profits as a reserve to be utilised for permissible general purpose as per Law.

(v) Infrastructure reserve created under section 36(1)(viii) of the Income Tax Act, 1961

Infrastructure reserve is created to avail the deduction as per the provisions of section 36(1)(viii) the Income Tax Act 1961 on profits derived from the business of providing long term finance for development of infrastructure facility in India.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

25 Nature and purpose of other equity (Contd.)

(vi) Other comprehensive income

On equity investments

The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated in the FVOCI equity investments reserve. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

On debt investments

The Company recognises changes in the fair value of debt instruments held with a dual business objective of collect and sell in other comprehensive income. These changes are accumulated in the FVOCI debt investments reserve. The Company transfers amounts from this reserve to profit or loss when the debt instrument is sold. Any impairment loss on such instruments is reclassified immediately to the Statement of Profit and Loss.

On cash flow hedge reserve

It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

On loans

The Company recognises changes in the fair value of loans measured under FVOCI in other comprehensive income and impairment loss allowances are recognised in profit or loss.

(vii) Share options outstanding account

Share options outstanding account is created as required by Ind AS 102 'Share Based Payments' on the Employee Stock Option Scheme operated by the Company for employees of the group.

26 Interest income

(₹ In Crore)

	For the year ended 31 March 2021				For the year ended 31 March 2020			
	On financial assets measured at				On financial assets measured at			
Particulars	FVOCI*	Amortised cost*	FVTPL	Total	FVOCI*	Amortised cost*	FVTPL	Total
On loans	-	20,169.79	-	20,169.79	-	20,507.72	-	20,507.72
On investments	149.77	0.96	56.91	207.64	112.80	3.51	26.59	142.90
On others	-	41.67	-	41.67	-	17.53	-	17.53
	149.77	20,212.42	56.91	20,419.10	112.80	20,528.76	26.59	20,668.15

* As per effective interest rate (EIR), refer note no. 3.1(i)

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

27 Fees and commission income

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Service and administration charges	1,263.42	883.83
Fees on value added services and products	363.78	396.63
Foreclosure income	140.03	155.16
Distribution income	595.56	1,054.27
	2,362.79	2,489.89

28 Net gain on fair value changes

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
(A) Net gain on financial instruments at fair value through profit or loss		
On trading portfolio:		
Realised gain on investments at FVTPL	460.98	415.34
Unrealised gain/(loss) on investments at FVTPL	(17.56)	31.20
(B) Others		
Realised gain on sale of FVOCI debt instruments	84.30	13.93
	527.72	460.47

29 Sale of services

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Service fees for management of assigned portfolio of loans	59.55	53.32
	59.55	53.32

30 Other operating income

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Recoveries against financial assets	162.06	140.90
Net realisation on sale of written off loans	0.94	9.80
	163.00	150.70

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

31 Other income

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Interest on income tax refund	4.40	1.01
Net gain on foreign currency transactions and translation	-	0.08
Dividend income	-	0.64
Miscellaneous income	9.77	9.89
	14.17	11.62

32 Finance costs

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
On financial liabilities measured at amortised cost:		
On debt securities	2,879.36	3,256.50
On borrowings other than debt securities	2,428.83	2,705.98
On subordinated debts	335.64	352.69
On deposits	1,746.94	1,512.66
On lease liability	26.60	23.65
On others	29.02	6.07
	7,446.39	7,857.55

33 Fees and commission expense

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Commission and incentives	38.55	62.30
Recovery costs	1,150.81	959.39
Credit guarantee fees	50.43	29.70
Loan portfolio management service charges	61.77	53.40
	1,301.56	1,104.79

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

34 Impairment on financial instruments

(₹ In Crore)

Particulars	For the year ended 31 March 2021			For the year ended 31 March 2020		
	At amortised cost	At FVOCI	Total	At amortised cost	At FVOCI	Total
On loans	5,695.55	-	5,695.55	3,790.48	-	3,790.48
On others	25.73	-	25.73	14.67	-	14.67
	5,721.28	-	5,721.28	3,805.15	-	3,805.15

35 Employee benefits expenses

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Employees emoluments	1,946.75	2,061.00
Contribution to provident fund and other funds	108.07	102.92
Share based payment to employees	111.39	93.71
Staff welfare expenses	76.21	35.81
	2,242.42	2,293.44

36 Other expenses

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Insurance	5.13	2.98
Rent, taxes and energy cost	31.58	40.64
Director’s fees, commission and expenses	3.53	5.48
Communication expenses	73.28	119.98
Outsourcing/back office expenses	127.37	240.85
Travelling expenses	53.97	198.64
Information technology expenses	210.50	202.05
Bank charges	103.70	132.93
Net loss on disposal of property, plant and equipment	6.41	1.80
Auditor's fees and expenses*	0.70	1.00
Advertisement, branding and promotion	97.77	212.81
Expenditure towards Corporate Social Responsibility activities**	107.07	82.19
Repairs and maintenance	80.96	92.63
Printing and stationery	7.34	16.40
Legal and professional charges	15.88	22.65
Customer experience	78.46	96.15
Miscellaneous expenses+	165.90	225.21
	1,169.55	1,694.39

+ Includes donation of ₹ Nil (Previous year ₹ 20 crore) made to political parties through Electoral Bonds.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

36 Other expenses (Contd.)

* **Payment to auditor (net of GST credit availed)** #

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Audit fee	0.44	0.44
Tax audit fee	0.06	0.06
Limited review fees	0.09	0.09
In other capacity:		
Other services	0.11	0.39
Reimbursement of expenses	-	0.02
	0.70	1.00

Excludes fees of ₹ Nil (Previous year ₹ 0.49 crore) incurred during the year in respect of fund raised through qualified institutional placement, adjusted against securities premium.

** **Corporate Social Responsibility expenditure**

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
(a) Gross amount required to be spent by the Company during the year	106.55	81.92
(b) Amount spent in cash during the year on:		
(i) Construction/acquisition of any asset	-	-
(ii) On purpose other than (i) above	107.07	82.19
	107.07	82.19

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

37 Earnings per share (EPS)

Basic EPS is calculated in accordance with Ind AS 33 'Earnings per share' by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares of the Company.

The following reflects the income and share data used in the basic and diluted EPS computations:

	For the year ended 31 March	
Particulars	**2021**	**2020**
(A) Net profit attributable to equity shareholders (₹ In Crore)	3,955.51	4,881.12
(B) Weighted average number of equity shares for basic earnings per share	600,670,592	586,346,942
Effect of dilution:		
Employee stock options	4,825,269	4,623,187
(C) Weighted average number of equity shares for diluted earnings per share	605,495,861	590,970,129
Earning per share (basic) (₹) (A/B)	65.85	83.25
Earning per share (diluted) (₹) (A/C)	65.33	82.60

38 Segment Information

The Company operates in a single reportable segment i.e. financing, since the nature of the loans are exposed to similar risk and return profiles hence they are collectively operating under a single segment. The Company operates in a single geographical segment i.e. domestic.

39 Transfer of financial assets that are derecognised in their entirety where the Company has continuing involvement

The Company has not transferred any assets that are derecognised in their entirety where the Company continues to have continuing involvement.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

40 Revenue from contracts with customers

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Type of services		
Service and administration charges	1,263.42	883.83
Fees on value added services and products	363.78	396.63
Foreclosure charges	140.03	155.16
Distribution income	595.56	1,054.27
Sale of services	59.55	53.32
	2,422.34	2,543.21
Geographical markets		
India	2,422.34	2,543.21
Outside India	-	-
	2,422.34	2,543.21
Timing of revenue recognition		
Services transferred at a point in time	2,422.34	2,543.21
Services transferred over time	-	-
	2,422.34	2,543.21

Contract balances

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Service asset	102.19	92.74
Fees, commission and other receivables	167.26	237.86
	269.45	330.60

- Impairment allowance recognised on contract balances is Nil (Previous year: Nil)

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans

Defined benefit plans

(A) Gratuity

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Gratuity Act, an employee who has completed five years of service is entitled to specific benefits. The level of benefits provided depends on the member's length of service, managerial grade and salary at retirement age.

Movement in defined benefit obligations

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Defined benefit obligation as at the beginning of the year	149.33	96.21
Current service cost	31.28	19.95
Past service cost	(6.27)	-
Interest on defined benefit obligation	9.79	7.16
Remeasurements due to:		
Actuarial loss/(gain) arising from change in financial assumptions	-	11.68
Actuarial loss/(gain) arising from change in demographic assumptions	14.83	-
Actuarial loss/(gain) arising on account of experience changes	12.89	17.85
Benefits paid	(3.03)	(3.34)
Liabilities assumed/(settled)*	(0.17)	(0.18)
Defined benefit obligation as at the end of the year	208.65	149.33

* On account of business combination within the Group

Movement in plan assets

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Fair value of plan asset as at the beginning of the year	98.46	65.38
Employer contributions	13.08	30.69
Interest on plan assets	7.34	5.92
Remeasurements due to:		
Actual return on plan assets less interest on plan assets	(1.29)	(0.01)
Benefits paid	(3.03)	(3.34)
Assets acquired/(settled)*	(0.17)	(0.18)
Fair value of plan asset as at the end of the year	114.39	98.46

* On account of business combination within the Group

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans (Contd.)

(A) Gratuity (Contd.)

Reconciliation of net liability/asset

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Net defined benefit liability as at the beginning of the year	50.86	30.85
Expense charged to Statement of Profit and Loss	27.46	21.19
Amount recognised in other comprehensive income	29.02	29.52
Employers contribution	(13.08)	(30.69)
Net defined benefit liability as at the end of the year	94.26	50.86

Expenses charged to the Statement of Profit and Loss

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Current service cost	31.28	19.95
Past service cost	(6.27)	-
Interest cost	2.45	1.24
	27.46	21.19

Movement in asset ceiling

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Value of asset ceiling as at the beginning of the year	-	0.02
Remeasurements due to change in surplus/deficit	-	(0.02)
Value of asset ceiling as at the end of the year	-	-

Remeasurement losses in other comprehensive income

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening amount recognised in other comprehensive income	64.41	34.88
Changes in financial assumptions	-	11.68
Changes in demographic assumptions	14.83	-
Experience adjustments	12.89	17.85
Actual return on plan assets less interest on plan assets	1.29	0.01
Adjustment to recognize the effect of asset ceiling	-	(0.02)
Closing amount recognized outside profit or loss in other comprehensive income	93.42	64.40

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans (Contd.)

(A) Gratuity (Contd.)

Amount recognised in Balance Sheet

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Present value of funded defined benefit obligation	208.65	149.33
Fair value of plan assets	114.39	98.47
Net funded obligation	94.26	50.86
Net defined benefit liability recognised in Balance Sheet	94.26	50.86

Key actuarial assumptions

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Discount rate (p.a.)	6.80%	6.80%
Salary escalation rate (p.a.)	11.00%	11.00%
Category of plan assets		
Insurer managed funds	100%	100%

Sensitivity analysis for significant assumptions

Particulars	As at 31 March 2021		As at 31 March 2020	
	Discount rate	Salary Escalation Rate	Discount rate	Salary Escalation Rate
Impact of increase in 50 bps on defined benefit obligation	(5.29%)	5.50%	(4.47%)	4.60%
Impact of decrease in 50 bps on defined benefit obligation	5.75%	(5.12%)	4.81%	(4.33%)

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans (Contd.)

(A) Gratuity (Contd.)

Projected plan cash flow

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Maturity Profile		
Expected benefits for year 1	11.24	10.53
Expected benefits for year 2	11.87	11.99
Expected benefits for year 3	12.93	12.12
Expected benefits for year 4	14.51	12.53
Expected benefits for year 5	14.31	12.90
Expected benefits for year 6	15.59	12.50
Expected benefits for year 7	14.64	13.31
Expected benefits for year 8	13.35	12.56
Expected benefits for year 9	20.71	11.81
Expected benefits for year 10 and above	385.95	209.04

Expected contribution to fund in the next year

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Expected contribution to fund in the next year	29.50	11.50

(B) Compensated absences

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Maturity profile		
Present value of unfunded obligations	11.37	11.54
Expense recognised in the Statement of Profit and Loss	3.19	7.44
Discount rate (p.a.)	6.80%	6.80%
Salary escalation rate (p.a.)	11%	11%

(C) Long term service benefit liability

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Present value of unfunded obligations	18.67	10.79
Expense recognised in the Statement of Profit and Loss	9.12	3.72
Discount rate (p.a.)	6.80%	6.80%

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans (Contd.)

(D) Provident fund

In case of certain employees, the Provident fund contribution is made to Bajaj Auto Ltd. Provident Fund Trust. In terms of the guidance note issued by the Institute of Actuaries of India, the actuary has provided a valuation of provident fund liability based on the assumptions listed below and determined that there is no shortfall as of 31 March 2021. The assumptions used in determining the present value of obligation of interest rate guarantee under deterministic approach are as set out below:

Movement in defined benefit obligations

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Defined benefit obligations as the beginning of the year	428.71	285.37
Current service cost	35.44	34.85
Interest on defined benefit obligation	30.83	24.04
Remeasurements due to:		
Actuarial loss arising from change in financial assumptions	5.10	-
Actuarial loss arising on account of experience changes	10.68	23.69
Employees contribution	83.64	75.59
Benefits paid	(21.63)	(15.94)
Liabilities assumed/(settled)*	3.93	1.11
Defined benefit obligation as at the end of the year	576.70	428.71

* On account of business combination within Group

Movement in plan assets

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Fair value of plan asset as at the beginning of the year	428.71	285.37
Interest on plan assets	30.83	24.04
Remeasurements due to:		
Actual return on plan assets less interest on plan assets	10.68	23.69
Employer contribution	35.44	34.85
Employees contribution	83.64	75.59
Benefits paid	(21.63)	(15.94)
Assets acquired/(settled)*	3.93	1.11
Fair value of plan asset as at the end of the year	571.60	428.71

* On account of business combination within Group

Reconciliation of net liability/asset

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Net defined benefit liability/(asset) as at the beginning of the year	-	-
Expense charged to Statement of Profit and Loss	35.44	34.85
Amount recognized in other comprehensive income	5.10	-
Employer contribution	(35.44)	(34.85)
Net defined benefit liability/(asset) as at the end of the year	5.10	-

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans (Contd.)

(D) Provident fund (Contd.)

Expenses charged to the Statement of Profit and Loss

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Current service cost	35.44	34.85
	35.44	34.85

Remeasurement gains/(losses) in other comprehensive income

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Opening amount recognised in other comprehensive income	-	-
Changes in financial assumptions	5.10	-
Experience adjustments	10.68	23.69
Actual return on plan assets less interest on plan assets	(10.68)	(23.69)
Closing amount recognised in other comprehensive income	5.10	-

Amount recognised in Balance Sheet

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Present value of funded defined benefit obligation	576.70	428.71
Fair value of plan assets	571.60	428.71
Net funded obligation	5.10	-
Net defined benefit liability/(asset) recognised in Balance Sheet	5.10	-

Key actuarial assumptions

Particulars	As at 31 March 2021	2020
Discount rate (p.a.)	6.80%	6.80%
Future derived return on assets (p.a.)	8.67%	8.54%
Discount rate for the remaining term to maturity of the investment (p.a.)	6.25%	6.45%
Average historical yield on the investment portfolio (p.a.)	8.12%	8.19%
Guaranteed rate of return (p.a.)	8.00%	8.50%

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans (Contd.)

(D) Provident fund (Contd.)

Category of plan assets

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Government debt securities	299.48	229.22
Other debt instruments	206.39	162.83
Others	65.73	36.66
	571.60	428.71

Sensitivity analysis for significant assumptions

The following table summarises the impact in absolute terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the difference between the rate earned and the guaranteed rate.

Particulars	As at 31 March 2021		As at 31 March 2020	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation	1.77%	(0.88%)	2.25%	-

The Indian Parliament has approved the Code on Social Security, 2020 which subsumes the Provident Fund and the Gratuity Act and rules there under. The Ministry of Labour and Employment has also released draft rules thereunder on 13 November 2020, and has invited suggestions from stakeholders which are under active consideration by the Ministry. The Company will evaluate the rules, assess the impact, if any, and account for the same once the rules are notified and become effective.

42 Contingent liabilities and commitments

(a) Contingent liabilities not provided for in respect of

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Disputed claims against the Company not acknowledged as debts	51.98	44.18
VAT matters under appeal	4.29	4.39
ESI matters under appeal	5.14	5.14
GST/Service tax matters under appeal		
On interest subsidy	1,905.44	1,971.65
On penal interest/charges	237.25	223.15
On others	6.42	6.22
Income tax matters		
Appeals by the Company	-	0.32
Appeals by the Income tax department	0.28	0.24

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

42 Contingent liabilities and commitments (Contd.)

(i) The Company is of the opinion that the above demands are not tenable and expects to succeed in its appeals/defense.

(ii) The Commissioner, Service Tax Commissionerate Pune, through an order dated 31 March 2017, has confirmed the demand of service tax of ₹ 644.65 crore and penalties of ₹ 198.95 crore from the Company in relation to the interest subsidy the Company received from manufacturers and dealers during the period 1 April 2010 to 30 September 2016. The Commissioner has also demanded payment of interest on the service tax amount confirmed until the date the Company pays the service tax demanded, which as at 31 March 2021 amounted to ₹ 690.56 crore. In accordance with legal advice, the Company filed an appeal on 6 July 2017 with the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai disputing the demands. The Company, in line with the opinion obtained from a senior legal counsel, is of view that the said demands are not tenable.

In addition, the Principal Commissioner, Central GST and Central Excise, Commissionerate Pune -I, through order dated 3 February 2021, has confirmed the demand of service tax of ₹ 217.22 crore and penalty thereon of ₹ 21.72 crore from the Company in relation to the interest subsidy received from manufacturers and dealers during the period 1 October 2016 to 30 June 2017. The Principal Commissioner has also demanded payment of interest on the service tax amount confirmed until the date the Company pays the service tax demanded, which as at 31 March 2021 amounted to ₹ 132.34 crore. In accordance with legal advice, the Company is in process to file an appeal with the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai against the said demand. The Company, in line with the opinion obtained from a senior legal counsel, is of view that the said demands are not tenable.

(iii) The Commissioner, Central Excise and CGST, Pune -I, Commissionerate, through an order dated 7 September 2018, has confirmed the demand of service tax of ₹ 53.87 crore and penalties of ₹ 53.87 crore from the Company in relation to the penal interest/charges the Company received from the customers during the period 1 July 2012 to 31 March 2016. In addition, the Commissioner has demanded payment of interest on the service tax amount confirmed until the date the Company pays the service tax demanded, which as at 31 March 2021 amounted to ₹ 59.54 crore. In accordance with legal advice, the Company filed an appeal on 26 December 2018 with the Customs, Excise and Service Tax Appellate Tribunal, Mumbai disputing the demands. The Company, in line with the opinion obtained from a legal counsel, is of view that the said demands are not tenable.

In addition, the Principal Commissioner, Central GST and Central Excise, Pune -I Commissionerate, through an order dated 30 December 2019, has confirmed the demand of service tax of ₹ 40.22 crore and penalty thereon of ₹ 4.02 crore on penal interest/charges received by the Company from the customers during the period 1 April 2016 to 30 June 2017. The Principal Commissioner has also demanded payment of interest on the service tax amount demanded, until the date the Company pays the demand, which as at 31 March 2021, amounted to ₹ 25.74 crore. In accordance with legal advice, the Company filed an appeal on 28 August 2020 with the Customs, Excise and Service Tax Appellate Tribunal, Mumbai disputing the demands. The Company, in line with the opinion obtained from a legal counsel, is of view that the said demands are not tenable.

(iv) It is not practicable for the Company to estimate the timings of the cash flows, if any, in respect of the above pending resolution of the respective proceedings.

(b) Capital and other commitments

(₹ In Crore)

	As at 31 March	
Particulars	**2021**	**2020**
(i) Capital commitments [Estimated amount of contracts remaining to be executed on capital account not provided for (net of advances)]	35.10	36.47
(ii) Other commitments - towards partially disbursed/un-encashed loans	2,585.37	2,594.38
	2,620.47	2,630.85

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

43 Changes in liabilities arising from financing activities

(a) Changes in capital and asset structure arising from financing activities

The Company does not have any financing activities which affect the capital and asset structure of the Company without the use of cash and cash equivalents.

(b) Changes in liability arising from financing activities

(₹ In Crore)

Particulars	As at 1 April 2020	Cash flows	Exchange difference	Other	As at 31 March 2021
Debt securities	41,713.77	1,622.50	-	(264.56)	43,071.71
Borrowing (other than debt securities)	36,923.32	(9,709.85)	(155.26)	33.88	27,092.09
Deposits	21,427.15	4,246.41	-	129.87	25,803.43
Subordinated debts	4,141.75	(228.72)	-	(14.42)	3,898.61
	104,205.99	(4,069.66)	(155.26)	(115.23)	99,865.84

(₹ In Crore)

Particulars	As at 1 April 2019	Cash flows	Exchange difference	Other	As at 31 March 2020
Debt securities	39,048.97	2,135.17	-	529.63	41,713.77
Borrowing (other than debt securities)	29,970.67	6,731.86	247.44	(26.65)	36,923.32
Deposits	13,193.01	7,987.91	-	246.23	21,427.15
Subordinated debts	4,139.07	-	-	2.68	4,141.75
	86,351.72	16,854.94	247.44	751.89	104,205.99

44 Disclosure of transactions with related parties as required by Ind AS 24

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2021 Transaction value	2021 Outstanding amounts carried in Balance Sheet	2020 Transaction value	2020 Outstanding amounts carried in Balance Sheet
(A) Holding Company, subsidiaries and fellow subsidiaries					
1. Bajaj Finserv Ltd. (Holding company)	Contribution to equity (317,816,130 shares of ₹ 2 each)	-	(63.56)	-	(63.56)
	Dividend paid	-	-	508.51	-
	Business support charges paid	28.95	-	21.13	-
	Business support charges received	1.68	-	1.10	-
	Secured non-convertible debentures issued	-	(555.54)	-	(965.69)
	Secured non-convertible debentures redemption	560.00	-	141.00	-
	Interest paid on non-convertible debentures	74.27	-	57.73	-
	Asset purchase	0.23	-	0.16	-
	Licence fee paid (transaction value ₹ 10,110)		-	-	-

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

		2021		2020	
Name of the related party and nature of relationship	Nature of transaction	Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
2. Bajaj Housing Finance Ltd. (Subsidiary)	Investment in equity shares	-	5,028.00	1,500.00	5,028.00
	Investment in equity through ESOPs scheme	-	-	7.05	7.05
	Amount received under ESOP recharge arrangements	20.41	-	-	-
	Security deposit	-	0.08	-	0.08
	Business support charges paid	1.50	-	1.50	-
	Business support charges received	3.54	-	4.27	4.61
	Lease liability recognised at inception	-	(0.84)	0.99	(0.90)
	Payment toward lease obligation	0.19	-	0.09	-
	Interest expenses on lease obligation	0.08	-	0.08	-
	Fees and commission paid	61.28	-	54.01	(0.50)
	Assignment of loan portfolio	300.13	-	1,454.21	-
	Service asset income	3.63	5.28	3.22	2.57
	Interest income on service assets	0.32	-	0.03	-
	Asset purchase	0.08	-	0.33	(0.18)
	Assets sale (Previous year outstanding ₹ 23,526)	0.09	-	0.30	
	Other receipts	-	-	0.12	-
	Other payments	-	-	0.02	-
3. Bajaj Financial Securities Ltd. (Subsidiary)	Investment in equity shares	150.00	270.38	100.00	120.38
	Short term loan given	7,863.90	-	381.50	15.00
	Short term loan repaid	7,878.90	-	366.50	-
	Asset sale	0.09	-	0.04	0.05
	Interest received on short term loan	0.49	-	0.10	0.10
	Depository service charges paid	0.33	-	0.03	(0.03)
	Business support charges received	0.19	-	-	-
	Sourcing commission paid	2.52	-	-	-
	Other receipts	-	-	0.15	-
4. Bajaj Allianz Life Insurance Company Ltd. (Fellow subsidiary)	Contribution to equity (200,000 shares of ₹ 2 each)	-	(0.04)	-	(0.04)
	Dividend paid	-	-	0.32	-
	Security deposit for property	0.93	1.53	-	0.60
	Insurance expenses	10.78	0.85	2.11	3.43
	Insurance premium adjusted (including cancellation receipts)	12.61	1.58	103.76	-
	Commission income	10.61	(0.07)	18.20	1.52
	Secured non-convertible debentures issued	-	(206.52)	-	(228.90)
	Unsecured non-convertible debentures issued	-	(1,437.37)	-	(1,001.10)
	Secured non-convertible debentures redemption	20.00	-	-	-
	Unsecured non-convertible debentures redemption	1.80	-	-	-
	Interest paid on non-convertible debentures	103.27	-	65.64	-
	Business support charges received	0.01	0.07	-	0.05
	Business support charges paid	0.23	-	-	-
	Lease liability recognised at inception	4.56	(4.79)	1.71	(1.05)
	Payment toward lease obligation	0.90	-	0.66	-
	Interest expenses on lease obligation	0.08	-	0.11	-
	Maintenance expense	0.23	-	0.33	(0.20)
	Asset purchase (transaction value ₹ 11,384)		-	-	-
	Other Payment	0.02	-	-	-
	Claim receipts on behalf of customers	168.86	0.48	100.80	-

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2021 Transaction value	2021 Outstanding amounts carried in Balance Sheet	2020 Transaction value	2020 Outstanding amounts carried in Balance Sheet
5. Bajaj Allianz General Insurance Company Ltd. (Fellow subsidiary)	Insurance expenses	30.70	1.07	13.13	4.08
	Advance for employee insurance	-	32.24	-	-
	Insurance premium adjusted (including cancellation receipts)	42.86	(1.87)	619.67	-
	Commission income	8.33	0.91	89.08	0.95
	Secured non-convertible debentures issued	-	(795.88)	-	(695.44)
	Unsecured non-convertible debentures issued	-	(42.01)	-	(42.00)
	Interest paid on non-convertible debentures	58.00	-	22.56	-
	Business support charges received	3.92	-	1.91	-
	Interest subsidy received	2.89	-	4.87	-
	Claim receipts for assets	0.75	-	0.49	-
6. Bajaj Finserv Direct Ltd. (Fellow subsidiary)	Business support charges paid	29.32	(2.68)	39.38	(0.62)
	Business support charges received	1.17	0.11	-	-
	Sourcing commission paid	36.51	(6.40)	57.51	(3.03)
	Asset purchase	12.32	(13.52)	-	-
	Asset sale	0.20	0.14	0.03	0.01
	Interest subsidy received (outstanding ₹ 11,849)	0.07		0.30	0.03
	Platform usage charges	11.97	(13.23)	-	-
	Other payments	0.02	-	3.24	-
7. Bajaj Finserv Health Ltd. (Fellow subsidiary)	Asset sale	0.02	0.02	0.02	-
	Business support charges received	0.14	-	0.11	-
	Business support charges paid	0.46	(0.31)	-	-
	Interest subsidy received	0.25	-	0.03	-
	Marketing fee	7.88	7.68	-	-
	Other receipts	-	-	0.04	0.01
(B) Key management personnel (KMP) and their relatives					
1. Rahul Bajaj (Director) (Chairman till 31 July 2020)	Sitting fees	0.06	-	0.09	-
	Commission	0.12	(0.11)	0.18	(0.16)
2. Nanoo Pamnani (Vice Chairman till 22 Feb 2020)	Sitting fees	-	-	0.14	-
	Commission	-	-	2.08	(2.05)
3. Sanjiv Bajaj (Chairman) (Vice Chairman till 31 July 2020) (Chairman w.e.f. 1 August 2020)	Sitting fees	0.18	-	0.16	-
	Commission	0.36	(0.33)	0.32	(0.29)
4. Rajeev Jain (Managing Director)	Remuneration (including perquisite)	9.72	(1.50)	11.43	-
	Equity shares issued pursuant to stock option scheme	8.11	-	1.65	-
	Fair value of stock options granted	15.56	-	13.05	-
5. Madhur Bajaj (Director)	Sitting fees	0.06	-	0.04	-
	Commission	0.12	(0.11)	0.08	(0.07)
6. Rajiv Bajaj (Director)	Sitting fees	0.06	-	0.05	-
	Commission	0.12	(0.11)	0.10	(0.09)
7. Dipak Poddar (Director)	Sitting fees	0.10	-	0.03	-
	Commission	0.20	(0.19)	0.06	(0.05)

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2021 Transaction value	2021 Outstanding amounts carried in Balance Sheet	2020 Transaction value	2020 Outstanding amounts carried in Balance Sheet
8. Ranjan Sanghi (Director)	Sitting fees	0.14	-	0.14	-
	Commission	0.28	(0.26)	0.28	(0.25)
10. D J Balaji Rao (Director)	Sitting fees	0.06	-	0.07	-
	Commission	0.12	(0.11)	0.14	(0.13)
11. Dr. Omkar Goswami (Director)	Sitting fees	0.17	-	0.12	-
	Commission	0.34	(0.31)	0.24	(0.22)
12. Dr. Gital Piramal (Director)	Sitting fees	0.07	-	0.09	-
	Commission	0.14	(0.13)	0.18	(0.16)
13. Anami N Roy	Sitting fees	0.08	-	0.07	-
	Commission	0.16	(0.15)	0.14	(0.13)
14. Dr. Naushad Forbes	Sitting fees	0.10	-	0.08	-
	Commission	0.20	(0.19)	0.16	(0.14)
15. Radhika Singh (Spouse of Dr. Omkar Goswami, director of the company)	Fixed deposit accepted	-	(2.00)	2.00	(2.00)
	Fixed deposit interest accrued	0.16	-	0.01	(0.01)
	Fixed deposit interest paid	0.15	-	-	-
16. Shekher Bajaj	Nil	-	-	-	-
17. Niraj Bajaj	Nil	-	-	-	-
(C) Entities in which KMP and their relatives have significant influence					
1. Bajaj Auto Ltd.	Investment in equity shares (outstanding ₹ 7,685, Previous year ₹ 7,685)	-		-	
	Security deposit	-	0.21	-	0.21
	Interest subsidy received (outstanding ₹ 15,465)	1.72		0.36	0.04
	Business support charges paid	20.32	(0.88)	27.65	-
	Lease liability recognised at inception	-	(0.63)	2.84	(1.83)
	Payment toward lease obligation	1.24	-	1.01	-
	Interest expenses on lease obligation	0.10	-	0.19	-
	Business support charges received	0.23	0.02	0.23	-
	Fixed deposit accepted	-	(100.00)	500.00	(500.00)
	Fixed deposit repaid	400.00	-	-	-
	Fixed deposit interest accrued	8.00	(10.23)	15.50	(15.50)
2. Bajaj Holdings & Investments Ltd.	Investment in equity shares (outstanding ₹ 19,646, Previous year ₹ 19,646)	-		-	
	Secured non-convertible debentures issued	-	(161.27)	-	(161.71)
	Interest paid on non-convertible debentures	12.98	-	-	-
	Business support charges paid	15.71	-	15.78	-
	Business support charges received	0.36	-	0.51	-
3. Mukand Ltd.	Loan given	-	-	25.00	25.14
	Loan repayment received	25.14	-	24.37	-
	Interest income	1.33	-	4.16	-
4. Hind Musafir Agency Ltd.	Services received	1.74	0.07	48.52	0.33
5. Bajaj Electricals Ltd	Asset purchase	0.64	(0.12)	0.45	0.08
	Interest subsidy received (Previous year outstanding ₹ 43,935)	0.02	0.02	0.03	

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

		2021		2020	
Name of the related party and nature of relationship	Nature of transaction	Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
6. Jamnalal Sons Pvt. Ltd.	Contribution to equity (127,640 shares of ₹ 2 each)	-	(0.03)	-	(0.03)
	Dividend paid (transaction value Previous year ₹ 15,040)	-	-		-
	Security deposit	-	0.19	-	0.19
	Lease liability recognised at inception	-	(0.58)	1.31	(0.97)
	Payment toward lease obligation	0.46	-	0.34	-
	Interest expenses on lease obligation	0.07	-	0.10	-
	Other expenses	0.03	(0.01)	0.06	-
7. Maharashtra Scooters Ltd.	Contribution to equity (18,974,660 shares of ₹ 2 each)	-	(3.79)	-	(3.79)
	Dividend paid	-	-	30.36	-
	Business support charges received	0.16	-	0.14	-
	Secured non-convertible debentures issued	-	(166.90)	-	(95.56)
	Secured non-convertible debentures redemption	5.00	-	-	-
	Interest paid on non-convertible debentures	7.51	-	11.11	-
8. Hercules Hoists Ltd.	Fixed deposit accepted	-	(6.50)	6.50	(6.50)
	Fixed deposit interest accrued	0.54	(0.58)	0.09	(0.09)
9. Bachhraj Factories Private Ltd.	Contribution to equity (72,000 shares of ₹ 2 each)	-	(0.01)	-	(0.01)
10. Baroda Industries Private Ltd.	Contribution to equity (117,600 shares of ₹ 2 each)	-	(0.02)	-	(0.02)
11. Suraj Sanghi Finance Ltd.	Contribution to equity (200 shares of ₹ 2 each, Previous year 500 shares of ₹ 2 each)	-		-	
12. Centre for Technology Innovation and Economic Research	Corporate social responsibility expenses	0.20	-	-	-
(D) Post employment benefit plans					
1. Bajaj Auto Ltd. Provident Fund	Unsecured non-convertible debentures issued	-	(48.24)	-	(54.61)
	Unsecured non-convertible debentures redemption	6.00	-	-	-
	Interest paid on non-convertible debentures	4.92	-	4.91	-
	Provident fund contribution (employer's share)	35.45	(10.99)	34.52	(10.29)
2. Bajaj Auto Employees Superannuation Fund	Superannuation contribution	0.42	-	0.49	-
3. Bajaj Auto Employees Group Gratuity Fund	Gratuity contribution	11.00	-	10.50	-
4. Bajaj Auto Senior Staff Group Gratuity Fund	Gratuity contribution	2.50	-	20.50	-

Notes

- Transaction values are excluding taxes and duties.
- Amount in bracket denotes credit balance.
- Name of the related party and nature of the related party relationship where control exists have been disclosed irrespective of whether or not there have been transactions between the related parties. In other cases, disclosure has been made only when there have been transactions with those parties.
- Related parties as defined under clause 9 of the Ind AS 24 'Related Party Disclosures' have been identified based on representations made by key managerial personnel and information available with the Company. All above transactions are in the ordinary course of business and on arms' length basis. All outstanding balances are to be settled in cash and are unsecured except secured non-convertible debentures issued to related parties which are disclosed appropriately.
- Provisions for gratuity, compensated absences and other long term service benefits are made for the Company as a whole and the amounts pertaining to the key management personnel are not specifically identified and hence are not included above.
- During the year, Bajaj Financial Securities Ltd. (BFinsec) has charged brokerage and other transaction charges (including demat transaction charges) amounting to ₹ 1.34 crore (Previous year ₹ 3.34 crore) related to sale of securities on behalf of the Company's loan against securities customers. The Company receives net sale value i.e. after deduction of these charges which are ultimately borne by its customers. The Company does not recognise these customer related charges in its Statement of Profit and Loss. Amount receivable from BFinsec as on 31 March 2021 of ₹ 3.36 crore (Previous year ₹ 7.51 crore) towards such sale transaction on behalf of loan against shares customers has been shown as payable from customers.
- NCD transaction includes only issuance from primary market, and outstanding balance is balances of NCDs held by related parties as on reporting date.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

45 Capital

The Company actively manages its capital base to cover risks inherent to its business and meet the capital adequacy requirement of RBI. The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

(i) Capital management

Objective

The Company's objective is to maintain appropriate levels of capital to support its business strategy taking into account the regulatory, economic and commercial environment. The Company aims to maintain a strong capital base to support the risks inherent to its business and growth strategies. The Company endeavours to maintain a higher capital base than the mandated regulatory capital at all times.

Planning

The Company's assessment of capital requirement is aligned to its planned growth which forms part of an annual operating plan which is approved by the Board and also a long range strategy. These growth plans are aligned to assessment of risks - which include credit, liquidity and market.

The Company monitors its capital to risk-weighted assets ratio (CRAR) on a monthly basis through its assets liability management committee (ALCO).

The Company endeavours to maintain its CRAR higher than the mandated regulatory norm. Accordingly, increase in capital is planned well in advance to ensure adequate funding for its growth.

The Company's dividend distribution policy states that subject to profit and other financial parameter as per applicable legal provision the Board shall endeavour to maintain a dividend payout in the range of 15% to 25% of profits after tax on standalone basis, to the extent possible.

The Company is also the provider of equity capital to its wholly owned subsidiaries and also provides them with non-equity capital where necessary. These investments are funded by the Company through its equity share capital and other equity which inter alia includes retained profits.

(ii) Regulatory capital

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Tier I capital	32,838.50	28,697.72
Tier II capital	4,179.83	5,043.43
Total capital (Tier I + Tier II)	37,018.33	33,741.15
Risk weighted assets	130,767.51	134,916.74
Tier I CRAR	25.11%	21.27%
Tier II CRAR	3.20%	3.74%
CRAR (Tier I + Tier II)	28.31%	25.01%

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

45 Capital (Contd.)

(iii) Dividend distributions made and proposed

Dividend on equity shares declared and paid during the year

(₹ In Crore)

Particulars	FY2021	FY2020
Dividend paid including dividend distribution tax out of profits of previous year*	-	419.46
Profit for the relevant year	4,881.12	3,890.34
Dividend as a percentage of profit for the relevant year	-	10.78%

* includes amount paid ₹ Nil (Previous year ₹ 3.21 crore) on unexercised option to Trust which do not accrete to it.

Interim Dividend on equity shares declared and paid during the year

(₹ In Crore)

Particulars	FY2021	FY2020
Interim dividend including dividend distribution tax	-	725.37
Profit for the year	3,955.51	4,881.12
Interim Dividend as a percentage of profit for the relevant year	-	14.86%

Proposed for approval at the annual general meeting (not recognised as a liability as at 31 March 2021)

Particulars	FY2021
Dividend on equity share at ₹ 10 per share (a)	602.59
Profit after tax for the year ended 31 March 2021 (b)	3,955.51
Dividend proposed as a percentage of profit after tax (a/b)	15.23%

46 Events after reporting date

There have been no events after the reporting date that require adjustment/disclosure in these financial statements.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

47 Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques.

This note describes the fair value measurement of both financial and non-financial instruments.

Valuation framework

The Company has an internal fair value assessment team which assesses the fair values of assets qualifying for fair valuation.

The Company's valuation framework includes:

- Benchmarking prices against observable market prices or other independent sources;
- Development and validation of fair valuation models using model logic, inputs, outputs and adjustments.
- Use of fair values as determined by the derivative counter parties.

These valuation models are subject to a process of due diligence and validation before they become operational and are continuously calibrated. These models are subject to approvals by various functions including risk, treasury and finance functions. Finance function is responsible for establishing procedures, governing valuation and ensuring fair values are in compliance with accounting standards.

Valuation methodologies adopted

Fair values of financial assets, other than those which are subsequently measured at amortised cost, have been arrived at as under:

- Fair values of investments held for trading under FVTPL have been determined under level 1 (refer note no. 48) using quoted market prices of the underlying instruments;
- Fair values of investments in unquoted equity instruments designated under FVOCI have been measured under level 3 (refer note no. 48) at fair value based on a discounted cash flow model.
- Fair values of investment in quoted equity and other instruments designated under FVOCI have been determined under level 1 using quoted market prices of the underlying instruments;
- Fair value of loans held under a business model that is achieved by both collecting contractual cash flows and partially selling the loans through partial assignment to willing buyers and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are designated under FVOCI. The fair value of these loans have been determined under level 3.
- Cross currency interest rate swap (CCIRS) held for the purpose of hedging foreign currency denominated External Commercial Borrowings are accounted as a cash flow hedge. CCIRS is being considered under Level 2 for fair valuation which is performed through discounted cash flow method by deriving future forward rates from published zero coupon yield curve. All future cashflows for both the paying and receiving legs in the swap contract are discounted to present value using these forward rates and accordingly arrived at the valuation for a point of time.

The Company has determined that the carrying values of cash and cash equivalents, bank balances, trade receivables, short term loans, floating rate loans, investments in equity instruments designated under FVOCI, trade payables, short term debts, borrowings, bank overdrafts and other current liabilities are a reasonable approximation of their fair value and hence their carrying values are deemed to be fair values.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

48 Fair value hierarchy

The Company determines fair values of its financial instruments according to the following hierarchy:

Level 1- valuation based on quoted market price: financial instruments with quoted prices for identical instruments in active markets that the Company can access at the measurement date.

Level 2- valuation using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3- valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Quantitative disclosures of fair value measurement hierarchy for financial instruments measured at fair value as at 31 March 2021

(₹ In Crore)

Particulars	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments held for trading under FVTPL	31-Mar-21	10,274.25	-	-	10,274.25
Equity instrument designated under FVOCI (Unquoted)	31-Mar-21	-	-	281.21	281.21
Equity instrument designated under FVOCI (Quoted)	31-Mar-21	88.77	-	-	88.77
Other investments designated under FVOCI	31-Mar-21	3,717.63	-	-	3,717.63
Derivative financial instrument	31-Mar-21	-	(137.87)	-	(137.87)
		14,080.65	(137.87)	281.21	14,223.99

Quantitative disclosures of fair value measurement hierarchy for financial instruments measured at fair value as at 31 March 2020

(₹ In Crore)

Particulars	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments held for trading under FVTPL	31-Mar-20	11,878.40	-	-	11,878.40
Equity instrument designated under FVOCI (Unquoted)	31-Mar-20	-	-	262.32	262.32
Equity instrument designated under FVOCI (Quoted)	31-Mar-20	57.91	-	-	57.91
Other investments designated under FVOCI	31-Mar-20	2,764.60	-	-	2,764.60
Derivative financial instrument	31-Mar-20	-	171.76	-	171.76
		14,700.91	171.76	262.32	15,134.99

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

48 Fair value hierarchy (Contd.)

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial assets:

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance	262.32	225.00
Acquisitions during the year	18.89	37.32
Disposals during the year	-	-
Fair value gains/losses recognised in profit or loss	-	-
Gains/(losses) recognised in other comprehensive income	-	-
Closing balance	281.21	262.32

Sensitivity analysis of significant unobservable input on the fair value of equity instrument designated under FVOCI

(₹ In Crore)

	Sensitivity to fair value as at 31 March 2021		Sensitivity to fair value as at 31 March 2020	
Particulars	1 % increase	1 % decrease	1 % increase	1 % decrease
Discounting rate	(8.24)	8.81	(6.44)	8.43
Cash flows	6.79	(6.42)	9.29	(7.36)

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

48 Fair value hierarchy (Contd.)

Fair value of financials instruments measured at amortised cost as at 31 March 2021

(₹ In Crore)

Particulars	Carrying value	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)*	Significant unobservable inputs (Level 3)*	Total
Financial assets					
Cash and cash equivalents	1,383.63	1,383.63	-	-	1,383.63
Bank balances other than cash and cash equivalents	2.13	2.13	-	-	2.13
Trade receivables	720.10	-	-	720.10	720.10
Loans	113,089.94	-	-	113,425.33	113,425.33
Investments	508.88	-	-	508.88	508.88
Other financial assets	487.33	-	-	487.33	487.33
	116,192.01	1,385.76	-	115,141.64	116,527.40
Financial liabilities					
Trade payables	676.89	-	-	676.89	676.89
Other payables	191.08	-	-	191.08	191.08
Debt Securities	43,071.71	-	44,792.19	-	44,792.19
Borrowings (other than debt securities)	27,092.09	-	-	27,092.09	27,092.09
Deposits	25,803.43	-	26,061.56	-	26,061.56
Subordinated debts	3,898.61	-	4,263.08	-	4,263.08
Other financial liabilities	743.65	-	-	743.65	743.65
	101,477.46	-	75,116.83	28,703.71	103,820.54

* fair value computed using discounted cash flow method

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

48 Fair value hierarchy (Contd.)

Fair value of financials instruments measured at amortised cost as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)*	Significant unobservable inputs (Level 3)*	Total
Financial assets					
Cash and cash equivalents	674.53	674.53	-	-	674.53
Bank balances other than cash and cash equivalents	4.83	4.83	-	-	4.83
Trade receivables	867.18	-	-	867.18	867.18
Loans	113,417.08	-	-	114,211.40	114,211.40
Investments	20.32	-	-	20.46	20.46
Other financial assets	349.51	-	-	349.51	349.51
	115,333.45	679.36	-	115,448.55	116,127.91
Financial liabilities					
Trade payables	637.06	-	-	637.06	637.06
Other payables	179.46	-	-	179.46	179.46
Debt Securities	41,713.77	-	42,332.86	-	42,332.86
Borrowings (other than debt securities)	36,923.32	-	-	36,923.32	36,923.32
Deposits	21,427.15	-	21,502.08	-	21,502.08
Subordinated debts	4,141.75	-	4,350.78	-	4,350.78
Other financial liabilities	669.85	-	-	669.85	669.85
	105,692.36	-	68,185.72	38,409.69	106,595.41

* fair value computed using discounted cash flow method

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies

A summary of the major risks faced by the Company, its measurement, monitoring and management are described as under:

Nature of risk	Arising from	Executive governance structure	Measurement, monitoring and management of risk
Liquidity and funding risk	Liquidity risk arises from mismatches in the timing of cash flows. Funding risk arises from: • inability to raise incremental borrowings and deposits to fund business requirement or repayment obligations; • when long term assets cannot be funded at the expected term resulting in cashflow mismatches; • Amidst volatile market conditions impacting sourcing of funds from banks and money markets.	Board appointed Risk Management Committee (RMC) and Asset Liability Committee (ALCO)	Liquidity and funding risk is: • measured by - identification of gaps in the structural and dynamic liquidity statements. - assessment of incremental borrowings required for meeting the repayment obligation as well as the Company's business plan in line with prevailing market conditions. - liquidity coverage ratio (LCR) in accordance with guidelines issued by RBI. • monitored by - assessment of the gap between visibility of funds and the near term liabilities given current liquidity conditions and evolving regulatory directions for NBFCs. - a constant calibration of sources of funds in line with emerging market conditions in banking and money markets - periodic reviews by ALCO relating to the liquidity position, LCR and stress tests assuming varied 'what if' scenarios and comparing probable gaps with the liquidity buffers maintained by the Company. • managed by the Company's treasury team under Liquidity Risk Management Framework through various means like liquidity buffers, sourcing of long term funds, positive asset liability mismatch, keeping strong pipeline of sanctions and approvals from banks and assignment of loans under the guidance of ALCO and Board.
Market risk	Market risk arises from fluctuation in the fair value of future cash flow of financial instruments due to changes in the market variables such as interest rates, foreign exchange rates and equity prices.	Board appointed RMC and ALCO	Market risk is: • measurement of market risks encompasses exposure to Equity investments, foreign exchange rates which would impact our external commercial borrowings and Interest rate risks on investment portfolios as well as the floating rate assets and liabilities with differing maturities is measured using changes in equity prices, and sensitivities like movements in foreign exchange and using Valuation at Risk ('VaR'), basis point value (PV01), modified duration analysis and other measures to determine movements in our portfolios and impact on our income, including the sensitivity of net interest income; • monitored by assessments of fluctuation in the equity price, unhedged foreign exchange exposures, if any, movements of interest rate sensitivities under simulated stress test scenarios given range of probable interest rate movements on both fixed and floating assets and liabilities; and • managed by the Company's treasury team under the guidance of ALCO and Investment Committee .

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

Nature of risk	Arising from	Executive governance structure	Measurement, monitoring and management of risk
Credit risk	Credit risk is the risk of financial loss arising out of a customer or counterparty failing to meet their repayment obligations to the Company	Board appointed RMC and Chief Risk Officer (CRO)	Credit risk is: • measured as the amount at risk due to repayment default of a customer or counterparty to the Company. Various matrics such as EMI default rate, overdue position, EMI moritorium, restructuring, collection efficiency, credit bureau information, non performing loans etc. are used as leading indicators to assess credit risk. • monitored by RMC and CRO using level of credit exposures, portfolio monitoring, repurchase rate, bureau data of portfolio performance and industry, geographic, customer, portfolio concentration risks; and assessment of any major change in the business environment including economic, political as well as natural calamity/pandemic. • managed by a robust control framework by the risk and collection department. This is acheived by continuously aligning credit and collection policies and resourcing, obtaining external data from credit bureaus and reviews of portfolios and delinquencies by senior and middle management team comprising of risk, analytics, collection and fraud containment along with business. The same is periodically reviewed by the Board appointed RMC.
Operational risk	Operational risk is the risk arising from inadequate or failed internal processes or controls, people and system and also from external events.	Board appointed RMC/Senior Management and Audit Committee (AC)	Operational risk is: • measured by KPIs set for each of the processes/functions, system and control failures and instances of fraud. • monitored by deviations identified in each of the set KPIs for the processes/controls, periodical review of technology platforms and review of control processes as part of internal control framework. • managed by in house compliance units established across different businesses and functions, operations and internal audit function under the guidance of RMC and AC.

(a) Liquidity and funding risk

The Company's ALCO monitors asset liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the Balance Sheet.

The Company maintains a judicious mix of borrowings from banks, money markets, foreign market, public deposits and other deposits and continues to diversify its sources of borrowings with an emphasis on longer tenor borrowings. This strategy of balancing varied sources of funds and long tenor borrowings along with liquidity buffer framework has helped the Company maintain a healthy asset liability position and interest rate during the financial year 2020-21 (FY2021) - the weighted average cost of borrowing was 7.87% versus 8.40% during the financial year 2019-20 (FY2020) despite highly uncertain market conditions. The overall borrowings including debt securities, deposits and subordinated debts stood at ₹ 99,865.84 crore as of 31 March 2021. As part of strategy to granularise its overall borrowings, the Company has increased contribution of public and other deposits to overall borrowings from 21% in FY2020 to 26% in FY2021.

The Company continuously monitors liquidity in the market; and as a part of its ALM strategy, the Company maintains a liquidity buffer managed by an active investment desk to reduce this risk. In a normal economic scenario liquidity buffer of 5% to 8% is maintained by the Company. During the year, amindst pandemic, the Company maintained significantly higher amount of liquidity buffer to safeguard itself against any significant liquidity risk. The average liquidity buffer for FY2021 was ₹ 15,144.04 crore. The Company maintained a liquidity buffer of ₹ 12,168.89 crore as on 31 March 2021.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

RBI vide Circular No. RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 has issued with guidelines on liquidity risk framework for NBFCs. It covers various aspects of Liquidity risk management in NBFCs such as granular level classification of buckets in structural liquidity statement and tolerance limits thereupon, Liquidity risk management tools and principles. The Company has formulated a policy on Liquidity Risk Management Framework which covers Liquidity Risk Management Policy, Strategies and Practices, LCR, stress testing, contingency funding plan, Maturity profiling, Liquidity Risk Measurement – Stock approach, Currency Risk, Interest Rate Risk and Liquidity Risk Monitoring Tools.

RBI has mandated minimum liquidity coverage ratio (LCR) of 50% to be maintained by December 2020, which is to be gradually increased to 100% by December 2024. The Company has LCR of 270% as of 31 March 2021 as against the LCR of 50% mandated by RBI.

The Company focuses on funding the balance sheet through long term liabilities against relatively short tenor assets. This practice lends itself to having an inherent ALM advantage due to large EMI inflow emanating from short tenor businesses which puts it in an advantageous position for servicing of its near term obligations.

The table below summarises the maturity profile of the undiscounted contractual cashflow of the Company's financial liabilities:

(₹ In Crore)

	As at 31 March 2021			As at 31 March 2020		
Particulars	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Debt securities	10,473.03	42,410.79	52,883.82	14,162.54	27,623.59	41,786.13
Borrowings (other than debt securities)	9,902.30	20,119.78	30,022.08	13,106.79	23,885.77	36,992.56
Deposits	13,532.03	15,268.60	28,800.63	10,385.54	11,123.49	21,509.03
Subordinated debts	380.26	5,119.54	5,499.80	448.07	3,709.60	4,157.67
Trade payables	676.89	-	676.89	637.06	-	637.06
Other payables	191.08	-	191.08	179.46	-	179.46
Other financial liabilities	539.81	271.21	811.02	430.52	239.38	669.90
	35,695.40	83,189.92	118,885.32	39,349.98	66,581.83	105,931.81

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

The table below shows contractual maturity profile of carrying value of assets and liabilities :

(₹ In Crore)

Particulars	As at 31 March 2021			As at 31 March 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	1,383.63	-	1,383.63	674.53	-	674.53
Bank balances other than cash and cash equivalent	2.13	-	2.13	4.83	-	4.83
Derivative financial instruments	-	-	-	171.76	-	171.76
Trade receivables	720.10	-	720.10	867.18	-	867.18
Loans	51,289.04	61,800.90	113,089.94	46,774.62	66,642.46	113,417.08
Investments	12,061.56	8,107.56	20,169.12	12,062.57	8,076.41	20,138.98
Other financial assets	487.33	-	487.33	349.51	-	349.51
Non-financial assets						
Current tax assets (net)	-	155.07	155.07	-	204.57	204.57
Deferred tax assets (net)	-	919.21	919.21	-	847.61	847.61
Property, plant and equipment	-	972.44	972.44	-	1,016.16	1,016.16
Capital work-in-progress	-	7.07	7.07	-	-	-
Intangible assets under development	-	43.99	43.99	-	-	-
Other intangible assets	-	254.76	254.76	-	211.98	211.98
Other non-financial assets	114.02	20.08	134.10	82.24	17.14	99.38
	66,057.81	72,281.08	138,338.89	60,987.24	77,016.33	138,003.57
LIABILITIES						
Financial liabilities						
Derivative financial instrument	137.87	-	137.87	-	-	-
Trade payables	676.89	-	676.89	637.06	-	637.06
Other payables	191.08	-	191.08	179.46	-	179.46
Debt securities	9,215.57	33,856.14	43,071.71	14,154.00	27,559.77	41,713.77
Borrowings (other than debt securities)	8,427.77	18,664.32	27,092.09	13,101.41	23,821.91	36,923.32
Deposits	12,442.57	13,360.86	25,803.43	10,368.15	11,059.00	21,427.15
Subordinated debts	252.79	3,645.82	3,898.61	447.80	3,693.95	4,141.75
Other financial liabilities	513.34	230.31	743.65	430.47	239.38	669.85
Non-financial liabilities						
Current tax liabilities (net)	172.78	-	172.78	52.10	-	52.10
Provisions	18.53	118.03	136.56	17.22	61.65	78.87
Other non-financial liabilities	368.33	107.15	475.48	292.27	74.76	367.03
	32,417.52	69,982.63	102,400.15	39,679.94	66,510.42	106,190.36

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

(b) Market risk

Market risk is the risk that the fair value of future cash flow of financial instruments will fluctuate due to changes in the market variables such as interest rates, foreign exchange rates and equity prices.

(i) Interest rate risk

On investment book

The Company holds short duration investment portfolio and thus it has a minimum fair value change impact on its investment portfolio. The interest rate risk on the investment portfolio and corresponding fair value change impact is monitored using VaR and the parameters for monitoring the same are defined in its investment policy.

Sensitivity analysis as at 31 March 2021

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1 % increase	1 % decrease
Investment at amortised cost	508.88	508.88	-	-
Investment at FVTPL	10,274.25	10,274.25	(13.19)	13.19
Investment at FVOCI (other than equity)	3,717.63	3,717.63	(41.00)	41.00

Sensitivity analysis as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1 % increase	1 % decrease
Investment at amortised cost	20.32	20.46	(0.12)	0.12
Investment at FVTPL	11,878.40	11,878.40	(15.75)	15.75
Investment at FVOCI (other than equity)	2,764.60	2,764.60	(48.34)	48.34

On assets and liabilities

Interest rate sensitivity on fixed and floating rate assets and liabilities with differing maturity profiles is measured by using the duration gap analysis. The same is computed monthly and sensitivity of the market value of equity assuming varied changes in interest rates are presented and monitored by ALCO.

Sensitivity analysis as at 31 March 2021

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1 % increase	1 % decrease
Loans	113,089.94	113,425.33	(1,291.09)	1,328.58
Debt securities	43,071.71	44,792.19	(995.43)	1,057.47
Borrowings (other than debt securities)	27,092.09	27,092.09	-	-
Deposits	25,803.43	26,061.56	(340.41)	350.32
Subordinated debts	3,898.61	4,263.08	(156.12)	164.95

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

Sensitivity analysis as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1 % increase	1 % decrease
Loans	113,417.08	114,211.40	(1,136.96)	1,166.55
Debt securities	41,713.77	42,332.86	(933.23)	989.36
Borrowings (other than debt securities)	36,923.32	36,923.32	-	-
Deposits	21,427.15	21,502.08	(162.25)	169.74
Subordinated debts	4,141.75	4,350.78	(171.50)	182.37

(ii) Price risk

The Company's quoted equity investments carry a risk of change in prices. To manage its price risk arising from investments in equity securities, the Company periodically monitors the sectors it has invested in, performance of the investee companies, measures mark- to- market gains/losses and reviews the same.

Sensitivity analysis as at 31 March 2021

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			10% increase	10% decrease
Investment in equity shares (quoted)	88.77	88.77	8.88	(8.88)

Sensitivity analysis as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			10% increase	10% decrease
Investment in equity shares (quoted)	57.91	57.91	5.79	(5.79)

(iii) Foreign currency risk

The Company is exposed to foreign currency fluctuation risk for its foreign currency borrowing (FCB). The Company's borrowings in foreign currency are governed by RBI guidelines (RBI master direction RBI/FED/2018-19/67 dated 26 March 2019 and updated from time to time) which requires entities raising ECB for an average maturity of less than 5 years to hedge minimum 70% of the its ECB exposure (Principal and Coupon). The Company hedges its entire ECB exposure for the full tenure of the ECB as per Board approved Interest Rate risk, Currency risk and Hedging policy.

The Company for its FCB, evaluates the foreign currency exchange rates, tenure of FCB and its fully hedged costs. The Company manages its currency risks by entering into derivatives contracts as hedge positions and the same are being governed through the Board approved Interest rate risk, Currency risk and hedging policy.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

The Company's exposure of foreign currency risk at the end of the reporting period expressed in INR are as follows:

(₹ In Crore)

Particulars	As at 31 March 2021 USD	As at 31 March 2021 JPY	As at 31 March 2020 USD	As at 31 March 2020 JPY
Hedged				
ECB	(3,964.19)	(1,417.97)	(2,664.69)	(1,417.97)
Derivative financial instrument*	3,964.19	1,417.97	2,664.69	1,417.97
Unhedged	0.01	-	0.49	-

* represents the notional amount of the derivative financial instrument

Hedging policy

The Company's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

Impact of hedge on the Balance Sheet:

(₹ In Crore)

Particulars	As at 31 March 2021 Notional amount	As at 31 March 2021 Carrying amount of hedging instrument asset	As at 31 March 2021 Carrying amount of hedging instrument liability	As at 31 March 2020 Notional amount	As at 31 March 2020 Carrying amount of hedging instrument asset	As at 31 March 2020 Carrying amount of hedging instrument liability
INR USD CCIRS	3,964.19	-	(71.07)	2,664.69	115.66	-
INR JPY CCIRS	1,417.97	-	(66.55)	1,417.97	56.11	-

(c) Credit risk

Credit risk is the risk of financial loss arising out of a customer or counterparty failing to meet their repayment obligations to the Company. It has a diversified lending model and focuses on six broad categories viz: (i) consumer lending, (ii) SME lending, (iii) rural lending, (iv) mortgages, (v) loan against securities, and (vi) commercial lending. The Company assesses the credit quality of all financial instruments that are subject to credit risk.

Classification of financial assets under various stages

The Company classifies its financial assets in three stages having the following characteristics:

- stage 1: unimpaired and without significant increase in credit risk since initial recognition on which a 12-month allowance for ECL is recognised;
- stage 2: a significant increase in credit risk since initial recognition on which a lifetime ECL is recognised; and
- stage 3: objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due (DPD) or one instalment overdue on the reporting date and are accordingly transferred from stage 1 to stage 2. For stage 1 an ECL allowance is calculated based on a 12-month Point in Time (PIT) probability weighted probability of default (PD). For stage 2 and 3 assets a life time ECL is calculated based on a lifetime PD.

The Company offered One Time Restructing (OTR) on loans in accordance with RBI guidelines on 'Resolution Framework for COVID-19 related stress'. The Company has considered OTR as an early indicator of significant increase in credit risk and accordingly classified such loans as Stage 2.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

Computation of impairment on financial instruments

The Company calculates impairment on financial insturments ECL approach prescribed under Ind AS 109 'Financial instrument'. ECL uses three main components: PD, LGD (loss given default) and EAD (exposure at default) along with an adjustment considering forward macro economic conditions [refer note no.3.4(i) of significant accounting policies for methodology of computation of ECL].

The Company recaliberates components of its ECL model periodically by; (1) using the available incremental and recent information, except where these informations do not represent the future outcome, and (2) assessing changes to its statistical techniques for a granular estimation of ECL. The incremental information of the portfolio performance in FY2021 has not been considered appropriate for recaliberation of ECL model. This was due to the distortion caused by the pandemic induced lockdown resulting in very low economic activity, unforseen distortion of customers financial position and volitile repayment behaviour, leading to RBI announcing EMI moratorium and OTR. Given the temporary distortion of input variables, the Company has not recalibrated components of its ECL model.

Trade receivables and other financial assets were subjected to simplified ECL approach under Ind AS 109 'Financial instruments'.

The table below summarises the approach adopted by the Company for various components of ECL viz. PD, EAD and LGD across major product lines using empirical data where relevant:

<table>
<tr><th rowspan="2">Lending verticals</th><th rowspan="2">Nature of businesses</th><th colspan="3">PD</th><th rowspan="2">EAD</th><th rowspan="2">LGD</th></tr>
<tr><th>Stage 1</th><th>Stage 2</th><th>Stage 3</th></tr>
<tr><td>Consumer lending - B2B</td><td>Financing for products such as two wheeler, three wheeler, consumer durable, digital, lifecare and furniture etc.</td><td colspan="2" rowspan="5">Use of statistical automatic interaction detector tools to identify PDs across a homogenous set of customers.*</td><td rowspan="5">100%</td><td rowspan="6">EAD is computed based on past trends of proportion of outstanding at time of default to the outstanding on reporting date.</td><td rowspan="6">Past trends of recoveries for each set of portfolios are discounted at a reasonable approximation of the original effective rates of interest.</td></tr>
<tr><td>Consumer lending - B2C</td><td>Personal loans to salaried and self employed individuals</td></tr>
<tr><td>SME lending</td><td>Unsecured and secured loans to SME's, self employed customers and professionals</td></tr>
<tr><td>Rural lending - B2B</td><td>Financing for products such as consumer durable, digital and furniture etc. and gold loans</td></tr>
<tr><td>Rural lending - B2C</td><td>Personal loans to salaried, self employed customers and professionals</td></tr>
<tr><td>Mortgages</td><td>Home loans, loans against property, developer finance and lease rental discounting</td><td colspan="2">Use of statistical automatic interaction detector tools to identify PDs across a homogenous set of customers for retail loans and internal evaluation with a management overlay for wholesale loans.*</td><td>100%</td></tr>
<tr><td>Loans against securities</td><td>Loans against shares, mutual funds, deposits and insurance policies</td><td colspan="2">Determined on evaluation of time to sell in event of defaults</td><td>100%</td><td>EAD is computed based on assessment of time to default considering customer profile and time for liquidation of securities.</td><td>Based on associated risk of the underlying securities</td></tr>
<tr><td>Commercial lending</td><td>Working capital and term loans to small and mid sized corporates</td><td colspan="2">External ratings or internal evaluation with a management overlay for each customer or customer industry segment.</td><td>100%</td><td>EAD is computed taking into consideration the time to default based on historic trends across rating profile.</td><td>Based on estimates of cash flows</td></tr>
</table>

* No changes were made to PD rates of loans which retained their Stage 1 and Stage 2 classification of 31 March 2020. For new acquisitions and for existing loans where stage classification has changed from 31 March 2020, average PD rates of 31 March 2020 applicable to respective asset class and stage were applied.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

The table below summarises the gross carrying values and the associated allowances for expected credit loss (ECL) stage wise for loan portfolio:

As at 31 March 2021

(₹ In Crore)

	Secured			Unsecured		
Particulars	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross carrying value	49,037.65	3,374.80	1,745.88	59,327.44	2,690.55	865.77
Allowance for ECL	337.60	581.69	879.21	629.70	853.47	670.48
ECL coverage ratio	0.69%	17.24%	50.36%	1.06%	31.72%	77.44%

As at 31 March 2020

(₹ In Crore)

	Secured			Unsecured		
Particulars	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross carrying value	51,351.93	2,249.20	1,343.33	60,475.12	605.28	995.96
Allowance for ECL	548.95	327.22	719.29	1,074.38	236.98	696.92
ECL coverage ratio	1.07%	14.55%	53.55%	1.78%	39.15%	69.97%

Collateral valuation

The nature of products across these broad product categories are either unsecured or secured by collateral. Although collateral is an important risk mitigant of credit risk, the Company's practice is to lend on the basis of assessment of the customer's ability to repay rather than placing primary reliance on collateral. Based on the nature of product and the Company's assessment of the customer's credit risk, a loan may be offered with suitable collateral. Depending on its form, collateral can have a significant financial effect in mitigating the Company's credit risk.

The main types of collateral across various products obtained are as follows:

Product group	Nature of securities
Consumer lending - B2B	Hypothecation of underlying product financed e.g. two wheeler, three wheeler and consumer durable etc.
Rural lending - B2B	Hypothecation of underlying product financed e.g. consumer durable, furniture and digital products etc.
Mortgages	Equitable mortgage of residential and commercial properties.
Loans against securities	Pledge of equity shares and mutual funds and lien on deposits and insurance policies.
Commercial lending	Plant and Machinery, Book debts etc.

The Company periodically monitors the market value of collateral and evaluates its exposure and loan to value metrics for high risk customers. The Company exercises its right of repossession across all secured products and primarily in its two wheeler and three wheeler financing business. It also resorts to invoking its right under the SARFAESI Act and other judicial remedies available against its mortgages and commercial lending business. The repossessed assets are either sold through auction or released to delinquent customers in case they come forward to settle their dues. For its loan against securities business, the Company recoups shortfall in value of securities through part recall of loans or additional securities from the customer, or sale of underlying securities. The Company does not record repossessed assets on its Balance Sheet as non-current assets held for sale.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

Analysis of concentration risk

The Company continues to grow its granularity of its Loans portfolio by expanding its geographic reach in order to reduce geographic concentrations while continually calibrating its product mix across its six categories of lending mentioned above.

Measurement uncertainty and sensitivity analysis of ECL estimates

Expected credit loss impairment allowances recognised in the financial statements reflect the effect of a range of possible economic outcomes, calculated on a probability-weighted basis, based on the economic scenarios described below. The recognition and measurement of expected credit losses ('ECL') involves the use of estimation. It is necessary to formulate multiple forward-looking economic forecasts and its impact as an integral part of ECL model.

Methodology

The global as well as the Indian economy has passed through a difficult phase in FY2021. The macro numbers have been a reflection of the impact which COVID-19 had on the industry, prices, employment and economy as a whole. The Company has adopted the use of three scenarios, representative of its view of forecast economic conditions, required to calculate unbiased expected loss. They represent a most likely outcome i.e. central scenario and two less likely outer scenarios referred to as the Upside and Downside scenarios. The Company has assigned a 10% probability to the two outer scenarios, while the Central scenario has been assigned an 80% probability. These weights are deemed appropriate for the unbiased estimation of impact of macro factors on ECL. The key scenario assumptions are used keeping in mind external forecasts and management estimates which ensure that the scenarios are unbiased.

The Company has used multiple economic factors and tested their correlations with past loss trends witnessed. The economic factors tested were GDP growth rates, growth of bank credit, wholesale price index (WPI), consumer price index (CPI), industrial production index, unemployment rate, crude oil prices and policy interest rates. Based on past correlation trends, CPI and unemployment rate were the two factors with acceptable correlation with past loss trends which were in line with Management views on the drivers of portfolio trends. These factors were assigned appropriate weights to measure ECL in forecast economic conditions.

During the year, the macro variables have been tested for their resilience in the difficult operating conditions of lockdown, loss of business on account of COVID-19 scare and social distancing norms. The first half of the year saw the maximum stress on the numbers with GDP growth turning negative to -23.9% unemployment rate touching a peak of 23%, retail inflation touching a high of 7.22% and IIP turning negative to the extent of over 57%. Almost all the macro-economic fundamentals have passed through the period of immense stress during the year. It was only after the first half year, that some of the economic fundamentals started showing signs of recovery.

The Central Scenario taken by the Company takes into account the stress and the downside risk prevalent during most part of the year, by capturing the macro variables numbers of the most difficult period of COVID-19 pandemic.

Amongst the list of macro indicators, unemployment and inflation are the two variables which are very critical from an income and expenditure perspective. Unemployment has a direct relation with the income levels and thus the growth of the economy from the expenditure side, inflation and inflationary expectations affect the disposable income of the people. Both the macro-variables directly and indirectly impact the disposable income of the people, which eventually drives the economy.

For unemployment, the Company has considered data published by a leading business information (BI) company engaged in monitoring of Indian economic indicators. The Unemployment rate, which averaged around 7.6% for FY20 jumped to 18% in the first quarter of FY21 and peaked at over 23% in April 2020. It continued to stay at elevated levels during the first half of the year i.e., April 2020 to September 2020 averaging at 13%. In the second half of FY2021, which can be construed as months of recovery and account for recovery in industrial production etc, the average unemployment rate numbers have moderated to 7.1%, with unemployment rate at 6.5% as of March 2021.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

While formulating the Central Scenario, the Company has considered the peak unemployment rate of around 18% in Q1 FY2021 and assumed it to moderate thereafter.

For the downside scenario, while the Company believes that the downside risks might have passed, the rate of improvement may be slower and, therefore factored in a slow recovery rate. Accordingly, starting with a peak of 18% in March 2021 quarter, the downside scenario assumes it to fall from the peak but continue to stay at double-digit levels till March 2022.

For the upside scenario, the Company acknowledges various surveys and studies indicating improving employment situation as also industrial recovery. However, it maintained a caution stance that the unemployment levels after reaching the peak in March 2021 quarter, though may improve to a best case of 4% by the end of March 2022 but may come back to an historical (excluding COVID period) 4 year average of 6.45%. The unemployment numbers as such captured the impact of lockdown, migration of labour and various other restrictions hitting the overall employment environment.

Similarly, CPI which hovered between 3.50% to 5.84% for quarter ending September 2019 and December 2019, went to a high of 6.53% in Q1 FY2021, 6.96% in Q2 FY2021 and 6.38% in Q3 FY2021 respectively. While the Central Scenario assumed by the company considers the signs of easing inflation in Q4 FY2021 owing to improvement on the supply side, but it also acknowledges the COVID-19 impact, which still prevails in the economy. Accordingly, due to multiplicity of factors, Inflation is expected to remain moderately high till the end of this year. The CPI numbers as such reflects the stress impact due to lockdown and disruption in supply chains and increased prices for food and beverages.

For the downside scenario, the company believes that the inflation risk still remains and, therefore, assumes the Retail inflation to marginally see a uptick due to demand-supply imbalances and hit a peak of over 9% by the end of next year, before easing off to the average of pre-COVID period in the three-year time horizon.

For the upside scenario, we believe that there would be certain factors which might come into play viz, base effect, higher food grain production, better supply chain management and improving trade scenario etc, and, therefore, inflation may see easing to a minimum of over 2% before averaging back to the pre-COVID levels.

Risk management amidst COVID-19

The unprecedented health scare caused by COVID-19 which led to a countrywide lockdown in month of March 2020 and continued till May 2020 followed by gradual unlocking from June 2020, had a varying impact on different sectors of the economy. Salaried individuals had to contend with a scenario of reduced income and/or job losses. Corporates, SMEs and MSMEs struggled on account of reduced economic activities and business rhythm that was not efficient due to severe disruption in both demand and supply. All these lead to major cash flow constraints and erosion in the asset value, though temporary in nature. These developments severely tested risk management frameworks across the financial sector.

On 27 March 2020, the RBI, in order to provide relief on debt servicing obligations, permitted financial institutions to offer moratorium to their borrowers on instalments falling due between 1 March 2020 to 31 May 2020 which was further extended to 31 August 2020 vide RBI's order dated 23 May 2020. With uncertainties caused by COVID-19 pandemic including the pace of easing of the lockdown restrictions, the time needed to restart the economy and attaining some level of normalcy, the credit performance and repayment behaviour of the customers was distorted and was monitored closely. The Company has witnessed significant movement of portfolio from stage 1 to stage 2 and stage 3 post moratorium period which ended on 31 August 2020 and accordingly accounted for higher credit cost in FY2021.

The Company observed elevated default on payment of instalments and collection related constraints which resulted in much higher credit costs in the current year compared to previous year. This was dispite the Company making requisite investment to deepen its collections infrastructure to control its credit costs by enhancing collection efforts, tightening in its risk underwriting policies as well as COVID-19 and macro overlay provision of ₹ 850 crore in FY2020.

During the year, the Company, as a matter of prudence, has written off principal and interest amounts (including capitalised interest) of ₹ 2,497 crore and ₹ 482 crore respectively, of potentially unrecoverable loans, which were under moratorium, by utilising the available expected credit loss provision (including management overlay). The Company has carried a contingency provision of ₹ 672 crore as on 31 March 2021.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

ECL sensitivity to future economic conditions

ECL coverage of financial instruments under forecast economic conditions

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Gross carrying amount of loans	117,042.09	117,020.82
Reported ECL	3,952.15	3,603.74
Reported ECL coverage	3.38%	3.08%
Assumptions for central scenario		
Base ECL without macro overlay (based on empirical evidences)	3280.15	2734.39
Add: Management overlay for COVID-19	545.00	705.43
Central scenario	3,825.15	3,439.82
ECL amounts for alternate scenario		
Central scenario (80%)	3,825.15	3,439.82
Downside scenario (10%)	5,744.59	5,294.08
Upside scenario (10%)	3,175.71	3,224.78
Reported ECL	3,952.15	3,603.74
Management overlay for Macro economics factors and COVID-19	672.00	869.35
Additional Management overlay representing COVID-19 stress	545.00	850.00
ECL Coverage ratios by scenario		
Central scenario (80%)	3.27%	2.94%
Downside scenario (10%)	4.91%	4.52%
Upside scenario (10%)	2.71%	2.76%

(d) Operational risk

Operational risk is the risk arising from inadequate or failed internal processes, people or systems, or from external events. The Company manages operational risks through comprehensive internal control systems and procedures laid down around various key activities in the Company viz. loan acquisition, customer service, IT operations, finance function etc. Internal Audit also conducts a detailed review of all the functions at least once a year, this helps to identify process gaps on timely basis. Further IT and Operations have a dedicated compliance and control units within the function who on continuous basis review internal processes. This enables the Management to evaluate key areas of operational risks and the process to adequately mitigate them on an ongoing basis.

The Company has put in place a robust Disaster Recovery (DR) plan and Business Continuity Plan (BCP) to ensure continuity of operations including services to customers, if any eventuality is to happen such as natural disasters, technological outage etc. Robust periodic testing is carried, and results are analysed to address gaps in the framework, if any. DR and BCP audits are conducted on a periodical basis to provide assurance regarding the effectiveness of the Company's readiness.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

50 Employee stock option plan

The Board of Directors at its meeting held on 14 October 2009, approved an issue of stock options up to a maximum of 5% of the then issued equity capital of the Company aggregating to 1,829,803 equity shares of the face value of ₹ 10 each in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 subject to the approval of the shareholders under Section 81(1A) of the Companies Act, 1956. The shareholders of the Company vide their special resolution passed through postal ballot on 15 December 2009 approved the issue of equity shares of the Company under one or more Employee Stock Option Scheme(s). The shareholders, at the Annual General Meeting held on 16 July 2014, approved an additional issue of 677,313 stock options i.e. from 1,829,803 to 2,507,116 options of the face value of ₹ 10 each under the stock options scheme of the Company i.e. Employee Stock Option Plan 2009.

Pursuant to the sub-division of each equity share of face value of ₹ 10 into five equity shares of face value of ₹ 2 on 10 September 2016 and allotment of bonus equity share in the proportion of one equity share of face value of ₹ 2 for every one equity share on 14 September 2016, the aggregate number of equity shares which would be available for future grants under the Employee Stock Option Plan, 2009 were adjusted from 2,507,116 equity shares of face value of ₹ 10 to 25,071,160 equity shares of face value of ₹ 2 each.

Further, vide the Special Resolution passed by the members of the Company through postal ballot on 19 April 2021, the Company has approved the increase in the aforesaid limit of options by 10,000,000 options. The maximum limit under the scheme now stand revised from 25,071,160 options (adjusted for sub-division and bonus) to 35,071,160 options.

Vesting period of the options issued under the ESOP Scheme is on a straight line basis over the period of 4 years with the vesting condition of continuous employement with the Company or the Group except in case of death and retirement where the vesting would happen immediately.

The Nomination and Remuneration Committee of the Company has approved the following grants to select senior level executives of the Company in accordance with the Stock Option Scheme. Under the scheme, fifteen grants have been made as of 31 March 2021, details of which, duly adjusted for sub-division of shares and issue of bonus shares thereon, are given as under:

As on 31 March 2021

Grant date	Exercise price (₹)	Options granted	Options vested and exercisable	Options unvested	Options exercised	Options cancelled	Options outstanding
12-Jan-10	35.87	1,320,000	-	-	1,282,500	37,500	-
21-Jul-10	54.20	3,267,500	-	-	2,948,130	319,370	-
28-Jul-11	70.52	3,762,000	-	-	3,335,000	427,000	-
16-May-12	87.61	3,595,000	62,050	-	2,953,700	579,250	62,050
15-May-13	138.04	3,949,300	329,225	-	2,767,075	853,000	329,225
01-Nov-13	135.31	197,000	-	-	49,250	147,750	-
16-Jul-14	219.66	2,816,000	637,500	-	1,837,750	340,750	637,500
20-May-15	448.16	1,935,000	474,060	-	1,091,440	369,500	474,060
24-May-16	765.37	1,430,000	584,351	-	620,274	225,375	584,351
17-May-17	1,347.75	1,120,750	384,021	232,526	362,840	141,363	616,547
16-Oct-17	1,953.05	16,350	-	4,088	12,262	-	4,088
01-Feb-18	1,677.85	120,000	24,926	14,914	32,071	48,089	39,840
17-May-18	1,919.95	1,273,416	318,972	530,655	232,903	190,886	849,627
16-May-19	3,002.75	1,123,900	207,880	807,957	66,171	41,892	1,015,837
19-May-20	1,938.60	2,054,250	-	2,020,150	-	34,100	2,020,150
		27,980,466	3,022,985	3,610,290	17,591,366	3,755,825	6,633,275

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

50 Employee stock option plan (Contd.)

As on 31 March 2020

Grant date	Exercise price (₹)	Options granted	Options vested and exercisable	Options unvested	Options exercised	Options cancelled	Options outstanding
12-Jan-10	35.87	1,320,000	-	-	1,282,500	37,500	-
21-Jul-10	54.20	3,267,500	-	-	2,948,130	319,370	-
28-Jul-11	70.52	3,762,000	74,250	-	3,260,750	427,000	74,250
16-May-12	87.61	3,595,000	291,950	-	2,723,800	579,250	291,950
15-May-13	138.04	3,949,300	647,100	-	2,449,200	853,000	647,100
01-Nov-13	135.31	197,000	-	-	49,250	147,750	-
16-Jul-14	219.66	2,816,000	895,145	-	1,580,105	340,750	895,145
20-May-15	448.16	1,935,000	676,850	-	888,650	369,500	676,850
24-May-16	765.37	1,430,000	481,000	276,250	447,375	225,375	757,250
17-May-17	1,347.75	1,120,750	298,449	468,104	214,360	139,837	766,553
16-Oct-17	1,953.05	16,350	4,088	8,176	4,086	-	12,264
01-Feb-18	1,677.85	120,000	20,062	29,828	22,021	48,089	49,890
17-May-18	1,919.95	1,273,416	180,128	811,100	102,005	180,183	991,228
16-May-19	3,002.75	1,123,900	-	1,104,550	-	19,350	1,104,550
		25,926,216	3,569,022	2,698,008	15,972,232	3,686,954	6,267,030

Weighted average fair value of stock options granted during the year is as follows:

Particulars	FY2021	FY2020
Grant date	19-May-20	16-May-19
No. of options granted	2,054,250	1,123,900
Weighted average fair value (₹)	787.24	1,257.94

Following table depicts range of exercise prices and weighted average remaining contractual life:

As on 31 March 2021

For all grants	No. of options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (years)
Outstanding at the beginning of the year	6,267,030	70.52-3002.75	1,206.35	3.98
Granted during the year	2,054,250	1,938.60	1,938.60	
Cancelled during the year	68,871	1,347.75-3,002.75	2,270.91	
Exercised during the year	1,619,134	70.52-3,002.75	637.39	
Outstanding at the end of the year	6,633,275	87.61-3,002.75	1,560.95	4.51
Exercisable at the end of the year	3,022,985	87.61-3,002.75	875.50	2.40

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

50 Employee stock option plan (Contd.)

As on 31 March 2020

For all grants	No. of options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (years)
Outstanding at the beginning of the year	6,621,597	54.20-1,953.05	791.71	4.20
Granted during the year	1,123,900	3,002.75	3,002.75	
Cancelled during the year	201,512	765.37-3002.75	1,868.80	
Exercised during the year	1,276,955	54.20-1953.05	532.80	
Outstanding at the end of the year	6,267,030	70.52-3002.75	1,206.35	3.98
Exercisable at the end of the year	3,569,022	70.52-1953.05	498.17	4.15

The weighted average market price of equity shares for options exercised during the year is ₹ 4,093.17 (Previous year ₹ 3,584.30).

Method used for accounting for share based payment plan

The Company has used the fair value method to account for the compensation cost of stock options to employees. The fair value of options used are estimated on the date of grant using the Black – Scholes Model. The key assumptions used in Black – Scholes Model for calculating fair value as on the date of respective grants are:

Grant date	Risk Free interest rate	Expected life	Expected volatility	Dividend yield	Price of the underlying share in the market at the time of the option grant (₹)
12-Jan-10	6.70%	1-5 years	54.01%	0.62%	35.87
21-Jul-10	7.42%	3.5 -6.5 years	55.38%	1.28%	54.20
28-Jul-11	8.27%	3.5 -6.5 years	53.01%	1.42%	70.52
16-May-12	8.36%	3.5 -6.5 years	49.58%	1.37%	87.61
15-May-13	7.32%	1-5 years	29.97%	1.09%	138.04
01-Nov-13	8.71%	1-5 years	32.83%	1.11%	135.31
16-Jul-14	8.66%	1-5 years	38.01%	0.73%	219.66
20-May-15	7.76%	3.5 -6.5 years	34.88%	0.36%	448.16
24-May-16	7.38%	3.5 -6.5 years	33.13%	0.47%	765.37
17-May-17	6.89%	3.5 -6.5 years	34.23%	0.05%	1,347.75
16-Oct-17	6.69%	3.5 -6.5 years	34.51%	0.04%	1,953.05
01-Feb-18	7.42%	3.5 -6.5 years	34.05%	0.04%	1,677.85
17-May-18	7.91%	3.5 -6.5 years	33.65%	0.19%	1,919.95
16-May-19	7.09%	3.5 -6.5 years	34.03%	0.13%	3,002.75
19-May-20	5.58%	3.5 -6.5 years	40.30%	0.83%	1,938.60

* adjusted for sub-division of shares and issue of bonus shares thereon

For the year ended 31 March 2021, the Company has accounted expense of ₹ 111.39 crore as employee benefit expenses (note no.35) on the aforesaid employee stock option plan (Previous year ₹ 93.71 crore). The balance in employee stock option outstanding account is ₹ 303.25 crore as of 31 March 2021 (Previous year ₹ 213.17 crore) including ₹ 20.41 crore (Previous year ₹ 7.05 crore) for ESOPs for group employees.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

51 The disclosures as required by the NBFC Master Directions issued by RBI

(Disclosures are made as per Ind AS financial statements except otherwise stated)

(A) Capital

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(i) CRAR (%)	28.31%	25.01%
(ii) CRAR -Tier I Capital (%)	25.11%	21.27%
(iii) CRAR -Tier II Capital (%)	3.20%	3.74%
(iv) Amount of subordinated debt raised as Tier II capital* (Raised during the year ₹ Nil, previous year ₹ Nil)	3,898.61	4,141.75
(v) Amount raised by issue of Perpetual Debt Instruments	-	-

* Discounted value of ₹ 3,212.53 crore (Previous year ₹ 3,420.11 crore) considered for Tier II capital against the book value of ₹ 3,898.61 crore (Previous year ₹ 4,141.75 crore).

(B) Investments

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(I) Value of investments		
(i) Gross value of investments		
- In India	20,196.60	20,144.81
- Outside India	-	-
(ii) Provisions for depreciation/amortisations		
- In India	27.48	5.83
- Outside India	-	-
(iii) Net value of investments		
- In India	20,169.12	20,138.98
- Outside India	-	-
(II) Movement of provisions held towards depreciation/appreciation/amortisation on investments		
(i) Opening balance	5.83	(1.67)
(ii) Add: Provisions made during the year (net of appreciation)	106.62	8.33
(iii) Less: Writeoff/write back of excess provisions during the year	84.97	0.83
(iv) Closing balance	27.48	5.83

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

51 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

(C) Derivatives

(I) Forward rate agreement/interest rate swap

(₹ In Crore)

Particulars	As at 31 March 2021	2020
(i) The notional principal of swap agreements*	5,382.16	4,082.66
(ii) Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	-	171.76
(iii) Collateral required by the applicable NBFC upon entering into swaps	-	-
(iv) Concentration of credit risk arising from the swaps	-	-
(v) The fair value of the swap book	(137.87)	171.76

- The Company has hedged its foreign currency borrowings through CCIRS (cross currency interest rate swaps). For Accounting Policy & Risk Management Policy. (Refer note no. 3.16 and 49)

* The Company has also entered into forward rate agreement (FRAs) during FY2021 of ₹ 0.19 crore. There was no outstanding position as on 31 March 2021.

(II) Exchange traded interest rate derivatives

The Company has not traded in exchange traded interest rate derivative during the current and previous year.

(III) Disclosures on risk exposure in derivatives

Qualitative disclosure

Details for qualitative disclosure are part of accounting policy as per financial statements. (refer note no. 3.16 & 49)

Quantitative disclosure

(₹ In Crore)

Particulars	As at 31 March 2021	2020
(i) Derivatives (notional principal amount) for hedging	5,382.16	4,082.66
(ii) Marked to market positions		
(a) Asset	-	171.76
(b) Liability	137.87	-
(iii) Credit exposure	-	-
(iv) Unhedged exposures	-	-

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

51 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

(D) Disclosures relating to securitisation

(I) Outstanding amount of securitised assets as per books of the SPVs

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

(II) Details of financial assets sold to securitisation/reconstruction company for asset reconstruction*

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
(i) No. of accounts	74	314
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	11.19	38.02
(iii) Aggregate consideration	8.84	27.55
(iv) Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain/(loss) over net book value	(2.35)	(10.47)

* Includes 12 written-off accounts (Previous year 17) with aggregate consideration of ₹ 0.94 crore (Previous year ₹ 0.17 crore)

(III) Details of assignment transactions undertaken

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
(i) No. of accounts	1,171	-
(ii) Aggregate value of accounts sold, gross exposure	300.13	-
(iii) Aggregate consideration for assigned portion	300.13	-
(iv) Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain/loss over net book value	-	-

(IV) Details of non performing financial assets purchased/sold

(a) Details of non performing financial assets purchased

The Company has not purchased any non-performing financial asset during the current and previous year.

(b) Details of non performing financial assets sold (other than sale to ARCs)

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
(i) No. of accounts sold	-	157,216
(ii) Aggregate outstanding	-	737.61
(iii) Aggregate consideration received	-	29.59

- Includes Nil written off accounts (Previous year 116,343) with aggregate outstanding of ₹ Nil (Previous year ₹ 426.59 crore) and consideration received thereon ₹ Nil (Previous year ₹ 9.63 crore).

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

51 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

(E) Asset Liability Management - maturity pattern of certain items of assets and liabilities*

(₹ In Crore)

Particulars	Over 1 days to 7 days	Over 8 days to 14 days	Over 15 days to 30 days	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
Public deposits	55.60	79.63	134.88	456.93	635.49	1,736.43	4,211.81	9,410.13	2,240.33	-	18,961.23
Advances (Receivables under financing activity)	3,551.88	1,146.88	2,848.58	5,206.90	5,422.03	13,462.69	19,650.10	38,890.79	17,168.01	5,742.08	113,089.94
Investments	10,274.24	197.15	-	508.88	-	977.94	103.35	2,439.19	-	5,668.37	20,169.12
Borrowings (Other than public deposits)	1,264.17	97.77	1,145.48	5,124.74	2,838.31	3,855.49	9,649.37	33,149.44	10,584.31	7,726.89	75,435.97
Foreign currency liabilities	-	3.19	17.45	3.24	-	-	-	5,444.76	-	-	5,468.64

* Amount disclosed as per the behaviouralised pattern

(F) Exposures

(I) Exposure to real estate sector

(₹ In Crore)

Category	As at 31 March 2021	As at 31 March 2020
(i) Direct exposure		
(a) Residential mortgages Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	5,914.84	7,289.47
(b) Commercial real estate lending secured by mortgages on commercial real estates	4,073.08	4,740.09
(c) Investments in Mortgage Backed Securities (MBS) and other securitised exposures:		
- Residential	-	17.94
- Commercial Real Estate	-	-
(ii) Indirect exposure		
Fund based and non-fund based exposures on Housing	2,668.20	2,647.24
Finance Companies Investment in Housing Finance Companies	5,028.00	5,035.05

- The above exposures denotes gross carrying amount

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

51 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

(II) Exposure to capital market

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	6,688.68	5,475.66
(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;	174.83	94.80
(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;	5,130.13	4,006.41
(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;	44.32	217.11
(vi) Loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) Bridge loans to companies against expected equity flows/issues;	-	-
(viii) All exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	12,037.96	9,793.98

- The above exposures denotes gross carrying amount

(III) Details of financing of Parent Company products

The Company does not have any financing of Parent Company products during the current and previous year.

(IV) Details of Single Borrower Limit (SGL)/Group Borrower Limit (GBL) exceeded

The Company has not exceeded the prudential exposure limits during the current and previous year.

(V) Unsecured advances

Gross loans and advances includes unsecured advances of ₹ 62,883.76 crore (Previous year ₹ 62,076.36 crore)
There are no advances secured against intangible assets.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

51 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

(G) Registration obtained from other financial sector regulators

Regulator	Registration no.	Date of registration/ renewal
Insurance Regulatory and Development Authority		
As a corporate agent for:		
Bajaj Allianz Life Insurance Company Ltd.	CA0101	01-Apr-2016 01-Apr-2019 (Renewed till 31-Mar-22)
Bajaj Allianz General Insurance Company Ltd.		
Max Bupa Health Insurance Company Ltd.		
Future Generali Life Insurance Company Ltd.		
The Oriental Insurance Co. Ltd		
Aditya Birla Health Insurance Co. Ltd		
HDFC Life Insurance Company Ltd.		
TATA AIG General Insurance Company Ltd.		
Manipal Cigna Health Insurance Company Ltd		
AMFI Registered Mutual Fund Advisor (ARMFA)	ARN - 90319	27-Jun-2016 27-Jun-2019 (Renewed till 26-Jun-2022)

(H) Details of penalties imposed by RBI and other regulators

The Reserve Bank of India vide its press release dated 5 January 2021 imposed a monetary penalty of ₹ 2.50 crore on the Company for deficiencies in compliance with directions issued by RBI on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs and Fair Practices Code (FPC). The said penalty does not have any material impact on the Company. No other penalty has been levied by RBI or any other Regulators. (Previous year ₹ Nil)

(I) Details of ratings assigned by credit rating agencies and migration of ratings during the year

Rating agency	Programme	Ratings assigned	Migration in ratings during the year
India Ratings	Non-convertible debenture	IND AAA/Stable	Nil
	Subordinate debt	IND AAA/Stable	Nil
	Long term bank rating	IND AAA/Stable	Nil
	Short term bank rating	IND A1+	Nil
CRISIL	Non-convertible debenture	CRISIL AAA/Stable	Nil
	Lower tier II bond	CRISIL AAA/Stable	Nil
	Fixed deposit	FAAA/Stable	Nil
	Long term bank rating	CRISIL AAA/Stable	Nil
	Short term bank rating	CRISIL A1+	Nil
	Subordinate debt	CRISIL AAA/Stable	Nil
	Short term debt	CRISIL A1+	Nil
ICRA	Non-convertible debenture	ICRA AAA/Stable	Nil
	Lower tier II bond	ICRA AAA/Stable	Nil
	Fixed deposit	MAAA(Stable)	Nil
	Subordinate debt	ICRA AAA/Stable	Nil
	Short term debt	ICRA A1+	Nil
CARE	Non-convertible debenture	CARE AAA/Stable	Nil
	Subordinate debt	CARE AAA/Stable	Nil
S&P	Entity level	Long term issuer rating of 'BB+' with stable outlook and a short term rating of 'B'	Yes

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

51 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

(J) Remuneration of non-executive Directors

(₹ In Crore)

Particulars	For the year ended 31 March 2021
Rahul Bajaj	0.18
Sanjiv Bajaj	0.54
Madhur Bajaj	0.18
Rajiv Bajaj	0.18
Dipak Poddar	0.30
Ranjan Sanghi	0.42
D J Balaji Rao	0.18
Dr. Omkar Goswami	0.51
Dr. Gita Piramal	0.21
Dr. Naushad Forbes	0.30
Anami N Roy	0.24

(K) Provisions and contingencies

(₹ In Crore)

Break up of 'Provisions and contingencies' shown in the Statement of Profit and Loss	For the year ended 31 March 2021	2020
Provision for non performing assets*	133.47	342.82
Provision for income tax	1,470.70	2,079.96
Provision for standard assets**	214.94	1,232.54
Other provision and contingencies	82.85	95.48

* Represents impairment loss allowance on stage 3 assets

** Represents impairment loss allowance on stage 1 and stage 2 assets

(L) Draw down from Reserves

During the year, the Company has not drawn down any amount from reserves.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

51 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

(M) Concentration of deposits, advances, exposures and NPAs

(I) Concentration of deposits*

(₹ In Crore)

Particulars	As at 31 March 2021
Total deposits of twenty largest depositors	809.61
Percentage of deposits to twenty largest depositors to total deposits	4.27%

* Includes only public deposits.

(II) Concentration of advances

(₹ In Crore)

Particulars	As at 31 March 2021
Total advances to twenty largest borrowers	4,441.33
Percentage of advances to twenty largest borrowers to total advances	3.79%

- The above exposures denotes gross carrying amount

(III) Concentration of exposures (Including off-Balance Sheet exposure)

(₹ In Crore)

Particulars	As at 31 March 2021
Total exposure to twenty largest borrowers/customers	4,457.33
Percentage of exposures to twenty largest borrowers/customers to total exposure on borrowers/customers	3.79%

- The above exposures denotes gross carrying amount

(Iv) Concentration of NPAs

(₹ In Crore)

Particulars	As at 31 March 2021
Total exposure to top four NPA accounts	69.59

- The above exposures denotes gross carrying amount

(V) Sector-wise NPAs

Sector	% of NPAs to Total Advances in the sector
(i) Agriculture & allied activities	0.00%
(ii) MSME	0.00%
(iii) Corporate borrowers	0.17%
(iv) Services	0.00%
(v) Unsecured personal loans	1.36%
(vi) Auto loans	8.54%
(vii) Other personal loans	1.01%

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

51 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

(N) Movement of NPAs

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
(i) Net NPAs to net advances (%)	0.91%	0.79%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	2,339.31	1,794.08
(b) Additions during the year	7,961.40	4,501.14
(c) Reductions during the year (including loans written-off)	7,689.06	3,955.91
(d) Closing balance	2,611.65	2,339.31
(iii) Movement of net NPAs		
(a) Opening balance	923.09	720.68
(b) Additions during the year	2,062.76	2,574.29
(c) Reductions during the year	1,923.89	2,371.88
(d) Closing balance	1,061.96	923.09
(iv) Movement of provisions for NPAs		
(a) Opening balance	1,416.22	1,073.40
(b) Provisions made during the year	5,898.64	1,926.85
(c) Writeoff/write-back of excess provisions	5,765.17	1,584.03
(d) Closing balance	1,549.69	1,416.22

(O) Disclosure of complaints

Customer complaints

Particulars	For the year ended 31 March 2021	2020
No. of complaints pending at the beginning of the year	57	49
No. of complaints received during the year	4,931	21,761
No. of complaints redressed during the year	4,988	21,753
No. of complaints pending at the end of the year	-	57

(P) Disclosure of gold loan portfolio

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Total gold loan portfolio	2,239.97	1,557.49
Total assets	113,089.94	113,417.07
Gold loan portfolio as % of total assets	1.98%	1.37%

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

51 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

(Q) Disclosure of gold auction

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Number of loan accounts	2,492	1,144
Outstanding amount	18.79	6.29
Value fetched on auctions	19.68	6.86

- None of the sister concerns of the Company participated in the auction

(R) The disclosures as required by the Master Direction -Monitoring of frauds in NBFCs issued by RBI dated 29 September 2016

There were 4 cases (Previous year 2 cases) of frauds amounting to ₹ 18.88 crore (Previous year ₹ 3.81 crore) reported during the year.

(S) Disclosures as required for liquidity risk

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

Particulars	As at 31 March 2021
Number of significant counter parties*	16
Amount (₹ In Crore)	42,593.36
Percentage of funding concentration to total deposits	165.07%
Percentage of funding concentration to total liabiities	41.60%

* Significant counterparty is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated 4 November 2019 on Liquidity Risk Management Framework for Non Banking Financial Companies and Core Investment Companies.

(II) Top 20 large deposits

(₹ In Crore)

Particulars	As at 31 March 2021
Total amount of top 20 deposits	4,190.78
Percentage of amount of top 20 deposits to total deposits	16.24%

(III) Top 10 borrowings

(₹ In Crore)

Particulars	As at 31 March 2021
Total amount of top 10 borrowings	35,335.87
Percentage of amount of top 10 borrowings to total borrowings	35.38%

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

51 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

(IV) Funding concentration based on significant instrument/product*

(₹ In Crore)

Particulars	As at 31 March 2021	Percentage of total liabilities
Non-convertible debentures	37,220.13	36.35%
Deposits	25,803.43	25.20%
Loans from bank	21,323.48	20.82%
Commercial paper	5,851.58	5.71%
External commercial borrowings	5,468.64	5.34%
Subordinated debts	3,898.61	3.81%
CBLO	299.97	0.29%

* Significant instrument/product is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated 4 November 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies.

(V) Stock ratios

Particulars	As at 31 March 2021
(i) Commercial paper as a percentage of total public funds*	5.86%
(ii) Commercial paper as a percentage of total liabilities	5.71%
(iii) Commercial paper as a percentage of total assets	4.23%
(iv) Other short term liabilities as a percentage of total public funds	26.60%
(v) Other short term liabilities as a percentage of total liabilities	25.94%
(vi) Other short term liabilities as a percentage of total assets	19.20%
(vii) Non-convertible debentures** as a percentage of total public funds	-
(viii) Non-convertible debentures** as a percentage of total liabilities	-
(ix) Non-convertible debentures** as a percentage of total assets	-

* Public funds is as defined in Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank)Direction, 2016

** Non-convertible debentures with original maturity of less than one year

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

51 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

(VI) Institutional set-up for liquidity risk management

For qualitative disclosure on liquidity risk management, refer note no. 49.

Quarter on quarter Liquidity Coverage Ratio for the financial year ended 31 March 2021 :

(₹ In Crore)

	Q1 FY21		Q2 FY21		Q3 FY21		Q4 FY21	
Particulars	**Total unweighted value (average)**	**Total weighted value (average)**	**Total unweighted value (average)**	**Total weighted value (average)**	**Total unweighted value (average)**	**Total weighted value (average)**	**Total unweighted value (average)**	**Total weighted value (average)**
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)	2,964.97	2,430.26	3,419.30	2,862.44	3,969.44	3,405.81	4,928.42	4,304.30
Cash outflows								
2 Deposits (for deposit taking companies)	835.44	960.76	611.48	703.20	471.86	542.64	885.10	1,017.87
3 Unsecured wholesale funding	732.53	842.41	2,091.55	2,405.28	1,484.09	1,706.70	6,098.28	7,013.02
4 Secured wholesale funding	3,975.16	4,571.44	4,437.63	5,103.28	5,737.62	6,598.26	3,000.87	3,451.00
5 Additional requirements, of which	3,158.02	3,631.72	2,915.21	3,352.49	3,017.36	3,469.97	3,068.27	3,528.51
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	3,158.02	3,631.72	2,915.21	3,352.49	3,017.36	3,469.97	3,068.27	3,528.51
6 Other contractual funding obligations	1,163.21	1,337.69	1,354.33	1,557.48	1,869.52	2,149.95	1,469.46	1,689.88
7 Other contingent funding obligations	-	-	-	-	-	-	-	-
8 Total Cash outflows	**9,864.36**	**11,344.02**	**11,410.20**	**13,121.73**	**12,580.45**	**14,467.52**	**14,521.98**	**16,700.28**
Cash inflows								
9 Secured lending	33.33	25.00	58.33	43.75	200.00	150.00	50.00	37.50
10 Inflows from fully performing exposures	7,914.10	5,935.58	9,691.02	7,268.26	10,567.52	7,925.64	18,093.00	13,569.75
11 Other cash inflows	20,525.83	15,394.38	22,011.75	16,508.82	19,883.26	14,912.44	8,619.09	6,464.31
12 Total cash inflows	**28,473.26**	**21,354.96**	**31,761.10**	**23,820.83**	**30,650.78**	**22,988.08**	**26,762.09**	**20,071.56**

	Total Adjusted Value	**Total Adjusted Value**	**Total Adjusted Value**	**Total Adjusted Value**
13 Total HQLA	2,430.26	2,862.44	3,405.81	4,304.30
14 Total net cash outflow	2,836.01	3,280.43	3,616.88	4,175.07
15 Liquidity coverage ratio (%)	85.69%	87.26%	94.16%	103.10%

(₹ In Crore)

High Quality Liquid Assets (HQLA)	**Total unweighted value (average)**	**Total weighted value (average)**	**Total unweighted value (average)**	**Total weighted value (average)**	**Total unweighted value (average)**	**Total weighted value (average)**	**Total unweighted value (average)**	**Total weighted value (average)**
1 Assets to be included as HQLA without any haircut	289.34	289.34	634.98	634.98	1,151.30	1,151.30	1,807.82	1,807.82
2 Assets to be considered for HQLA with a minimum haircut of 15%	8.33	7.08	-	-	-	-	-	-
3 Assets to be considered for HQLA with a minimum haircut of 50%	-	-	-	-	-	-	-	-
4 Approved securities held as per the provisions of section 45 IB of RBI Act	2,667.29	2,133.83	2,784.33	2,227.46	2,818.15	2,254.52	3,120.60	2,496.48
Total HQLA	**2,964.96**	**2,430.25**	**3,419.31**	**2,862.44**	**3,969.45**	**3,405.82**	**4,928.42**	**4,304.30**

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

51 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

The Liquidity Coverage Ratio (LCR) is one of the key parameters closely monitored by RBI to enable a more resilient financial sector. The objective of the LCR is to promote an environment wherein balance sheet carry a strong liquidity for short term cash flow requirements. To ensure strong liquidity NBFCs are required to maintain adequate pool of unencumbered High-Quality Liquid Assets (HQLA) which can be easily converted into cash to meet their stressed liquidity needs for 30 calendar days. The LCR is expected to improve the ability of financial sector to absorb the shocks arising from financial and/or economic stress, thus reducing the risk of spill over from financial sector to real economy.

The Liquidity Risk Management of the Company is managed by the Asset Liability Committee (ALCO) under the governance of Board approved Liquidity Risk Framework and Asset Liability Management policy. The LCR levels for the balance sheet date is derived by arriving the stressed expected cash inflow and outflow for the next calendar month. To compute stressed cash outflow, all expected and contracted cash outflows are considered by applying a stress of 15%. Similarly, inflows for the Company is arrived at by considering all expected and contracted inflows by applying a haircut of 25%.

Company for purpose of computing outflows, have considered: (1) all the contractual debt repayments, (2) committed credit facilities contracted with the subsidiaries and customers, and (3) other expected or contracted cash outflows. Inflows comprises of: (1) expected receipt from all performing loans, and (2) liquid investment which are unencumbered and have not been considered as part of HQLA.

For the purpose of HQLA the Company considers: (1) Unencumbered government securities, (2) Cash and Bank balances and (3) Pledged Government Securities for purpose of Statutory Liquid Ratio (SLR) with haircut of 20%.

The LCR is computed by dividing the stock of HQLA by its total net cash outflows over one-month stress period. LCR guidelines have become effective from 1 December 2020, requiring NBFCs to maintain minimum LCR of 50%, LCR is gradually required to be increased to 100% by 1 December 2024. NBFCs are required to maintain LCR of 50% as on 31 March 2021.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

52 Disclosure of restructured accounts as required by the NBFC Master Directions issued by RBI

(₹ In Crore)

Type of restructuring-others+		Standard	Sub-standard	Doubtful	Loss	Total
		Assets classsification				
Restructured Accounts as on 1 April 2020 (opening figures)	No of borrowers	70	343	-	-	413
	Amount outstanding	5.08	126.35	-	-	131.43
	provision thereon**	0.05	38.32	-	-	38.37
Fresh restructuring during the year*	No of borrowers	-	1,993	-	-	1,993
	Amount outstanding	-	85.66	-	-	85.66
	provision thereon**	-	20.03	-	-	20.03
Upgradations to restructured standard category during the FY#	No of borrowers	54	(54)	-	-	-
	Amount outstanding	3.66	(3.66)	-	-	-
	provision thereon**	0.15	(0.15)	-	-	-
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No of borrowers	(61)	-	-	-	(61)
	Amount outstanding	(3.37)	-	-	-	(3.37)
	provision thereon**	(0.03)	-	-	-	(0.03)
Downgradations of restructured accounts during the FY#	No of borrowers	(4)	-	4	-	-
	Amount outstanding	(1.51)	(10.97)	12.48	-	-
	provision thereon**	(0.02)	(5.81)	5.83	-	-
Write-offs / Settlements / Recoveries of restructured accounts during the FY*	No of borrowers	(5)	(212)	-	-	(217)
	Amount outstanding	(0.21)	(55.63)	0.03	-	(55.81)
	provision thereon**	-	(15.10)	(0.18)	-	(15.28)
Restructured Accounts as on 31 March 2021 (Closing figures)	No of borrowers	54	2,070	4	-	2,128
	Amount outstanding	3.65	141.75	12.51	-	157.91
	provision thereon**	0.15	37.29	5.65	-	43.09

\+ Since the disclosure of restructured advance account pertains to section "Others", the first two sections, namely, "Under CDR Mechanism" and "Under SME Debt Restructuring Mechanism" as per format prescribed in the guidelines are not included above.

* Includes movement of Amount Outsanding and Provision thereon of the Existing Resturctured Accounts.

** Provisions considered as per ECL.

\# Represents movement by asset classification.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

53 Disclosure pursuant to RBI Notification - RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 Dated 13 March 2020 - A comparison between provisions required under Income recognition, asset classification and provisioning (IRACP) and impairment allowances as per Ind AS 109 'Financial instruments' as of 31 March 2021

(₹ In Crore)

Asset classification as per RBI Norms (1)	Asset classification as per Ind AS 109 (2)	Gross carrying amount as per Ind AS (3)	Loss allowance (Provisions) as required under Ind AS 109 (4)	Net carrying amount (5) = (3) - (4)	Provision required as per IRACP norms (6)*	Difference between Ind AS 109 provision and IRACP norms (7) = (4) - (6)
(a) Performing Assets						
Standard	Stage 1	108,365.09	967.30	107,397.79	439.13	528.17
	Stage 2	6,065.35	1,435.16	4,630.19	131.73	1,303.43
Subtotal (a)		114,430.44	2,402.46	112,027.98	570.86	1,831.60
(b) Non-Performing Assets (NPA)						
(i) Substandard	Stage 3	2,566.39	1,523.96	1,042.43	239.92	1,284.04
(ii) Doubtful up to:						
1 year	Stage 3	44.84	25.84	19.00	9.13	16.71
1 to 3 years	Stage 3	0.30	(0.11)	0.41	0.08	(0.19)
More than 3 years	Stage 3	0.12	-	0.12	0.04	(0.04)
Subtotal (ii)		45.26	25.73	19.53	9.25	16.48
(iii) Loss	Stage 3	-	-	-	-	-
Subtotal (b)		2,611.65	1,549.69	1,061.96	249.17	1,300.52
(c) Other items	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
	Subtotal	-	-	-	-	-
Total (a+b+c)	Stage 1	108,365.09	967.30	107,397.79	439.13	528.17
	Stage 2	6,065.35	1,435.16	4,630.19	131.73	1,303.43
	Stage 3	2,611.65	1,549.69	1,061.96	249.17	1,300.52
	Total	117,042.09	3,952.15	113,089.94	820.03	3,132.12

* Computed on the value as per the erstwhile IRACP norms.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

54 Disclosures as required by RBI circular dated 17 April 2020 'COVID-19 Regulatory Package - Asset Classification and Provisioning'

(₹ In Crore)

Particulars	As at 31 March 2021
(a) Amount in SMA/overdue categories as of 29 February 2020	2,657.72
(b) Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the circular (as of 29 February 2020)	2,127.70
(c) Respective amount where asset classification benefit is extended (outstanding as of 29 February 2020) *	1,943.10
(d) Provision made in terms of paragraph 5 of the circular as at the end of oratorium (As per para 4, mapplicable to NBFC's covered under Ind AS)	443.66
(e) Provisions adjusted against slippages in terms of paragraph 6 of the circular	376.75
(f) Residual provisions as of 31 March 2021 in terms of paragraph 6 of the circular	66.91

* Loan outstanding as of 31 March 2021 and corresponding expected credit loss provision on the same are as below:

(₹ In Crore)

Particulars	As of 31 March 2021
Loan outstanding where Company continues to have asset classification benefit	505.93
Corresponding expected credit loss provision (excluding Management and macro-economic overlays)	75.73

55 (a) Disclosures pursuant to RBI Notification - RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated 6 August 2020

(₹ In Crore except number of accounts)

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 amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	103,920	679.99	-	-	46.57
Corporate persons*	2	404.68	-	-	-
of which:					
MSMEs	-	-	-	-	-
Others	2	404.68	-	-	-
Total	103,922	1,084.67	-	-	46.57

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

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

55 (b) Disclosure pursuant to RBI Notification -RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated 6 August 2020 (for restructuring of accounts of Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances having exposure less than or equal to ₹ 25 crores)

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan (₹ In Crore)
MSMEs	16,042	642.32

(c) Overall provision for expected credit loss (ECL) against exposures mentioned in note no.55(a) and (b) is ₹ 424.59 crore as of 31 March 2021.

56 In accordance with the instructions in the RBI circular dated 7 April 2021, all lending institutions shall refund/adjust 'interest on interest' to all borrowers including those who had availed working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the Indian Banks Association (IBA) in consultation with other industry participants/bodies published the methodology for calculation of the amount of such 'interest on interest'. Accordingly, the Company has made a provision of ₹ 2.53 crore.

57 Amounts less than ₹ 50,000 have been shown at actuals against respective line items statutorily required to be disclosed.

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership number: 213935

Pune: 27 April 2021

On behalf of the Board of Directors

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Chairman

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Annexure (Forming part of the financial statements)

Schedule to Balance Sheet

As required by RBI Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('the NBFC Master Directions')

(₹ In Crore)

Particulars	Amount outstanding as on 31 March 2021	Amount overdue
Liabilities side		
(1) Loans and advances availed by the Company inclusive of interest accrued thereon but not paid		
(a) Debentures		
Secured	33,055.89	-
Unsecured (Other than falling within the meaning of public deposit*)	8,062.85	-
(b) Deferred credits	-	-
(c) Term loans	26,530.28	-
(d) Inter-corporate loans and borrowings	6,842.20	-
(e) Commercial paper	5,851.58	-
(f) Public deposits (as defined in chapter II, para 3 (xiii) of Master directions -Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank Directions, 2016 as issued by RBI.)	18,961.23	-
(g) Other Loans (CBLO, cash credit and working capital demand loan)	561.81	-
(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	18,961.23	-

(₹ In Crore)

Particulars	Amount outstanding as on 31 March 2021
Asset side	
(3) Break - up of loans and advances including bills receivables (other than those included in (4) below)	
(a) Secured	52,359.83
(b) Unsecured	62,071.64
(4) Break up of leased assets and assets under finance and hypothecation loans counting towards asset finance activities	
(i) Lease assets including lease rentals under sundry debtors:	
(a) Financial lease	-
(b) Operating lease	-
(ii) Stock under finance including financing charges under sundry debtors	
(a) Assets under finance, net of unmatured finance charges and advance EMI	-
(b) Repossessed assets	-
(iii) Hypothecation loans counting towards asset financing activities	
(a) Loans where assets have been repossessed	-
(b) Loans other than (a) above	-

Annexure (Forming part of the financial statements)

Schedule to Balance Sheet (Contd.)

(₹ In Crore)

Particulars	Amount outstanding as on 31 March 2021
(5) Break-up of investments	
Current Investments	
a. Quoted	
(i) Shares - (a) Equity	-
(b) Preference	-
(ii) Debentures and bonds	-
(iii) Units of mutual funds	8,177.14
(iv) Government securities	3,375.54
(v) Others - Certificate of deposits & commercial paper	-
b. Unquoted	
(i) Shares - (a) Equity	-
(b) Preference	-
(ii) Debentures and bonds	-
(iii) Units of mutual funds	-
(iv) Government securities	-
(v) Others - (Investment in fixed deposit)	508.88
Long-Term Investments	
a. Quoted	
(i) Shares - (a) Equity	88.77
(b) Preference	-
(ii) Debentures and bonds	-
(iii) Units of mutual funds	-
(iv) Government securities	2,439.20
(v) Others	-
b. Unquoted	
(i) Shares - (a) Equity	5,298.39
(b) Preference	281.20
(ii) Debentures and bonds	-
(iii) Units of mutual funds	-
(iv) Government securities	-
(v) Others (Investment in fixed deposit)	-

Annexure (Forming part of the financial statements)

Schedule to Balance Sheet (Contd.)

(6) Borrower group-wise classification of all leased assets, stock under financing and loans and advances

(₹ In Crore)

Category	Amount net of Provisions		
	Secured	Unsecured	Total
Related parties			
Subsidiaries	-	5.37	5.37
Companies in the same group	-	46.69	46.69
Other related parties	-	0.51	0.51
Other than related parties	52,359.83	62,019.07	114,378.90
	52,359.83	62,071.64	114,431.47

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

(₹ In Crore)

Category	Market Value	Book Value
Related parties		
Subsidiaries	5,298.38	5,298.38
Companies in the same group (₹ 27,331)		
Other related parties	-	-
Other than related parties	14,870.74	14,870.74
	20,169.12	20,169.12

(8) Other information

(₹ In Crore)

Particulars	Amount
Gross non-performing assets	
Related parties	-
Other than related parties	2,611.65
Net non-performing assets*	
Related parties	-
Other than related parties	1,061.96
Assets acquired in satisfaction of debt	-

* Provision for ECL stage 3 Net of interest has been considered

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

Part A: Subsidiaries

(₹ In Crore)

1	Name of the subsidiary	Bajaj Housing Finance Ltd.	Bajaj Financial Securities Ltd.
2	The date since when subsidiary was acquired	01.11.2014	01.11.2014
3	Reporting period for the subsidiary concerned, if different from the Holding company's reporting period	01.04.2020 – 31.03.2021	01.04.2020 – 31.03.2021
4	Reporting currency and exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries.	NA	NA
5	Share capital	4,883.33	264.00
6	Other equity	1,148.89	14.64
7	Total assets	37,859.34	661.79
8	Total liabilities	31,827.12	383.15
9	Investments	3,266.04	260.13
10	Turnover	3,155.28	36.34
11	Profit before taxation	613.18	8.76
12	Provision for taxation (net)	159.99	3.22
13	Profit after taxation	453.19	5.55
14	Proposed dividend	NA	NA
15	% of shareholding	100%	100%

Part B: Associates and Joint Ventures – Not Applicable

On behalf of the Board of Directors

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Chairman

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Pune: 27 April 2021

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report on the Consolidated Financial Statements

To the Members of **Bajaj Finance Ltd.**

Opinion

We have audited the accompanying consolidated financial statements of Bajaj Finance Ltd. (hereinafter referred to as 'the Holding Company'), its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') comprising of the consolidated Balance Sheet as at 31 March 2021, the consolidated Statement of Profit and Loss, including Other Comprehensive Income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013, as amended ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2021, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs), as 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 Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India 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 audit opinion on the consolidated financial statements.

Emphasis of matter

We draw attention to note no. 2.1 to the consolidated financial statements, which describes the uncertainty caused by the continuing COVID-19 pandemic and the related probable events which could impact the Group's estimates of impairment of loans to customers. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year ended 31 March 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of audit procedures performed by us, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

Key audit matters	How our audit addressed the key audit matter
(a) Impairment of financial assets as at balance sheet date (expected credit losses) (as described in note 9 of the consolidated financial statements)	
Ind AS 109 requires the Group to provide for impairment of its loan receivables (designated at amortised cost and fair value through other comprehensive income) using the expected credit loss (ECL) approach. ECL involves an estimation of probability-weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the Group's loans and advances. In the process, a significant degree of judgement has been applied by the Management for: • Staging of loans [i.e. classification in 'significant increase in credit risk' ('SICR') and 'default' categories]; • Grouping of borrowers based on homogeneity by using appropriate statistical techniques; • Estimation of behavioral life; • Determining macro-economic factors impacting credit quality of receivables; • Estimation of losses for loan products with no/ minimal historical defaults. **Additional considerations on account of COVID-19** Considering the evolving nature of the COVID-19 pandemic, which has continued to impact the Group's business operations, resulting in higher loan losses, the Group has maintained a Management overlay of ₹ 840 crore as part of its ECL, to reflect among other things the increased risk of deterioration in macro-economic factors. Given the unique nature of the pandemic and the extent of its economic impact which depends on future developments including governmental and regulatory measures and the Group's responses thereto, the actual credit loss can be different than that being estimated. In view of such high degree of Management's judgement involved in estimation of ECL, accentuated by the COVID-19 pandemic and related events, it is a key audit matter.	• Read and assessed the Group's accounting policies for impairment of financial assets and their compliance with Ind AS 109 and the governance framework approved by the Board of Directors pursuant to Reserve Bank of India guidelines issued on 13 March 2020. • Read and assessed the Group's policy with respect to one-time restructuring offered to customers pursuant to the 'Resolution Framework for COVID-19-related Stress' issued by RBI on 6 August 2020 and tested the implementation of such policy on a sample basis. • Evaluated the reasonableness of the Management estimates by understanding the process of ECL estimation and related assumptions and tested the controls around data extraction and validation. • Assessed the criteria for staging of loans based on their past-due status to check compliance with requirement of Ind AS 109. Tested a sample of performing (stage 1) loans to assess whether any SICR or loss indicators were present requiring them to be classified under higher stages. • Assessed the additional considerations applied by the Management for staging of loans as SICR or default categories in view of the aforesaid policy on one-time restructuring. • Tested the ECL model, including assumptions and underlying computation. Assessed the floor/ minimum rates of provisioning applied by the Group for loan products with inadequate historical defaults. • Tested assumptions used by the Management in determining the overlay for macro-economic factors (including COVID-19 pandemic). • Assessed disclosures included in the consolidated financial statements in respect of expected credit losses including the specific disclosures made with regards to the impact of COVID-19 on ECL estimation.
(b) IT systems and controls	
Financial accounting and reporting processes, especially in the financial services sector, are fundamentally reliant on IT systems and IT controls to process significant transaction volumes, hence we identified IT systems and controls over financial reporting as a key audit matter for the Group. Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure reliable financial reporting.	• We tested the design and operating effectiveness of the Group's IT access controls over the information systems that are important to financial reporting and various interfaces, configuration and other identified application controls. • We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing requests for access to systems were reviewed and authorized. • We tested the Group's periodic review of access rights. We also tested requests of changes to systems for approval and authorization. • In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting.

Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

Other information

The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Holding Company's Board of Directors is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and the 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are also responsible for overseeing the financial reporting process of the Group.

Auditor's responsibilities for the audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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.

Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

- 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 Holding Company has adequate 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 ability of the Group 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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group of which we are the independent auditors, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended 31 March 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, 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 of the aforesaid consolidated financial statements;

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books;

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;

Independent Auditors’ Report on the Consolidated Financial Statements (Contd.)

(d) In our opinion, the aforesaid consolidated 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 of the Holding Company as on 31 March 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its subsidiary companies, none of the directors of the Group’s companies, is disqualified as on 31 March 2021 from being appointed as a director in terms of Section 164(2) of the Act;

(f) With respect to the adequacy of the internal financial controls with reference to the consolidated financial statements of the Holding Company and its subsidiary companies, refer to our separate Report in ‘Annexure 1’ to this report;

(g) In our opinion, the managerial remuneration for the year ended 31 March 2021 has been paid / provided by the Holding Company and its subsidiaries to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;

(h) 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, as amended, in our opinion and to the best of our information and according to the explanations given to us:

 (i) The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group in its consolidated financial statements – Refer note no. 42 to the consolidated financial statements;

 (ii) Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer note no. 7 to the consolidated financial statements in respect of such items as it relates to the Group; and

 (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiaries during the year ended 31 March 2021.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership number: 213935
UDIN: 21213935AAAABY7793

Pune: 27 April 2021

Annexure 1 to Independent Auditors' Report

Annexure 1 referred to in paragraph f under the heading 'Report on other legal and regulatory requirements' of our report of even date

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

In conjunction with our audit of the consolidated financial statements of Bajaj Finance Ltd. (hereinafter referred to as the 'Holding Company') as of and for the year ended 31 March 2021, we have audited the internal financial controls with reference to the consolidated financial statements of the Holding Company and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group'), which are companies incorporated in India, as of that date.

Management's responsibility for internal financial controls

The respective Board of Directors of the companies included in the Group, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding 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'). 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 the respective 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 Holding Company's internal financial controls with reference to the consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') and the Standards on Auditing, specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both, issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to the consolidated 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 adequacy of the internal financial controls with reference to the consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to the consolidated financial statements included obtaining an understanding of internal financial controls with reference to the consolidated 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 our audit opinion on the internal financial controls with reference to the consolidated financial statements.

Meaning of internal financial controls with reference to consolidated Financial Statements

A Company's internal financial control with reference to consolidated 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 controls with reference to the consolidated 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;

Annexure 1 to Independent Auditors' Report (Contd.)

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of Management and Directors of the Company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls with reference to consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to the consolidated 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 the consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to the consolidated 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 Holding Company and its subsidiary companies, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls with reference to the consolidated financial statements and such internal financial controls with reference to the consolidated financial statements were operating effectively as at 31 March 2021, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership number: 213935
UDIN: 21213935AAAABY7793

Pune: 27 April 2021

Consolidated Balance Sheet

(₹ In Crore)

Particulars	Note No.	As at 31 March 2021	As at 31 March 2020
ASSETS			
Financial assets			
Cash and cash equivalents	5	1,861.17	1,344.52
Bank balances other than cash and cash equivalents	6	315.01	38.20
Derivative financial instruments	7	-	171.76
Trade receivables	8	1,107.24	952.56
Loans	9	146,686.87	141,376.05
Investments	10	18,396.91	17,543.90
Other financial assets	11	537.18	470.08
		168,904.38	**161,897.07**
Non-financial assets			
Current tax assets (net)		159.77	216.72
Deferred tax assets (net)	12	945.90	850.13
Property, plant and equipment	13	1,041.69	1,097.26
Capital work-in-progress		7.07	-
Intangible assets under development		43.99	-
Goodwill		3.27	3.27
Other intangible assets	13	270.74	220.46
Other non-financial assets	14	150.06	106.22
		2,622.49	**2,494.06**
Total assets		**171,526.87**	**164,391.13**
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities			
Derivative financial instruments	7	137.87	-
Payables	15		
Trade payables			
Total outstanding dues of micro enterprises and small enterprises		0.27	0.54
Total outstanding dues of creditors other than micro enterprises and small enterprises		894.59	761.43
Other payables			
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		213.82	197.84
Debt securities	16	54,502.14	49,537.36
Borrowings (other than debt securities)	17	47,441.20	54,700.17
Deposits	18	25,803.43	21,427.15
Subordinated debts	19	3,898.61	4,141.75
Other financial liabilities	20	891.78	745.00
		133,783.71	**131,511.24**

Consolidated Balance Sheet (Contd.)

(₹ In Crore)

Particulars	Note No.	As at 31 March 2021	As at 31 March 2020
Non-financial liabilities			
Current tax liabilities (net)		180.17	59.17
Provisions	21	137.69	81.00
Other non-financial liabilities	22	506.89	412.09
		824.75	**552.26**
Equity			
Equity share capital	23	120.32	119.99
Other equity	24	36,798.09	32,207.64
		36,918.41	**32,327.63**
Total liabilities and equity		**171,526.87**	**164,391.13**
Summary of significant accounting policies	3		

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

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership number: 213935

Pune: 27 April 2021

On behalf of the Board of Directors

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Chairman

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Consolidated Statement of Profit and Loss

(₹ In Crore)

Particulars	Note No.	For the year ended 31 March 2021	2020
Revenue from operations			
Interest income	26	23,303.38	22,970.39
Fees and commission income	27	2,452.39	2,590.92
Net gain on fair value changes	28	591.22	537.49
Sale of services	29	157.53	124.27
Other operating income	30	163.58	150.70
Total revenue from operations		**26,668.10**	**26,373.77**
Other income	31	14.95	11.87
Total income		**26,683.05**	**26,385.64**
Expenses			
Finance costs	32	9,414.00	9,473.21
Fees and commission expense	33	1,246.48	1,056.37
Impairment on financial instruments	34	5,968.58	3,929.48
Employee benefits expense	35	2,498.67	2,547.96
Depreciation and amortisation expenses	13	325.27	294.63
Other expenses	36	1,237.79	1,761.87
Total expenses		**20,690.79**	**19,063.52**
Profit before tax		**5,992.26**	**7,322.12**
Tax expense			
Current tax		1,660.26	2,205.25
Deferred tax (credit)/charge		(87.82)	(146.88)
Total tax expense	12	**1,572.44**	**2,058.37**
Profit after tax		**4,419.82**	**5,263.75**
Other comprehensive income (OCI)			
Items that will not be reclassified to profit or loss:			
Remeasurement losses on defined benefit plans		(32.86)	(31.52)
Tax impact on above		8.27	4.41
Changes in fair value of fair value through OCI (FVOCI) equity instruments		30.87	(92.10)
Tax impact on above		(16.17)	23.18
Items that will be reclassified to profit or loss in subsequent periods:			
Changes in fair value of FVOCI debt securities		(41.73)	49.82
Tax impact on above		10.50	(12.42)
Cash flow hedge reserve		(21.24)	(75.68)
Tax impact on above		5.35	19.05
Total other comprehensive income for the year (net of tax)		**(57.01)**	**(115.26)**
Total comprehensive income for the year		**4,362.81**	**5,148.49**

Consolidated Statement of Profit and Loss (Contd.)

Particulars	Note No.	For the year ended 31 March 2021	2020
Earnings per share:	37		
(Nominal value per share ₹ 2)			
Basic (₹)		73.58	89.77
Diluted (₹)		73.00	89.07
Summary of significant accounting policies	3		

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

As per our report of even date

On behalf of the Board of Directors

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Chairman

per Vaibhav Kumar Gupta
Partner
Membership number: 213935

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Pune: 27 April 2021

Consolidated Statement of Changes in Equity

Equity share capital

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Balance at the beginning of the year	119.99	115.37
Changes in equity share capital during the year [refer note no. 23(a)]	0.33	4.62
Balance at the end of the year	**120.32**	**119.99**

Other equity

For the year ended 31 March 2021

(₹ In Crore)

Particulars	Note No.	Reserves and surplus: Securities premium	Retained earnings	Reserve fund as per NHB Act	Reserve fund as per RBI Act	General reserve	Infra-structure reserve	Share options outstanding account	Other comprehensive income on: Debt securities through OCI	Equity instruments through OCI	Cash flow hedge reserve	Total other equity
Balance as at 31 March 2020	24	16,841.43	10,752.91	78.32	3,579.75	787.82	41.65	213.17	38.14	(68.92)	(56.63)	32,207.64
Profit after tax		-	4,419.82	-	-	-	-	-	-	-	-	4,419.82
Other comprehensive income (net of tax)		-	(24.59)	-	-	-	-	-	(31.23)	14.70	(15.89)	(57.01)
		16,841.43	**15,148.14**	**78.32**	**3,579.75**	**787.82**	**41.65**	**213.17**	**6.91**	**(54.22)**	**(72.52)**	**36,570.45**
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		-	(792.00)	-	792.00	-	-	-	-	-	-	-
Transfer to reserve fund in terms of section 29C of the National Housing Bank Act, 1987		-	(71.30)	71.30	-	-	-	-	-	-	-	-
Transfer to infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961		-	(42.00)	-	-	-	42.00	-	-	-	-	-
Share based payment to employees - for the year		-	-	-	-	-	-	124.76	-	-	-	124.76
Received on allotment of shares to Trust for employees pursuant to ESOP scheme		122.80	-	-	-	-	-	-	-	-	-	122.80
Transfer on allotment of shares to employees pursuant to ESOP scheme		34.14	-	-	-	-	-	(34.14)	-	-	-	-
Transfer on cancellation of stock options		-	-	-	-	0.54	-	(0.54)	-	-	-	-
		16,998.37	**14,242.84**	**149.62**	**4,371.75**	**788.36**	**83.65**	**303.25**	**6.91**	**(54.22)**	**(72.52)**	**36,818.01**
Add: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2020		67.04	-	-	-	-	-	-	-	-	-	67.04
Less: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2021		86.96	-	-	-	-	-	-	-	-	-	86.96
Balance as at 31 March 2021	24	**16,978.45**	**14,242.84**	**149.62**	**4,371.75**	**788.36**	**83.65**	**303.25**	**6.91**	**(54.22)**	**(72.52)**	**36,798.09**

Consolidated Statement of Changes in Equity (Contd.)

Other equity (Contd.)

For the year ended 31 March 2020

(₹ In Crore)

Particulars	Note No.	Reserves and surplus							Other comprehensive income on			Total other equity
		Securities premium	Retained earnings	Reserve fund as per NHB Act	Reserve fund as per RBI Act	General reserve	Infra-structure reserve	Share options outstanding account	Debt securities through OCI	Equity instruments through OCI	Cash flow hedge reserve	
Balance as at 31 March 2019	24	8,298.81	7,719.16	19.05	2,602.75	786.64	16.65	137.85	0.74	-	-	19,581.65
Profit after tax		-	5,263.75	-	-	-	-	-	-	-	-	5,263.75
Other comprehensive income (net of tax)		-	(27.11)	-	-	-	-	-	37.40	(68.92)	(56.63)	(115.26)
		8,298.81	**12,955.80**	**19.05**	**2,602.75**	**786.64**	**16.65**	**137.85**	**38.14**	**(68.92)**	**(56.63)**	**24,730.14**
Issue of equity share capital		8,495.64	-	-	-	-	-	-	-	-	-	8,495.64
Share issue expenses		(45.06)	-	-	-	-	-	-	-	-	-	(45.06)
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		-	(977.00)	-	977.00	-	-	-	-	-	-	-
Transfer to reserve fund in terms of section 29C of the National Housing Bank Act, 1987		-	(59.27)	59.27	-	-	-	-	-	-	-	-
Transfer to infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961		-	(25.00)	-	-	-	25.00	-	-	-	-	-
Dividend including tax thereon		-	(1,141.62)	-	-	-	-	-	-	-	-	(1,141.62)
Share based payment to employees - for the year		-	-	-	-	-	-	100.76	-	-	-	100.76
Received on allotment of shares to Trust for employees pursuant to ESOP scheme		100.14	-	-	-	-	-	-	-	-	-	100.14
Transfer on allotment of shares to employees pursuant to ESOP scheme		24.26	-	-	-	-	-	(24.26)	-	-	-	-
Transfer on cancellation of stock options		-	-	-	-	1.18	-	(1.18)	-	-	-	-
		16,873.79	**10,752.91**	**78.32**	**3,579.75**	**787.82**	**41.65**	**213.17**	**38.14**	**(68.92)**	**(56.63)**	**32,240.00**
Add: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2019		34.68	-	-	-	-	-	-	-	-	-	34.68
Less: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2020		67.04	-	-	-	-	-	-	-	-	-	67.04
Balance as at 31 March 2020	24	**16,841.43**	**10,752.91**	**78.32**	**3,579.75**	**787.82**	**41.65**	**213.17**	**38.14**	**(68.92)**	**(56.63)**	**32,207.64**

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

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership number: 213935

Pune: 27 April 2021

On behalf of the Board of Directors

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Chairman

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Consolidated Statement of Cash Flows

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
(I) Operating activities		
Profit before tax	5,992.26	7,322.12
Adjustments for:		
Interest income	(23,303.38)	(22,970.39)
Depreciation and amortisation	325.27	294.63
Impairment on financial instruments	5,968.58	3,929.48
Net loss on disposal of property, plant and equipment	6.85	2.29
Finance costs	9,414.00	9,473.21
Share based payment to employees	124.75	100.76
Net gain on fair value changes	(591.22)	(537.49)
Service fees for management of assigned portfolio of loans	(157.53)	(124.27)
Dividend income	-	(0.64)
	(2,220.42)	(2,510.30)
Cash inflow from interest on loans	21,342.24	22,903.15
Cash inflow from service asset	73.65	61.70
Cash outflow towards finance costs	(9,099.15)	(8,352.69)
Cash generated from operation before working capital changes	**10,096.32**	**12,101.86**
Working capital changes		
(Increase)/decrease in trade receivables	35.37	(118.04)
(Increase)/decrease in loans	(9,573.88)	(32,880.54)
(Increase)/decrease in other financial assets	(336.61)	(117.48)
(Increase)/decrease in other non-financial assets	(44.07)	(49.11)
Increase/(decrease) in trade payables	132.89	198.19
Increase/(decrease) in other payables	15.98	(49.90)
Increase/(decrease) in other financial liabilities	156.73	(1,313.32)
Increase/(decrease) in provisions	23.83	(24.17)
Increase/(decrease) in other non-financial liabilities	94.80	76.16
	(9,494.96)	(34,278.21)
Income tax paid (net of refunds)	(1,482.31)	(2,235.35)
Net cash used in operating activities (I)	**(880.95)**	**(24,411.70)**
Carried forward	(880.95)	(24,411.70)

Consolidated Statement of Cash Flows (Contd.)

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Brought forward	(880.95)	(24,411.70)
(II) Investing activities		
Purchase of property, plant and equipment	(131.66)	(396.76)
Proceeds from sale of property, plant and equipment and intangible assets	11.39	7.21
Purchase of intangible assets	(126.77)	(111.11)
Purchase of intangible assets under development and capital work-in-progress	(51.06)	-
Purchase of investments measured under amortised cost	(3,975.00)	-
Proceeds from sale of investments measured under amortised cost	2,995.32	33.39
Purchase of investments measured under FVOCI	(3,004.37)	(2,246.45)
Proceeds from sale of investments measured under FVOCI	2,082.54	826.09
Purchase of investments measured under FVTPL	(234,606.54)	(442,958.18)
Proceeds from sale of investments measured under FVTPL	236,150.91	436,102.25
Purchase of equity investments designated under FVOCI	-	(150.00)
Dividend received	-	0.64
Interest received on investment	226.70	135.31
Net cash used in investing activities (II)	**(428.54)**	**(8,757.61)**
(III) Financing activities		
Issue of equity share capital (including securities premium)	103.21	8,568.04
Share issue expenses	-	(45.06)
Dividends paid	(2.74)	(943.28)
Dividend distribution tax	-	(195.20)
Payment of lease liability	(86.84)	(68.33)
Deposits received (net)	4,246.41	7,987.91
Debt securities issued (net)	4,937.14	1,956.39
Borrowings other than debt securities issued/(repaid), net	(7,142.32)	16,906.34
Subordinated debts repaid (net)	(228.72)	-
Net cash generated from financing activities (III)	**1,826.14**	**34,166.81**
Net increase in cash and cash equivalents (I+II+III)	**516.65**	**997.50**
Cash and cash equivalents at the beginning of the year	**1,344.52**	**347.02**
Cash and cash equivalents at the end of the year	**1,861.17**	**1,344.52**

- The above Statement of Cash Flows has been prepared under the indirect method as set out in Ind AS 7 'Statement of Cash Flows'.
- Components of cash and cash equivalents are disclosed in note no. 5

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership number: 213935

Pune: 27 April 2021

On behalf of the Board of Directors

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Chairman

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Notes to Consolidated financial statements for the year ended 31 March 2021

1 Corporate information

Bajaj Finance Ltd. ('the Parent Company') is a company limited by shares, incorporated on 25 March 1987 and domiciled in India. The Parent Company is mainly engaged in the business of lending. The Parent Company together with its subsidiaries (hereinafter collectively referred to as the 'Group') has a diversified lending portfolio across retail, SME and commercial customers with a significant presence in urban and rural India and provider of broking service to its capital market clients. The Parent Company also accepts public and corporate deposits and offers variety of financial services products to its customers. The Parent Company has its registered office at Akurdi, Pune, Maharashtra, (India) and its principal place of business at 4th floor, Bajaj Finserv Corporate Office, Pune, Maharashtra (India). The ultimate parent Company of the Group is Bajaj Finserv Ltd.

The Parent Company is a deposit taking non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI) with effect from 5 March 1998, with Registration No. A-13.00243 and classified as NBFC - Investment and Credit Company (NBFC-ICC) pursuant to circular DNBR (PD) CC.No.097/03.10.001/2018-19 dated 22 February 2019.

The audited consolidated financial statements were subject to review and recommendation of Audit Committee and approval of Board of Directors. On 27 April 2021, Board of Directors approved and recommended the audited consolidated financial statements for consideration and adoption by the shareholders in its Annual General Meeting.

2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and notified under section 133 of the Companies Act, 2013 (the Act) along with other relevant provisions of the Act, the Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('the NBFC Master Directions') issued by RBI and National Housing Bank Guidelines/Regulations ('NHB directions') and notification for Implementation of Indian Accounting Standard vide circular RBI/2019-20/170 DOR(NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020 ('RBI Notification for Implementation of Ind AS') issued by RBI to the extent applicable. The Group uses accrual basis of accounting except in case of significant uncertainties [Refer note no. 3.1(i) and 3.1(iii)(a)].

The consolidated financial statements are presented in Indian Rupee (INR) which is also the functional currency of the Group. The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value.

The financial statements are prepared on a going concern basis, as the Management is satisfied that the Group shall be able to continue its business for the foreseeable future and no material uncertainty exists that may cast significant doubt on the going concern assumption. In making this assessment, the Management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. The outbreak of COVID-19 has not affected the going concern assumption of the Group.

2.1 Presentation of financial statements

The Group presents its Balance Sheet in order of liquidity.

The Group prepares and present its Balance Sheet, the Statement of Profit and Loss and the Statement of Changes in Equity in the format prescribed by Division III of 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'.

The Group generally reports financial assets and financial liabilities on a gross basis in the Balance Sheet. They are offset and reported net only when Ind AS specifically permits the same or it has an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event. Similarly, the Group offsets incomes and expenses and reports the same on a net basis when permitted by Ind AS.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

2 Basis of preparation (Contd.)

Critical accounting estimates and judgements:

The preparation of the Group's financial statements requires Management to make use of estimates and judgements. In view of the inherent uncertainties and a level of subjectivity involved in measurement of items, it is possible that the outcomes in the subsequent financial years could differ from those on which the Management's estimates are based. Accounting estimates and judgements are used in various line items in the financial statements for e.g.:

- Business model assessment [Refer note no. 3.4(i)(a) and 9]
- Fair value of financial instruments (Refer note no. 3.14, 47 and 48)
- Effective interest rate (EIR) [Refer note no. 3.1(i)]
- Impairment of financial assets [Refer note no. 3.4(i), 9 and 49]
  Provisions and other contingent liabilities (Refer note no. 3.9 and 43)
- Provision for tax expenses (Refer note no. 3.5)
- Residual value, useful life and indicators of impairment and recoverable value of property, plant and equipment (Refer note no. 3.6 and 3.8)

Estimation of impairment allowance on financial assets amidst COVID-19 pandemic

Estimates and associated assumptions used for determining the impairment allowance on the Group's financial assets, are based on historical experience and other emerging factors emanating from the COVID-19 pandemic which may also influence the expected credit loss. The Group has used One Time Restructuring (OTR) and repayment moratorium on loans as early indicators suggesting higher flow rates and loss given default and accordingly accounted for commensurate expected credit loss. The Group believes that the factors considered are reasonable under the current circumstances and information available. However, the uncertainty caused by resurgence of the COVID-19 pandemic and related events could further influence the estimate of credit losses.

2.2 Principles of consolidation

(i) The consolidated financial statements incorporate the financial statements of the Parent Company and all its subsidiaries (from the date control is gained), being the entities that it controls. Control is evidenced where the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is demonstrated through existing rights that give the ability to direct relevant activities, which significantly affect the entity's returns. The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies in line with accounting policies of the Parent Company.

The Parent Company holds the entire shareholding in its subsidiaries and there are no contractual arrangements which rebute the control of the Parent Company over its subsidiaries.

The financial statements of subsidiaries acquired or disposed off during the year are included in the consolidated Statement of Profit and Loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(ii) The Consolidated financial statements include results of the subsidiaries of Bajaj Finance Ltd. (Parent Company), consolidated in accordance with Ind AS 110 'Consolidated Financial Statements'.

Name of the Company	Country of incorporation	Proportion of ownership as at reporting date	Consolidated as
Bajaj Housing Finance Ltd.	India	100%	Subsidiary
Bajaj Financial Securities Ltd.*	India	100%	Subsidiary

* On 10 August 2018, the Parent Company acquired 100% shareholding in Bajaj Financial Securities Ltd. from its wholly owned subsidiary, Bajaj Housing Finance Ltd.

Figures for preparation of consolidated financial statements have been derived from the audited financial statements of the respective companies in the Group.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

(iii) Disclosure in terms of Schedule III of the Companies Act, 2013

	Net Assets (i.e. total assets minus total liabilities)		Share in Profit or (Loss)		Share in other comprehensive income		Share in total comprehensive income	
Name of the entities in the Group	As a % of consolidated net assets	Amount (₹ In Crore)	As a % of consolidated profit or loss	Amount (₹ In Crore)	As a % of consolidatedother comprehensive income	Amount (₹ In Crore)	As a % of consolidated total comprehensive income	Amount (₹ In Crore)
Parent								
Bajaj Finance Ltd.	82.98%	30,634.42	90.85%	4,014.97	101.65%	(57.95)	90.70%	3,957.02
Subsidiaries								
Bajaj Housing Finance Ltd.	16.27%	6,005.35	9.08%	401.47	(1.67%)	0.95	9.22%	402.42
Bajaj Financial Securities Ltd.	0.75%	278.64	0.07%	3.37	0.02%	(0.01)	0.08%	3.36
	100.00%	36,918.41	100.00%	4,419.81	100.00%	(57.01)	100.00%	4,362.80

3 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Income

(i) Interest income

The Group recognises interest income using effective interest rate (EIR) on all financial assets subsequently measured under amortised cost or fair value through other comprehensive income (FVOCI). EIR is calculated by considering all costs and incomes attributable to acquisition of a financial asset or a assumption of a financial liability and it represents a rate that exactly discounts estimated future cash payments/receipts through the expected life of the financial asset/financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. In case of credit-impaired financial assets [as set out in note no. 3.4 (i) regarded as 'Stage 3'], the Group recognises interest income on the amortised cost net of impairment loss of financial assets at EIR. If financial asset is no longer credit-impaired [as outlined in note no. 3.4 (i)], the Group reverts to calculating interest income on a gross basis.

Delayed payment interest (penal interest and the like) levied on customers for delay in repayments/non payment of contractual cashflows is recognised on realisation.

Interest on financial assets subsequently measured at fair value through profit or loss (FVTPL) is recognised at the contractual rate of interest.

(ii) Dividend income

Dividend income on equity shares is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

(iii) Other revenue from operations

The Group recognises revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue from contracts with customers'. The Group identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognises revenue only on satisfactory completion of performance obligations.

Revenue is measured at the fair value of the consideration received or receivable.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

(a) Fees and commission income

The Group recognises service and administration charges towards rendering of additional services to its loan customers on satisfactory completion of service delivery. Bounce charges levied on customers for non payment of instalments on the contractual date is recognised on realisation.

Fees on value added services and products are recognised on rendering of services and products to the customer.

Distribution income is earned by distribution of services and products of other entities under distribution arrangements. The income so earned is recognised on successful distribution on behalf of other entities subject to there being no significant uncertainty of its recovery.

Foreclosure charges are collected from loan customers for early payment/closure of loan and are recognised on realisation.

(b) Net gain on fair value changes

The Group designates certain financial assets for subsequent measurement at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The Group recognises gains on fair value change of financial assets measured as FVTPL and realised gains on derecognition of financial asset measured at FVTPL and FVOCI on net basis.

(c) Sale of services

The Group, on derecognition of financial assets where a right to service the derecognised financial assets for a fee is retained, recognises the fair value of future service fee income over service obligations cost on net basis as service fee income in the Statement of Profit and Loss and, correspondingly creates a service asset in Balance Sheet. Any subsequent increase in the fair value of service assets is recognised as service income and any decrease is recognised as an expense in the period in which it occurs. The embedded interest component in the service asset is recognised as interest income in line with Ind AS 109 'Financial instruments'.

(d) Other operating income

The Group recognises income on recoveries of financial assets written off on realisation or when the right to receive the same without any uncertainties of recovery is established.

(iv) Taxes

Incomes are recognised net of the goods and services tax, wherever applicable.

3.2 Expenditures

(i) Finance costs

Borrowing costs on financial liabilities are recognised using the EIR [refer note no. 3.1(i)].

(ii) Fees and commission expense

Fees and commission expenses which are not directly linked to the sourcing of financial assets, such as commission/incentive incurred on value added services and products distribution, recovery charges and fees payable for management of portfolio etc., are recognised in the Statement of Profit and Loss on an accrual basis, net of goods and services tax.

(iii) Other expenses

Expenses are recognised on accrual basis net of the goods and services tax, except where credit for the input tax is not statutorily permitted.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.4 Financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Trade receivables and payables, loan receivables, investments in securities and subsidiaries, debt securities and other borrowings, preferential and equity capital etc. are some examples of financial instruments.

All financial instruments are at amortised cost, unless otherwise specfied.

All the financial instruments are recognised on the date when the Group becomes party to the contractual provisions of the financial instruments. For tradable securities, the Group recognises the financial instruments on settlement date.

(i) Financial assets

Financial assets include cash, or an equity instrument of another entity, or a contractual right to receive cash or another financial asset from another entity. Few examples of financial assets are loan receivables, investment in equity and debt instruments, trade receivables and cash and cash equivalents

Initial measurement

All financial assets are recognised initially at fair value including transaction costs that are attributable to the acquisition of financial assets except in the case of financial assets recorded at FVTPL where the transaction costs are charged to profit or loss. Generally, the transaction price is treated as fair value unless proved to the contrary.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified into four categories as per Board approved policy and internal policies for business model:

(a) Debt instruments at amortised cost

(b) Debt instruments at FVOCI

(c) Debt instruments at FVTPL

(d) Equity instruments designated under FVOCI

(a) <u>Debt instruments at amortised cost</u>

The Group measures its debt instruments at amortised cost if both the following conditions are met:

- The asset is held within a business model of collecting contractual cash flows; and
- Contractual terms of the asset give rise on specified dates to cash flows that are Sole Payments of Principal and Interest (SPPI) on the principal amount outstanding.

To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the nature of portfolio, and the period for which the interest rate is set and other factors which are integral to a lending arrangement.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

realised in a way that is different from the Group's original expectations, The Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated financial assets going forward.

The business model of the Group for assets subsequently measured at amortised cost category is to hold and collect contractual cash flows. However, considering the economic viability of carrying the delinquent portfolios on the books of the Group, it may enter into immaterial and infrequent transactions to sell these portfolios to banks and/or asset reconstruction companies without affecting the business model of the Group.

After initial measurement, such financial assets are subsequently measured at amortised cost on Effective Interest Rate (EIR). For further details, refer note no. 3.1(i). The expected credit loss (ECL) calculation for debt instruments at amortised cost is explained in subsequent notes in this section.

(b) Debt instruments at FVOCI

The Group subsequently classifies its debt instruments as FVOCI, only if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
- Contractual terms of the asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding

Debt instruments included within the FVOCI category are measured at each reporting date at fair value with such changes being recognised in other comprehensive income (OCI). The interest income on these assets is recognised in profit or loss. The ECL calculation for debt instruments at FVOCI is explained in subsequent notes in this section.

Debt instruments such as long term investments in Government securities to meet regulatory liquid asset requirement of the Group's deposit program are classified as FVOCI (also refer note no. 9 for change in business model during the financial year 2019-20).

On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from other comprehensive income to profit or loss.

(c) Debt instruments at FVTPL

The Group classifies its debt instruments which are held for trading under FVTPL category. Held for trading assets are recorded and measured in the Balance Sheet at fair value. Interest and dividend income are recorded in Statement of Profit and Loss according to the terms of the contract, or when the right to receive has been established. Gains and losses on changes in fair value of debt instruments are recognised on net basis through profit or loss.

The Group's investments into mutual funds, Government securities and certificate of deposits for trading and short term cash flow management have been classified under this category.

(d) Equity investments designated under FVOCI

All equity investments in scope of Ind AS 109 'Financial instruments' are measured at fair value. The Group has strategic investments in equity for which it has elected to present subsequent changes in the fair value in other comprehensive income. The classification is made on initial recognition and is irrevocable.

All fair value changes of the equity instruments, excluding dividends, are recognized in OCI and not available for reclassification to profit or loss, even on sale of investments. Equity instruments at FVOCI are not subject to an impairment assessment.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

Derecognition of financial assets

The Group derecognises a financial asset (or, where applicable, a part of a financial asset) when:

- The right to receive cash flows from the asset has expired; or
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under an assignment arrangement and the Group has transferred substantially all the risks and rewards of the asset. Once the asset is derecognised, The Group does not have any continuing involvement in the same.

The Group transfers its financial assets through the partial assignment route and accordingly derecognises the transferred portion as it neither has any continuing involvement in the same nor does it retain any control. If the Group retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. A service liability in respect of a service is recognised at fair value if the fee to be received is not expected to compensate the Group adequately for performing the service. If the fees to be received is expected to be more than adequate compensation for the servicing, a service asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset (also refer note no. 9 for change in business model during the financial year 2019-20).

On derecognition of a financial asset in its entirety, the difference between:

- the carrying amount (measured at the date of derecognition) and
- the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Financial assets subsequently measured at amortised cost are generally held for collection of contractual cashflow. The Group on looking at economic viability of certain portfolios measured at amortised cost may enter into immaterial and infrequent transaction for sale of portfolio which doesn't affect the business model of the Group.

Reclassification of financial assets

The Group changes classification of its financial assets only on account of changes in its business model for managing those financial assets. Such reclassifications are given prospective impact as per the principles laid down in Ind AS 109 'Financial Instruments' (also refer note no. 9 for change in business model during the financial year 2019-20).

Impairment of financial assets

General approach

Expected credit losses ('ECL') are recognised for applicable financial assets held under amortised cost, debt instruments measured at FVOCI, and certain loan commitments as per the Board approved policy.

Financial assets where no significant increase in credit risk has been observed are considered to be in 'stage 1' for which a 12 month ECL is recognised. Financial assets that are considered to have significant increase in credit risk are considered to be in 'stage 2' and those which are in default or for which there is an objective evidence of impairment are considered to be in 'stage 3'. Life time ECL is recognised for stage 2 and stage 3 financial assets.

At initial recognition, allowance (or provision in the case of loan commitments) is required for ECL towards default events that are possible in the next 12 months, or less, where the remaining life is less than 12 months.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

In the event of a significant increase in credit risk, allowance (or provision) is required for ECL towards all possible default events over the expected life of the financial instrument ('lifetime ECL').

One time restructuring (OTR) of loan accounts allowed by RBI vide circular resolution framework for COVID-19 related stress to the extent having no overdues have been considered to have a significant increase in credit risk and accordingly classified under stage 2.

Financial assets (and the related impairment allowances) are written off in full, when there is no realistic prospect of recovery. The Group may apply enforcement activities to certain qualifying financial assets written off.

Treatment of the different stages of financial assets and the methodology of determination of ECL

(a) Credit impaired (stage 3)

The Group recognises a financial asset to be credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- Contractual payments of either principal or interest are past due for more than 90 days;
- The loan is otherwise considered to be in default

Restructured loans (other than OTR) where repayment terms are renegotiated as compared to the original contracted terms due to significant credit distress of the borrower are classified as credit impaired except one time restructuring allowed by RBI under resolution framework for COVID-19 related stress. Such loans continue to be in stage 3 until they exhibit regular payment of renegotiated principal and interest over a minimum observation of period typically 12 months- post renegotiation, and there are no other indicators of impairment. Having satisfied the conditions of timely payment over the observation period these loans could be transferred to stage 1 or 2 and a fresh assessment of the risk of default be done for such loans.

Interest income is recognised by applying the effective interest rate to the net amortised cost amount i.e. gross carrying amount less ECL allowance.

(b) Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default of the loan exposure. However, unless identified at an earlier stage, 30 days past due is considered as an indication of financial assets to have suffered a significant increase in credit risk. Based on other indications such as borrower's frequently delaying payments beyond due dates though not 30 days past due are included in stage 2 for mortgage loans.

The measurement of risk of defaults under stage 2 is computed on homogenous portfolios, generally by nature of loans, tenors, underlying collateral, geographies and borrower profiles. The default risk is assessed using PD (probability of default) derived from past behavioural trends of default across the identified homogenous portfolios. These past trends factor in the past customer behavioural trends, credit transition probabilities and macroeconomic conditions. The assessed PDs are then aligned considering future economic conditions that are determined to have a bearing on ECL.

(c) Without significant increase in credit risk since initial recognition (stage 1)

ECL resulting from default events that are possible in the next 12 months are recognised for financial instruments in stage 1. The Group has ascertained default possibilities on past behavioural trends witnessed for each homogenous portfolio using application/behavioural score cards and other performance indicators, determined statistically.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

(d) Measurement of ECL

The assessment of credit risk and estimation of ECL are unbiased and probability weighted. It incorporates all information that is relevant including information about past events, current conditions and reasonable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money. Forward looking economic scenarios determined with reference to external forecasts of economic parameters that have demonstrated a linkage to the performance of our portfolios over a period of time have been applied to determine impact of macro economic factors.

The Group has calculated ECL using three main components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD). ECL is calculated by multiplying the PD, LGD and EAD and adjusted for time value of money using a rate which is a reasonable approximation of EIR.

- Determination of PD is covered above for each stages of ECL.
- EAD represents the expected balance at default, taking into account the repayment of principal and interest from the Balance Sheet date to the date of default together with any expected drawdowns of committed facilities.
- LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The Group recaliberates above components of its ECL model on a periodical basis (except in case of short term abnormal scenarios) by using the available incremental and recent information, except where this informations does not represent the future outcome, as well as assessing changes to its statistical techniques for a granular estimation of ECL.

A more detailed description of the methodology used for ECL is covered in the ‘credit risk’ section of note no.49.

Simplified Approach

The Group follows ‘simplified approach’ for recognition of impairment loss allowance on trade receivables and other financial assets. The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. The Group uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables and other financial assets. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and other financial assets and is adjusted for forward-looking estimates. At every reporting date, the historically observed default rates are updated for changes in the forward looking estimates.

(ii) 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 Group or a contract that will or may be settled in the Group’s own equity instruments and is a non derivative contract for which the Group 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 Group’s own equity instruments. Few examples of financial liabilities are trade payables, debt securities and other borrowings and subordinated debts.

Initial measurement

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group’s financial liabilities include trade payables, other payables, debt securities and other borrowings.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

Subsequent measurement

After initial recognition, all financial liabilities are subsequently measured at amortised cost using the EIR method [Refer note no. 3.1(i)]. Any gains or losses arising on derecognition of liabilities are recognised in the Statement of Profit and Loss.

Derecognition

The Group derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet only if there is an enforceable legal right to offset the recognised amounts with an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

3.5 Taxes

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS) prescribed therein. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in OCI or directly in other equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is recognised using the Balance Sheet approach on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets, if any, are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or in other equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.6 Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition less accumulated depreciation and impairment losses, if any, consistent with the criteria specified in Ind AS 16 'Property, plant and equipment'.

Recognition and derecognition

Property, plant and equipment is recognised when it is probable that future economic benefits associated with the item is expected to flow to the Group and the cost of the item can be measured reliably.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included under other income/expenses in the Statement of Profit and Loss when the asset is derecognised.

Depreciation on property, plant and equipment

(a) Depreciation is provided on a pro rata basis for all tangible assets on straight line method over the useful life of assets.

(b) Useful lives of assets are determined by the Management by an internal technical assessment except where such assessment suggests a life significantly different from those prescribed by Schedule II – Part C of the Companies Act, 2013 where the useful life is as assessed and certified by a technical expert.

(c) Depreciation on leasehold improvements is provided on straight line method over the primary period of lease of premises or 5 years whichever is less.

(d) Depreciation on addition to assets and assets sold during the year is being provided for on a pro rata basis with reference to the month in which such asset is added or sold as the case may be.

(e) Useful life as used by the Group and as indicated in Schedule II are listed below:

Nature of assets	Useful life as per Schedule II	Useful life adopted by the Group
Building	60 years	60 years
Computers		
End user machines	3 years	4 years
Servers and Networks	6 years	6 years
Office equipment	5 years	5 years
Furniture and fixtures	10 years	10 years
Vehicles	8 years	8 years

Based on internal assessment, the Management believes that the useful lives adopted by the Group best represent the period over which Management expects to use these assets.

(f) The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.7 Intangible assets and amortization thereof

IIntangible assets, representing softwares are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment, if any. The intangible assets are amortised using the straight line method over a period of five years, which is the Management's estimate of its useful life. The useful lives of intangible assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets not ready for the intended use on the date of Balance Sheet are disclosed as 'Intangible assets under development'.

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

3.8 Impairment of non-financial assets

An assessment is done at each Balance Sheet date to ascertain whether there is any indication that an asset may be impaired. If any such indication exists, an estimate of the recoverable amount of asset is determined. If the carrying value of relevant asset is higher than the recoverable amount, the carrying value is written down accordingly.

3.9 Provisions and contingent liabilities

The Group creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. The Group also discloses present obligations for which a reliable estimate cannot be made as a contingent liability. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

3.10 Foreign currency translation

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are re-translated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

Exchange differences

All exchange differences are accounted in the Statement of Profit and Loss or other comprehensive income as permitted under the relevant Ind AS.

3.11 Retirement and other employee benefits

(i) Gratuity

Payment for present liability of future payment of gratuity is made to the approved gratuity fund viz. Bajaj Auto Ltd. gratuity fund trust, which covers the same under cash accumulation policy and debt fund of the Life Insurance Corporation of India (LIC) and Bajaj Allianz Life Insurance Company Ltd. (BALICL). However, any deficits in plan assets managed by LIC and BALICL as compared to actuarial liability determined by an

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

appointed actuary using the projected unit credit method are recognised as a liability. Gains and losses through remeasurements of the net defined benefit liability or assets are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. The effect of any planned amendments are recognised in Statement of Profit and Loss. Remeasurements are not reclassified to profit or loss in subsequent periods.

(ii) Superannuation

Defined contribution to superannuation fund is made as per the scheme of the Group.

(iii) Provident fund

Contributions are made to Bajaj Auto Ltd. provident fund trust. Deficits, if any, of the fund as compared to aggregate liability is additionally contributed by the The Group and recognised as an expense. Shortfall in fund assets over present obligation determined using the projected unit credit method by an appointed actuary is recognised as a liability.

For one of its subsidiaries, retirement benefit in the form of provident fund is a defined contribution scheme. The said subsidiary has no obligation other than the contribution payable to the provident fund authorities. The subsidiary recognises contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

(iv) Employees' state insurance

The Group contributes to Employees State Insurance Scheme and recognizes such contribution as an expense in the Statement of Profit and Loss in the period when services are rendered by the employees.

(v) Compensated absences

Privilege leave entitlements are recognised as a liability as per the rules of The Group. The liability for accumulated leaves which can be availed and/or encashed at any time during the tenure of employment is recognised using the projected unit credit method at the actuarially determined value by an appointed actuary. The liability for accumulated leaves which is eligible for encashment within the same calendar year is provided for at prevailing salary rate for the entire unavailed leave balance as at the Balance Sheet date.

Remeasurements on defined benefit plans, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets, are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

3.12 Employee stock option scheme

The Parent Company operates a group Employee Stock Option Scheme for its employees and employees of its subsidiary through a trust formed for the purpose. Equity shares are issued to the trust on the basis of the Group's expectation of the number of options that may be exercised by employees.

The cost of equity settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The cost is recognised as employee benefits expenses/recharge receivables together with a corresponding increase in employee stock option outstanding account in other equity, over the period in which the service conditions are fulfilled. The cumulative expense/recharge recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has not expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

Service conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions are not met.

The balance equity shares not exercised and held by the trust are disclosed as a reduction from the share capital and securities premium account with an equivalent adjustment to the subscription loan advanced to the Trust.

3.13 Leases

With effect from 1 April 2019, the Group has applied Ind AS 116 'Leases' for all long term and material lease contracts covered by the Ind AS. The Group has adopted modified retrospective approach as stated in Ind AS 116 'Leases' for all applicable leases on the date of adoption.

Measurement of lease liability

At the time of initial recognition, the Group measures lease liability as present value of all lease payments discounted using the Group's incremental cost of borrowing and directly attributable costs. Subsequently, the lease liability is –

(i) increased by interest on lease liability;

(ii) reduced by lease payments made; and

(iii) remeasured to reflect any reassessment or lease modifications specified in Ind AS 116 'Leases', or to reflect revised fixed lease payments.

Measurement of Right-of-use assets

At the time of initial recognition, the Group measures 'Right-of-use assets' as present value of all lease payments discounted using the Group's incremental cost of borrowing w.r.t said lease contract. Subsequently, 'Right-of-use assets' is measured using cost model i.e. at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease liability specified in Ind AS 116 'Leases'.

Depreciation on 'Right-of-use assets' is provided on straight line basis over the lease period.

The exception permitted in Ind AS 116 'Leases' for low value assets and short term leases has been adopted by the Group.

3.14 Fair value measurement

The Group measures its qualifying financial instruments at fair value on each Balance Sheet date.

Fair value is the price that would be received against sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the accessible principal market or the most advantageous accessible market as applicable.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into Level I, Level II and Level III based on the lowest level input that is significant to the fair value measurement as a whole. For a detailed information on the fair value hierarchy, refer note no. 47 and 48.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

For assets and liabilities that are fair valued in the financial statements on a recurring basis, The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, The Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

3.15 Business combinations under common control

Common control business combination means a business combination involving entities or businesses in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The Group accounts for business combinations under common control as per the pooling of interest method.

The pooling of interest method involves the following:

(i) The assets and liabilities of the combining entities are reflected at their carrying amounts.

(ii) No adjustments are made to reflect fair values, or recognise any new assets or liabilities. The only adjustments that are made are to harmonise accounting policies.

(iii) The financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, if business combination had occurred after that date, the prior period information shall be restated only from that date.

3.16 Derivative financial instruments

The Parent Company has entered into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held by the Parent Company are Cross Currency Interest Rate Swaps (CCIRS). Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each Balance Sheet date. The resulting gain/loss is recognised in the Statement of Profit and Loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the Statement of Profit and Loss depends on the nature of the hedge relationship. The Parent Company has designated derivatives as cash flow hedges of a recognised liability and has no fair value hedges. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

The Parent Company makes use of derivative instruments to manage exposures to interest rate risk and foreign currency risk. In order to manage particular risks, the Parent Company applies hedge accounting for transactions that meet specified criteria.

At the inception of a hedge relationship, the Parent Company formally designates and documents the hedge relationship to which the Parent Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Parent Company's risk management objective and strategy for undertaking hedge, the hedging/economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Parent Company would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Summary of significant accounting policies (Contd.)

During the year, hedges that meet the criteria for hedge accounting and qualify as cash flow hedges are accounted as follows:

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability and could affect profit or loss.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately as finance cost in the Statement of Profit and Loss.

When the hedged cash flow affects the Statement of Profit and Loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the Statement of Profit and Loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the Statement of Profit and Loss.

4. Change in accounting estimates

(i) During the year ended 31 March 2021, the Group has revised its estimate for charging off loans considered as bad debts. Had the Group applied the estimates followed in the previous year, the profit before tax for the period would have been higher by ₹ 103 crore.

(ii) The Group has changed the following accounting estimatesin property, plant and equipments :

- Change of estimated useful life to computer and vehicles from 3 years to 4 years and from 4 years to 8 years respectively.
- Depreciation method for building changed from written down value method to straight line method.

Had the Group applied the estimates followed in the previous year, the profit before tax for the period would have been lower by ₹ 29.80 crore.

5 Cash and cash equivalents

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Cash on hand	56.84	27.12
Balance with banks:		
In current accounts	1,253.96	89.99
In fixed deposits (with original maturity less than 3 months)	550.37	1,227.41
	1,861.17	1,344.52

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

6 Bank balances other than cash and cash equivalents

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Fixed deposits (with original maturity more than 3 months)*	312.90	33.37
Earmarked balance with banks:		
against matured fixed deposits	0.01	0.01
against unclaimed dividend	2.10	4.82
	315.01	38.20

* Contains fixed deposit under lien with stock exchnages for margin requirement ₹ 0.54 crore (Previous year ₹ 30.69 crore), deposits with exchange for trade ₹ 4.81 crore (Previous year ₹ 2.68 crore), deposits with bank for Bank Guarantee ₹ 52.33 crore (Previous year ₹ Nil) and deposits with the pention fund Regulatory Development Authority ₹ 0.20 crore (Previous year ₹ Nil).

7 Derivative financial instruments (at FVTPL)

(₹ In Crore)

Particulars	As at 31 March 2021		
	Notional amounts	Fair value assets	Fair value liabilities
Cross currency interest rate swaps:			
Cash flow hedge	5,382.16	-	(137.87)
	5,382.16	-	(137.87)

Particulars	As at 31 March 2020		
	Notional amounts	Fair value assets	Fair value liabilities
Cross currency interest rate swaps:			
Cash flow hedge	4,082.66	171.76	-
	4,082.66	171.76	-

The Parent Company has a Board approved policy for entering into derivative transactions. Derivative transactions comprise of currency and interest rate swaps. The Parent Company undertakes such transactions for hedging borrowings. The Asset Liability Management Committee periodically monitors and reviews the risk involved.

8 Trade receivables

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Considered good - unsecured		
Interest subsidy	450.65	536.58
Fees, commission and others	415.64	258.91
Service asset	240.95	157.07
	1,107.24	952.56

- Impairment allowance recognised on trade receivables is ₹ Nil (Previous year: ₹ Nil).
- No trade receivables are due from directors or other officers of the Company either severally or jointly with any other person.
- No trade receivables are due from firms or private companies respectively in which any director is a partner, a director or a member.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

9 Loans

(₹ In Crore)

Particulars	As at 31 March 2021			As at 31 March 2020		
	At amortised Cost	At fair value through OCI*	Total	At amortised Cost	At fair value through OCI*	Total
(A) Term loans	125,532.41	25,462.46	150,994.87	123,357.96	21,742.45	145,100.41
Less: Impairment loss allowance	4,024.46	283.54	4,308.00	3,641.44	82.92	3,724.36
Total (A)	121,507.95	25,178.92	146,686.87	119,716.52	21,659.53	141,376.05
(B) Out of above						
(I) Secured						
Against hypothecation of automobiles, equipments, durables and plant and machinery, equitable mortgage of immovable property and pledge of securities etc.	61,330.21	25,462.46	86,792.67	60,358.63	21,742.45	82,101.08
Less: Impairment loss allowance	1,852.13	283.54	2,135.67	1,626.07	82.92	1,708.99
Total (I)	59,478.08	25,178.92	84,657.00	58,732.56	21,659.53	80,392.09
(II) Unsecured	64,202.20	-	64,202.20	62,999.33	-	62,999.33
Less: Impairment loss allowance	2,172.33	-	2,172.33	2,015.37	-	2,015.37
Total (II)	62,029.87	-	62,029.87	60,983.96	-	60,983.96
Total (B) = (I+II)	121,507.95	25,178.92	146,686.87	119,716.52	21,659.53	141,376.05
(C) Out of above						
(I) Loans in India						
(i) Public sector	-	-	-	-	-	-
Less: Impairment loss allowance	-	-	-	-	-	-
Sub-total (i)	-	-	-	-	-	-
(ii) Others	125,532.41	25,462.46	150,994.87	123,357.96	21,742.45	145,100.41
Less: Impairment loss allowance	4,024.46	283.54	4,308.00	3,641.44	82.92	3,724.36
Sub-total (ii)	121,507.95	25,178.92	146,686.87	119,716.52	21,659.53	141,376.05
Total (I) = (i+ii)	121,507.95	25,178.92	146,686.87	119,716.52	21,659.53	141,376.05
(II) Loans outside India	-	-	-	-	-	-
Total (C) = (I+II)	121,507.95	25,178.92	146,686.87	119,716.52	21,659.53	141,376.05

Summary of loans by stage distribution

(₹ In Crore)

Particulars	As at 31 March 2021				As at 31 March 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	141,539.38	6,724.72	2,730.77	150,994.87	139,589.01	3,148.40	2,363.00	145,100.41
Less: Impairment loss allowance	1,146.08	1,567.04	1,594.88	4,308.00	1,712.34	586.80	1,425.22	3,724.36
Net carrying amount	140,393.30	5,157.68	1,135.89	146,686.87	137,876.67	2,561.60	937.78	141,376.05

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

9 Loans (Contd.)

Analysis of changes in the gross carrying amount and corresponding ECL allowances in relation to loans is as follows

(₹ In Crore)

Particulars	For the year ended 31 March 2021							
	Stage 1		Stage 2		Stage 3		Total	
	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance
As at 31 March 2020	139,589.01	1,712.34	3,148.40	586.80	2,363.00	1,425.22	145,100.41	3,724.36
Transfers during the year								
transfers to stage 1	279.51	43.54	(233.80)	(28.32)	(45.71)	(15.22)	-	-
transfers to stage 2	(5,118.12)	(64.51)	5,151.23	75.95	(33.11)	(11.44)	-	-
transfers to stage 3	(5,590.18)	(87.90)	(1,568.14)	(325.84)	7,158.32	413.74	-	-
	(10,428.79)	(108.87)	3,349.29	(278.21)	7,079.50	387.08	-	-
Impact of changes in credit risk on account of stage movements	-	(934.34)	-	1,129.56	-	4,785.47	-	4,980.69
Changes in opening credit exposures (additional disbursement net of repayments)	(64,049.58)	(118.01)	(829.44)	(184.14)	(2,101.92)	(188.98)	(66,980.94)	(491.13)
New credit exposures during the year, net of repayments	76,428.74	594.96	1,056.47	313.03	944.64	740.54	78,429.85	1,648.53
Amounts written off during the year	-	-	-	-	(5,554.45)	(5,554.45)	(5,554.45)	(5,554.45)
As at 31 March 2021	**141,539.38**	**1,146.08**	**6,724.72**	**1,567.04**	**2,730.77**	**1,594.88**	**150,994.87**	**4,308.00**

(₹ In Crore)

Particulars	For the year ended 31 March 2020							
	Stage 1		Stage 2		Stage 3		Total	
	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance
As at 31 March 2019	110,747.99	618.50	2,010.56	362.32	1,811.85	1,076.76	114,570.40	2,057.58
Transfers during the period								
transfers to stage 1	263.02	46.83	(203.24)	(24.28)	(59.78)	(22.55)	-	-
transfers to stage 2	(2,852.17)	(29.24)	2,890.25	43.95	(38.08)	(14.71)	-	-
transfers to stage 3	(2,994.48)	(39.14)	(995.99)	(241.25)	3,990.47	280.39	-	-
	(5,583.63)	(21.55)	1,691.02	(221.58)	3,892.61	243.13	-	-
Impact of changes in credit risk on account of stage movements	-	(40.37)	-	351.30	-	1,219.97	-	1,530.90
Changes in opening credit exposures (additional disbursement net of repayments)	(44,669.09)	(152.98)	(1,327.89)	(140.02)	(1,718.09)	691.30	(47,715.07)	398.30
New credit exposures during the year, net of repayments	79,093.74	1,308.74	774.71	234.78	624.66	442.09	80,493.11	1,985.61
Amounts written off during the year	-	-	-	-	(2,248.03)	(2,248.03)	(2,248.03)	(2,248.03)
As at 31 March 2020	**139,589.01**	**1,712.34**	**3,148.40**	**586.80**	**2,363.00**	**1,425.22**	**145,100.41**	**3,724.36**

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

9 Loans (Contd.)

Details of impairment of financial instruments disclosed in the Statement of Profit and Loss

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
(i) Net impairment loss allowance charge/(release) for the year	583.64	1,666.78
(ii) Amounts written off during the year	5,554.45	2,248.03
Impairment on loans	6,138.09	3,914.81
Less : Claimable amount under CGTMSE scheme	195.60	-
Add: Impairment on other assets	26.09	14.67
Impairment on financial instruments	5,968.58	3,929.48

* With effect from 1 April 2019, the Parent Company has reclassified its loans which were erstwhile measured under FVOCI category to amortised cost on account of change in its business model, wherein the purpose for which these loans were held has changed to collection of contractual cash flows representing payments of principal and interest. Earlier, these loans were held under a dual business model of collecting contractual cash flows representing solely payments of principal and interest as well as sale/assignment of such loans. The change in business model has been necessitated by the Parent Company's intention to restrict the sale/assignment of these loans to an infrequent periodicity and insignificant value.

The following table depicts the quantitative disclosures with respect to the aforesaid change in business model

(₹ In Crore)

Subsequent measurement category as of 31 March 2019	Subsequent measurement category from 1 April 2019 onwards	Amount of reclassification, net of impairment allowance	Fair value as on 31 March 2020^	Notional fair value gain/(loss) recognised in OCI in FY 19-20 per erstwhile measurement
Fair Value through Other Comprehensive Income (FVOCI)	Amortised Cost	4,916.55	4,008.35	-

^ approximates the amortised cost as at 31 March 2020 and hence amortised cost treated as fair value.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

10 Investments

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(A) At amortised cost		
In pass through certificates (PTC) representing securitisation of loan receivables#	-	20.32
In fixed deposits	1,017.60	-
Total (A)	1,017.60	20.32
(B) At fair value through other comprehensive income		
(i) In Government securities*	3,708.39	2,713.63
Add: Fair value gains	9.24	50.97
Sub-total (i)	3,717.63	2,764.60
* includes ₹ 3,350.48 crore (Previous year ₹ 2,242.09 crore) pledged towards floating charge in favour of trustees representing the public deposit holders of the Company towards maintenance of liquid assets as prescribed by RBI Act, 1934 and ₹ 340.12 crore (Previous year ₹ Nil) pledged in favour of Credit Corporation of India Limited for Collateral Lending and Borrowing Obligation (CBLO).		
(ii) In equity instruments		
Equity shares	150.01	150.01
Add: Fair value gains/(losses)	(61.23)	(92.09)
	88.78	57.92
Compulsorily convertible preference shares	281.20	262.31
Sub-total (ii)	369.98	320.23
Total (B) = (i+ii)	4,087.61	3,084.83
(C) At fair value through profit or loss		
(i) In mutual funds	11,164.99	13,256.72
Add: Fair value gains	29.60	41.88
Sub-total (i)	11,194.59	13,298.60
(ii) In Government securities#	2,096.88	642.19
Add: Fair value gains	0.23	1.43
Sub-total (ii)	2,097.11	643.62
(iii) In certificates of deposit#	-	98.73
Add: Fair value gains	-	0.46
Sub-total (iii)	-	99.19
(iv) In commercial paper	-	396.60
Add: Fair value gains	-	0.74
Sub-total (iv)	-	397.34
Total (C) = (i+ii+iii+iv)	13,291.70	14,438.75
Total (A+B+C)	**18,396.91**	**17,543.90**

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Out of above		
In India	18,396.91	17,543.90
Outside India	-	-
	18,396.91	17,543.90

Impairment allowance recognised on these investments is ₹ Nil (Previous year: ₹ Nil).

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

11 Other financial assets

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Security deposits	62.37	58.01
Margin with exchanges	14.78	109.00
Advances to dealers	93.08	193.78
Others	366.95	109.29
	537.18	470.08

- Impairment allowance recognised on other financial assets is ₹ Nil (Previous year: ₹ Nil).

12 Deferred tax assets (net)

Reconciliation of tax expenses and profit before tax multiplied by average corporate tax rate

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Profit before tax	5,992.26	7,322.12
At average corporate tax rate of 25.17% (Previous year 34.836%)	1,508.48	1,843.01
Tax on expenditure not considered for tax provision (net of allowance)	70.10	39.53
Tax on additional deductions	(6.14)	(4.86)
Utilisation of previously unrecognised tax losses	-	(0.32)
Utilisation of MAT Credit	-	(1.37)
Tax impact on income not subject to tax	-	(0.16)
Tax impact due to revaluation of deferred tax due to change in income tax rate*	-	182.54
Tax expense (effective tax rate of 26.241%, Previous year 28.112%)	**1,572.44**	**2,058.37**

* From the financial year 2019-20, the Parent Company and one of its subsidiary viz. BHFL has opted for reduced rate of 25.17% for computation of income tax as per recently inserted Section 115BAA of the Income Tax Act, 1961.

Deferred tax assets (net) recorded in Balance Sheet

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Deferred tax relates to the following:		
(a) Deferred tax assets		
Disallowance u/s 43B of the Income Tax Act, 1961	34.38	21.40
Impairment on financial instruments	946.15	820.69
Cash flow hedge reserve	24.40	19.05
Changes in fair value of FVOCI equity instruments	7.01	23.18
Lease liability	8.98	4.60
Tax impact on carried forward losses	-	0.21
Other temporary differences	8.08	20.65
Gross deferred tax assets (a)	1,029.00	909.78

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

12 Deferred tax assets (net) (Contd.)

Deferred tax assets (net) recorded in Balance Sheet (Contd.)

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(b) Deferred tax liabilities		
Depreciation and amortisation	(0.52)	1.09
EIR impact on financial instruments measured at amortised cost	52.66	24.42
Special reserve as per section 36(1)(viii) of the Income Tax Act, 1961	18.72	8.15
Unrealised net gain on fair value changes	7.58	10.83
Changes in fair value of FVOCI debt securities	2.33	12.83
Other temporary differences	2.33	2.33
Gross deferred tax liabilities (b)	83.10	59.65
Deferred tax assets/(liabilities), net (a-b)	945.90	850.13

Changes in deferred tax recorded in profit or loss

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Deferred tax relates to the following:		
Disallowance u/s 43B of the Income Tax Act, 1961	(4.71)	6.48
Impairment of financial instruments	(125.46)	(214.39)
Depreciation and amortisation	(1.61)	(8.83)
EIR impact on financial instruments measured at amortised cost	28.24	48.55
Special reserve as per section 36(1)(viii) of the Income Tax Act, 1961	10.57	6.00
Unrealised net gain on fair value changes	(3.25)	8.95
Tax impact on carried forward losses	0.21	(0.21)
Lease liability	(4.38)	(4.60)
Other temporary differences	12.57	11.17
	(87.82)	(146.88)

Changes in deferred tax recorded in other comprehensive income

(₹ In Crore)

Particulars	For the year ended 2021	For the year ended 2020
Deferred tax relates to the following:		
Changes in fair value of FVOCI debt securities	(10.50)	12.42
Disallowance u/s 43B of the Income Tax Act, 1961	(8.27)	(4.41)
Cash flow hedge reserve	(5.35)	(19.05)
Changes in fair value of FVOCI equity instruments	16.17	(23.18)
	(7.95)	(34.22)

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

13 Property, plant and equipment and intangible assets

For the financial year 2020-21

(₹ In Crore)

Particulars	Gross block				Depreciation and amortisation				Net block
	As at 1 April 2020	Additions	Deductions	As at 31 March 2021	As at 1 April 2020	Deductions	For the year	As at 31 March 2021	As at 31 March 2021
Property, plant and equipment (a)									
Freehold land (b)	100.87	4.60	-	105.47	-	-	-	-	105.47
Buildings (c)	213.98	-	0.66	213.32	60.87	0.35	2.84	63.36	149.96
Computers	234.92	40.72	26.61	249.03	116.11	18.82	36.50	133.79	115.24
Office equipment	204.15	20.12	13.37	210.90	90.77	11.57	35.74	114.94	95.96
Furniture and fixtures	213.67	18.85	17.65	214.87	72.15	11.45	20.24	80.94	133.93
Vehicles	85.15	25.35	10.25	100.25	33.78	7.53	8.11	34.36	65.89
Leasehold improvements	171.24	22.26	1.50	192.00	85.72	1.35	40.50	124.87	67.13
Right-of-use - Premises	386.40	89.22	31.04	444.58	79.06	22.31	100.34	157.09	287.49
Right-of-use - Server	29.77	-	0.50	29.27	4.43	0.34	4.56	8.65	20.62
Sub-total	**1,640.15**	**221.12**	**101.58**	**1,759.69**	**542.89**	**73.72**	**248.83**	**718.00**	**1,041.69**
Other intangible assets (d)									
Computer softwares	388.63	126.72	0.22	515.13	168.17	0.22	76.44	244.39	270.74
Sub-total	**388.63**	**126.72**	**0.22**	**515.13**	**168.17**	**0.22**	**76.44**	**244.39**	**270.74**
Total	**2,028.78**	**347.84**	**101.80**	**2,274.82**	**711.06**	**73.94**	**325.27**	**962.39**	**1,312.43**

For the financial year 2019-20

(₹ In Crore)

Particulars	Gross block				Depreciation and amortisation				Net block
	As at 1 April 2019	Additions	Deductions	As at 31 March 2020	As at 1 April 2019	Deductions	For the year	As at 31 March 2020	As at 31 March 2020
Property, plant and equipment (a)									
Freehold land (b)	2.26	98.61	-	100.87	-	-	-	-	100.87
Buildings (c)	205.70	8.28	-	213.98	53.40	-	7.47	60.87	153.11
Computers	165.02	86.78	16.88	234.92	84.81	11.42	42.72	116.11	118.81
Office equipment	139.18	68.32	3.35	204.15	61.91	1.92	30.78	90.77	113.38
Furniture and fixtures	171.12	44.71	2.16	213.67	48.50	1.59	25.24	72.15	141.52
Vehicles	55.41	33.86	4.12	85.15	20.99	2.66	15.45	33.78	51.37
Leasehold improvements	112.73	59.68	1.17	171.24	55.30	0.62	31.04	85.72	85.52
Right-of-use - Premises	231.16*	159.38	4.14	386.40	-	3.50	82.56	79.06	307.34
Right-of-use - Server	-	29.77	-	29.77	-	-	4.43	4.43	25.34
Sub-total	**1,082.58**	**589.39**	**31.82**	**1,640.15**	**324.91**	**21.71**	**239.69**	**542.89**	**1,097.26**
Other intangible assets (d)									
Computer softwares	278.58	110.38	0.33	388.63	113.52	0.29	54.94	168.17	220.46
Sub-total	**278.58**	**110.38**	**0.33**	**388.63**	**113.52**	**0.29**	**54.94**	**168.17**	**220.46**
Total	**1,361.16**	**699.77**	**32.15**	**2,028.78**	**438.43**	**22.00**	**294.63**	**711.06**	**1,317.72**

* Represents Right-of-use assets recognised on application of Ind AS 116 ('Leases') w.e.f 1 April 2019.

(a) See note no. 3.6 and 3.13

(b) Represents share in undivided portion of land on purchase of office premises.

(c) Includes cost of shares in co-operative society of ₹ 500 (Previous year ₹ 500).

(d) See note no. 3.7

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

14 Other non-financial assets

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Capital advances	1.59	1.69
Indirect tax credits available for utilisation	34.25	28.25
Deposits against appeals	20.08	17.14
Advances to suppliers and others	94.14	59.14
	150.06	106.22

15 Payables

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(I) Trade payables		
Total outstanding dues of micro enterprises and small enterprises#	0.27	0.54
Total outstanding dues of creditors other than micro enterprises and small enterprises	894.59	761.43
	894.86	761.97
(II) Other payables		
Total outstanding dues of micro enterprises and small enterprises#	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	213.82	197.84
	213.82	197.84

Based on and to the extent of the information received by the Group from the suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) and relied upon by the auditors, the relevant particulars as at the year-end are furnished below:

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Principal amount due to suppliers under MSMED Act, as at the year end (since paid)	0.27	0.54
Interest accrued and due to suppliers under MSMED Act, on the above amount as at the year end	-	-
Payment made to suppliers (other than interest) beyond the appointed day, during the year	28.68	11.04
Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
Interest paid to suppliers under MSMED Act (Section 16)	0.31	0.12
Interest due and payable to suppliers under MSMED Act, for payments already made	-	0.07
Interest accrued and remaining unpaid at the year end to suppliers under MSMED Act	-	-

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

16 Debt securities

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(A) At amortised cost		
(I) Secured*		
Privately placed redeemable non-convertible debentures	41,019.22	42,932.98
Sub-total (I)	41,019.22	42,932.98
(II) Unsecured		
Privately placed partly paid redeemable non-convertible debentures	4,671.58	3,262.03
Borrowings by issue of commercial papers	8,811.34	3,342.35
Sub-total (II)	13,482.92	6,604.38
Total (I + II)	54,502.14	49,537.36
(B) Out of above		
In India	54,502.14	49,537.36
Outside India	-	-
	54,502.14	49,537.36

* secured by pari passu charge created by mortgage of Parent Company's Chennai office, loan receivables as stated in the respective information memorandum.

(C) Terms of repayment of non-convertible debentures (NCDs) as at 31 March 2021

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
Up to 730	-	3,007.75	-	-	3,007.75
731-1095	758.47	6,545.07	3,400.00	-	10,703.54
1096-1460	504.97	3,422.27	270.40	1,500.06	5,697.70
More than 1460	1,118.50	337.00	1,994.79	12,110.29	15,560.58
Issued at discount and redeemable at par					
1096-1460	-	26.35	-	-	26.35
Issued at par and redeemable at premium					
366-730	-	-	-	-	-
731-1095	428.29	960.12	-	-	1,388.41
1096-1460	2,468.21	3,924.81	75.00		6,468.02
More than 1460	18.50	3.80	-	-	22.30
Interest accrued and impact of EIR					2,816.15
					45,690.80

- Interest rate ranges from 4.66% to 9.36% as at 31 March 2021
- As at 31 March 2021, partly called and paid unsecured debentures of ₹ 4,671.59 crore.
- Amount to be called and paid is ₹ 200 crore in Jun 2021
- Amount to be called and paid is ₹ 915 crore each in Nov 2021 and Nov 2022
- Amount to be called and paid is ₹ 105 crore each in Feb 2022, Feb 2023, Feb 2024 and ₹ 120 crore in Feb 2025
- Amount to be called and paid is ₹ 147 crore each in Mar 2022, Mar 2023, Mar 2024 and ₹ 168 crore in Mar 2025

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

16 Debt securities (Contd.)

Terms of repayment of non-convertible debentures (NCDs) as at 31 March 2020

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
731-1095	-	758.32	6,536.73	-	7,295.05
1096-1460	7,899.53	504.80	3,427.80	70.57	11,902.70
More than 1460	1,255.20	1,118.50	337.00	11,860.14	14,570.84
Issued at discount and redeemable at par					
1096-1460	-	-	24.50	-	24.50
Issued at par and redeemable at premium					
366-730	320.00	-	-	-	320.00
731-1095	12.00	428.29	960.12	-	1,400.41
1096-1460	1,552.10	2,468.21	3,924.81		7,945.12
More than 1460	-	18.50	3.80	-	22.30
Interest accrued and impact of EIR					2,714.09
					46,195.01

- Interest rate ranges from 6.94% to 9.36% as at 31 March 2020
- As at 31 March 2020, partly called and paid unsecured debentures of ₹ 3,262.03 crore.
- Amount to be called and paid is ₹ 105 crore each in Feb 2021, Feb 2022, Feb 2023, Feb 2024 and ₹ 120 crore in Feb 2025
- Amount to be called and paid is ₹ 147 crore each in Mar 2021, Mar 2022, Mar 2023, Mar 2024 and ₹ 168 crore in Mar 2025
- Amount to be called and paid is ₹ 200 crore each in Jun 2020 and Jun 2021
- Amount to be called and paid is ₹ 915 crore each in Nov 2020, Nov 2021 and Nov 2022

(D) Terms of repayment of commercial papers as at 31 March 2021

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
Up to 365	8,812.63	-	-	-	8,812.63
Interest accrued and impact of EIR					(1.29)
					8,811.34

- Interest rate ranges from 3.65% to 4.60% p.a as at 31 March 2021
- Face value of commercial paper is ₹ 8,955 crore as at 31 March 2021

Terms of repayment of commercial papers as at 31 March 2020

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
Up to 365	3,344.81	-	-	-	3,344.81
Interest accrued and impact of EIR					(2.46)
					3,342.35

- Interest rate ranges from 6.60% to 7.85% p.a as at 31 March 2020
- Face value of commercial paper is ₹ 3,440 crore as at 31 March 2020

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

17 Borrowings (other than debt securities)

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(A) In India		
At amortised cost:		
Term loans from banks	41,249.00	46,785.00
Cash credit/Overdraft facility	153.59	670.38
Working capital demand loans	270.00	2,095.00
Collateralised borrowing and lending obligation (CBLO) against Government securities	299.97	839.98
	41,972.56	50,390.36
Outside India		
External commercial borrowing (ECB)*	5,468.64	4,309.81
	5,468.64	4,309.81
(B) Out of above		
Secured (Against hypothecation of loans, book debts and other receivables)	47,441.20	54,700.17
Unsecured	-	-
	47,441.20	54,700.17

* ECB is denominated in foreign currency and secured against book debts

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

17 Borrowings (other than debt securities) (Contd.)

(C) Terms of repayment of term loans from bank as at 31 March 2021

Original maturity (In no.of days)	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
Monthly									
366-730	5	62.50	-	-	-	-	-	-	62.50
731-1095	7	87.50	4	50.00	-	-	-	-	137.50
More than 1095	-	-	-	-	-	-	-	-	-
Quarterly									
Up to 365	17	860.91	-	-	-	-	-	-	860.91
366-730	35	1,290.28	22	976.53	-	-	-	-	2,266.81
731-1095	73	2,530.70	45	2,068.41	27	1,689.03	-	-	6,288.14
More than 1095	26	730.55	99	2,913.33	107	3,261.69	132	4,770.42	11,675.99
Half yearly									
366-730	10	430.77	-	-	-	-	-	-	430.77
731-1095	9	532.85	11	470.77	-	-	-	-	1,003.62
More than 1095	20	1,679.00	22	1,321.85	33	1,792.62	52	2,367.69	7,161.16
Yearly									
Up to 365	4	231.25	-	-	-	-	-	-	231.25
366-730	1	25.00	7	531.25	-	-	-	-	556.25
731-1095	6	407.50	1	25.00	5	456.25	-	-	888.75
Greater than 1095	10	680.82	15	1,013.75	16	1,101.25	13	1,176.25	3,972.07
Yearly									
366-730	-	-	-	-	-	-	-	-	-
731-1095	3	677.50	-	-	2	750.00	-	-	1,427.50
Greater than 1095	1	1,250.00	3	676.25	6	2,361.25	1	25.00	4,312.50
Interest accrued and impact of EIR									(26.72)
									41,249.00

- Interest rate ranges from 5.10% p.a to 8.85% p.a as at 31 March 2021

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

17 Borrowings (other than debt securities) (Contd.)

Terms of repayment of term loans from bank as at 31 March 2020

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
Quarterly									
Up to 365	6	281.25	-	-	-	-	-	-	281.25
366-730	57	2,006.08	25	759.37	-	-	-	-	2,765.45
731-1095	24	692.03	89	3,376.92	31	1,057.30	-	-	5,126.25
More than 1095	22	941.67	30	899.30	115	4,077.29	193	5,861.16	11,779.42
Half yearly									
Up to 365	4	200.00	-	-	-	-	-	-	200.00
366-730	4	392.46	10	430.77	-	-	-	-	823.23
731-1095	4	404.00	8	507.85	11	470.77	-	-	1,382.62
More than 1095	35	1,237.50	15	829.00	23	1,571.85	85	4,303.96	7,942.31
Yearly									
Up to 365	3	80.00	-	-	-	-	-	-	80.00
366-730	3	547.50	1	25.00	-	-	-	-	572.50
731-1095	7	443.34	7	923.74	1	25.00	-	-	1,392.08
More than 1095	4	125.00	16	1,180.82	16	1,530.00	27	1,527.21	4,363.03
On maturity (Bullet)									
366-730	5	65.00	5	62.50	-	-	-	-	127.50
731-1095	3	1,000.00	11	780.00	4	50.00	-	-	1,830.00
Greater than 1095	16	2,800.00	5	2,100.00	8	1,491.25	9	1,779.71	8,170.96
Interest accrued and impact of EIR									(51.60)
									46,785.00

- Interest rate ranges from 6.59% p.a to 9.05% p.a as at 31 March 2020

(D) Terms of repayment of working capital demand loans from bank as at 31 March 2021

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
On maturity (Bullet)									
Up to 365	5	270.00		-	-	-	-	-	270.00
Interest accrued and impact of EIR									-
									270.00

- Interest rate ranges from 4.10% p.a to 7.25% p.a as at 31 March 2021

Terms of repayment of working capital demand loans from bank as at 31 March 2020

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
On maturity (Bullet)									
Up to 365	10	2,094.45	-	-	-	-	-	-	2,094.45
Interest accrued and impact of EIR									0.55
									2,095.00

- Interest rate ranges from 7.45% p.a to 8.30% p.a as at 31 March 2020

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

17 Borrowings (other than debt securities) (Contd.)

(E) Terms of repayment of CBLO as at 31 March 2021

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original Maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
On maturity (Bullet)									
Up to 365	2	299.97	-	-	-	-	-	-	299.97
Interest accrued and impact of EIR									-
									299.97

- Interest rate 1.25% p.a as at 31 March 2021

Terms of repayment of CBLO as at 31 March 2020

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
On maturity (Bullet)									
Up to 365	4	839.98	-	-	-	-	-	-	839.98
Interest accrued and impact of EIR									-
									839.98

- Interest rate ranges from 0.28% p.a to 0.32% p.a as at 31 March 2020

(F) Terms of repayment of ECB as at 31 March 2021

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
On maturity (Bullet)									
731 to 1095	-	-	-	-	1	746.57	-	-	746.57
More than 1095	-	-	13	4,152.58	1	575.19	-	-	4,727.77
Interest accrued and impact of EIR									(5.70)
									5,468.64

- Interest rate ranges from 5.85% p.a to 7.68% p.a as at 31 March 2021

Terms of repayment of ECB as at 31 March 2020

	Due within 1 year		Due 1 to 2 Years		Due 2 to 3 Years		More than 3 years		Total
Original maturity (In no.of days)	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	No. of instalments	₹ In Crore	₹ In Crore
On maturity (Bullet)									
731 to 1095	-	-	-	-	13	4,330.10	-	-	4,330.10
Interest accrued and impact of EIR									(20.29)
									4,309.81

- Interest rate ranges from 7.31% p.a to 7.68% p.a as at 31 March 2020

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

18 Deposits (Unsecured)

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(A) At amortised cost		
Public deposits*	18,961.23	13,127.38
From others	6,842.20	8,299.77
	25,803.43	21,427.15

* as defined in chapter II, para 3 (xiii) of Master directions - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016 as issued by RBI.

(B) Terms of repayment of public deposits as at 31 March 2021

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
366-730	3,462.08	1,080.58	-	-	4,542.66
731-1095	645.26	292.30	2,454.24	-	3,391.80
More than 1095	2,603.09	4,200.68	1,215.48	2,366.75	10,386.00
Interest accrued and impact of EIR					640.77
					18,961.23

Terms of repayment of public deposits as at 31 March 2020

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
366-730	1,838.51	100.23	-	-	1,938.74
731-1095	337.52	662.76	242.66	-	1,242.94
More than 1095	795.51	2,654.19	4,315.69	1,843.48	9,608.87
Interest accrued and impact of EIR					336.83
					13,127.38

(C) Terms of repayment of deposit from others as at 31 March 2021

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Up to 365	824.50	-	-	-	824.50
366-730	4,157.32	961.03	-	-	5,118.35
731-1095	256.81	6.24	87.70	-	350.75
More than 1095	53.81	151.78	129.95	44.51	380.05
Interest accrued and impact of EIR					168.55
					6,842.20

- Interest rates range from 4.05% p.a. to 9.35% p.a. as at 31 March 2021

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

18 Deposits (Unsecured) (Contd.)

Terms of repayment of deposit from others as at 31 March 2020

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Up to 365	1,090.02	-	-	-	1,090.02
366-730	5,817.39	220.37	-	-	6,037.76
731-1095	38.30	332.41	5.44	-	376.15
More than 1095	77.36	54.84	253.16	141.50	526.86
Interest accrued and impact of EIR					268.98
					8,299.77

- Interest rates range from 6.20% p.a. to 9.60% p.a. as at 31 March 2020

19 Subordinated debts (Unsecured)

(₹ In Crore)

Particulars	As at 31 March 2021	2020
(A) In India		
At amortised cost		
Privately placed subordinated (Tier II) redeemable non-convertible debentures	3,898.61	4,141.75
	3,898.61	4,141.75
(B) Outside India	-	-

(C) Terms of repayment of subordinated debts as at 31 March 2021

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
More than 1825	50.00	207.10	50.00	3,402.50	3,709.60
Interest accrued and impact of EIR					189.01
					3,898.61

- Interest rate ranges from 8.05% to 10.21% as at 31 March 2021

Terms of repayment of subordinated debts as at 31 March 2020

(₹ In Crore)

Original maturity (In no.of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
More than 1825	228.70	50.00	207.10	3,452.50	3,938.30
Interest accrued and impact of EIR					203.45
					4,141.75

- Interest rate ranges from 8.05% to 10.21% as at 31 March 2020

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

20 Other financial liabilities

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Unclaimed dividends	2.08	4.82
Book overdraft	0.85	4.46
Security deposits	141.15	115.11
Lease liability+	343.81	351.02
Others	403.89	269.59
	891.78	745.00

+ Disclosures as required by Ind AS 116 'Leases' are stated below

(A) Lease liability movement

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Opening Balance/Transition adjustment	351.02	231.16
Add: Addition during the year	89.22	189.14
Interest on Lease liability	29.30	26.57
Less: Deletion during the year	9.60	0.65
Lease rental payments	116.13	95.20
Balance as on 31 March 2021	343.81	351.02

(B) Lease rentals of ₹ 8.88 crores (Previous year ₹ 5.89 crore) pertaining to short term leases and low value assets has been charged to Statement of Profit and Loss.

(C) Future lease cash outflow for all leased assets

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Not later than one year	116.97	105.78
Later than one year but not later than five years	253.77	259.20
Later than five years	46.00	67.97
	416.74	432.95

(D) Maturity analysis of lease liability

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Within 12 months	88.26	81.09
After 12 months	255.55	269.93

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

21 Provisions

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Provision for employee benefits		
Gratuity	93.05	50.71
Compensated absences*	19.46	18.38
Provident fund	5.10	-
Other long term service benefits	20.08	11.91
	137.69	81.00

* Include amounts payable for encashable leaves not permitted to be carried forward of ₹ 8.05 crore (Previous year ₹ 5.89 crore).

22 Other non-financial liabilities

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Statutory dues	384.58	311.82
Others	122.31	100.27
	506.89	412.09

23 Equity share capital

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Authorised		
750,000,000 (750,000,000) equity shares of ₹2 each	150.00	150.00
Issued		
602,587,339 (601,689,069) equity shares of ₹2 each	120.52	120.34
Subscribed and paid up		
602,587,339 (601,689,069) equity shares of ₹2 each fully called up and paid up	120.52	120.34
Less: 1,021,714 (1,742,578) equity shares of ₹2 each held in a trust for employees under ESOP Scheme [See footnote (e) below]	0.20	0.35
	120.32	119.99

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

23 Equity share capital (Contd.)

(a) Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	Nos.	₹ In Crore
As at 1 April 2019	577,968,388	115.59
Add: Issued during the year to Trust for employees pursuant to ESOP scheme	1,925,810	0.39
Add: Issued during the year to eligible Qualified Institutional Buyers#	21,794,871	4.36
	601,689,069	120.34
Less: equity shares held in trust for employees under ESOP scheme	1,742,578	0.35
As at 31 March 2020	**599,946,491**	**119.99**
As at 1 April 2020	601,689,069	120.34
Add: Issued during the year to Trust for employees pursuant to ESOP scheme	898,270	0.18
	602,587,339	120.52
Less: equity shares held in trust for employees under ESOP scheme	1,021,714	0.20
As at 31 March 2021	**601,565,625**	**120.32**

On 7 November 2019, the Parent Company through Qualified Institutions Placement (QIP) allotted 21,794,871 equity shares to the eligible Qualified Institutional Buyers (QIB) at a price of ₹ 3,900 per equity share of ₹ 2 face value (inclusive of premium of ₹ 3,898 per share) aggregating to approximately ₹ 8,500 crore. The issue was made in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018. Funds received in the QIP of equity shares have been utilised for the purpose mentioned in the objects of the issue in the offer documents.

On 14 September 2016, the Allotment Committee of the Board of Directors allotted 269,360,950 equity shares of face value of ₹ 2 each as bonus shares in the proportion of one bonus equity share for every one equity share of face value of ₹ 2 held as on the record date, by capitalising an amount of ₹ 538,721,900 from securities premium account. The bonus shares were listed on BSE Limited and National Stock Exchange of India Limited w.e.f. 19 September 2016. Other than this, Parent Company has not allotted any bonus shares in previous five years.

(b) Terms/rights/restrictions attached to equity shares

The Parent Company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The dividend recommended by the Board of Directors and approved by the shareholders in the Annual General Meeting is paid in Indian Rupees. In the event of liquidation of the Parent Company, the holders of equity shares will be entitled to receive remaining assets of the Parent Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by Holding Company (Face value ₹ 2 per share)

	As at 31 March 2021		As at 31 March 2020	
Particulars	Nos.	₹ In Crore	Nos.	₹ In Crore
Bajaj Finserv Ltd.*	317,816,130	63.56	317,816,130	63.56

* An associate of Bajaj Holdings and Investments Ltd.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

23 Equity share capital (Contd.)

(d) Details of shareholders holding more than 5% shares in the Company (Face value ₹2 per share)

Particulars	As at 31 March 2021		As at 31 March 2020	
	Nos.	% Holding	Nos.	% Holding
Bajaj Finserv Ltd.*	317,816,130	52.74%	317,816,130	52.82%

* An associate of Bajaj Holdings and Investments Ltd.

(e) Shares reserved for issue under Employee Stock Option Plan

Particulars	No. of Stock options/ Equity shares
a. Number of equity shares approved/reserved for issue under Employee Stock Option Plan, 2009 to employees of the Company drawn in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines,1999 (SEBI Guidelines) (i.e. 5% of the then subscribed and paid up share capital)	25,071,160
b. Options granted under the scheme up to 31 March 2021	27,980,466
c. Options cancelled up to 31 March 2021 and added back to pool for future grants	3,755,825
d. Options granted net of cancellation under the scheme up to 31 March 2021 (d=b-c)	24,224,641
e. Balance available under the scheme for future grants (e=a-d)	846,519
f. Equity shares allotted to BFL Employee Welfare Trust up to 31 March 2021	18,613,080
g. Stock options exercised up to 31 March 2021	17,591,366
h. Balance stock options available with BFL Employee Welfare trust on 31 March 2021 (h=f-g)	1,021,714

Consequent to the opinion expressed by the 'Expert Advisory Committee' of the Institute of Chartered Accountants of India on the applicability of clause 22A.1 of the SEBI Guidelines, the balance unexercised equity shares held by the trust at the close of the year have been reduced against the share capital as if the trust is administered by the Parent Company itself. The securities premium related to the unexercised equity shares held by the trust at the close of the year aggregating ₹ 869,605,787 (As at 31 March 2020 ₹ 670,428,124) has also been reduced from securities premium account and adjusted against the loan outstanding from the trust.

Dividends declared by the Parent Company do not accrete to unexercised options. Accordingly, any dividend received by the ESOP trust is remitted to the Parent Company and adjusted against the source from which dividend has been paid.

24 Other equity

(₹ In Crore)

Particulars	As at 31 March 2021	2020
(i) Securities premium		
Balance at the beginning of the year	16,908.47	8,333.49
Add: Received during the year		
On allotment of shares to Trust for employees pursuant to ESOP scheme	122.80	100.14
On allotment of shares to employees pursuant to ESOP scheme	34.14	24.26
On issue of shares under Qualified Institutional Buyers	-	8,495.64
Less: Share issue expenses as per section 52 of the Companies Act, 2013	-	45.06
	17,065.41	16,908.47
Less: Premium on equity shares held in trust for employees under the ESOP scheme	86.96	67.04
Balance at the end of the year	16,978.45	16,841.43

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

24 Other equity (Contd.)

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(ii) Retained earnings		
Balance at the beginning of the year	10,752.91	7,719.16
Profit for the year	4,419.82	5,263.75
Item of other comprehensive income recognised directly in retained earnings		
On defined benefit plan	(24.59)	(27.11)
	15,148.14	12,955.80
Appropriations :		
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934	(792.00)	(977.00)
Transfer to reserve fund in terms of section 29C of the NHB Act, 1987	(71.30)	(59.27)
Transfer to infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961	(42.00)	(25.00)
Dividend paid	-	(949.63)
Tax on dividend	-	(195.20)
Adjustment of dividend to ESOP Trust [refer note no. 23(e)]	-	3.21
Total appropriations	(905.30)	(2,202.89)
Balance at the end of the year	14,242.84	10,752.91
Other reserves		
(iii) Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		
Balance as at the beginning of the year	3,579.75	2,602.75
Add: Transferred during the year	792.00	977.00
Balance as at the end of the year	4,371.75	3,579.75
(iv) Reserve fund in terms of section 29C of the National Housing Bank Act,1987		
Balance as at the beginning of the year	78.32	19.05
Add: Transfer on cancellation of stock options	71.30	59.27
Balance as at the end of the year	149.62	78.32
(v) General reserve		
Balance as at the beginning of the year	787.82	786.64
Add: Transfer on cancellation of stock options	0.54	1.18
Balance as at the end of the year	788.36	787.82
(vi) Infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961		
Balance as at the beginning of the year	41.65	16.65
Add: transferred during the year	42.00	25.00
Balance as at the end of the year	83.65	41.65

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

24 Other equity (Contd.)

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(vii) Other comprehensive income		
Balance as at the beginning of the year	(87.41)	0.74
Addition/(reduction) during the year	(32.42)	(88.15)
Balance as at the end of the year	(119.83)	(87.41)
(viii) Share options outstanding account		
Balance as at the beginning of the year	213.17	137.85
Add: Share based payments to employees	124.76	100.76
Less: Transfer on allotment of shares to employees pursuant to ESOP scheme	34.14	24.26
Less: Transfer on cancellation of stock options	0.54	1.18
Balance as at the end of the year	303.25	213.17
Total other equity	36,798.09	32,207.64

25 Nature and purpose of other equity

(i) Securities premium

Securities premium is used to record the premium on issue of shares. It can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

(ii) Retained earnings

Retained earnings represents the surplus in profit and loss account and appropriations.

The Group recognises change on account of remeasurement of the net defined benefit liability (asset) as part of retained earnings with separate disclosure, which comprises of:

- actuarial gains and losses;
- return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) ; and
- any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

(iii) Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934

Reserve fund is created as per the terms of Section 45-IC(1) of the Reserve Bank of India Act, 1934 as a statutory reserve.

(iv) Reserve fund in terms of section 29C of the National Housing Bank Act,1987:

Reserve fund is created as per the terms of section 29C of the National Housing Bank Act,1987 as a statutory reserve.

(v) General reserve

Amounts set aside from retained profits as a reserve to be utilised for permissible general purpose as per Law.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

25 Nature and purpose of other equity (Contd.)

(vi) Infrastructure reserve created under section 36(1)(viii) of the Income Tax Act, 1961

Infrastructure reserve is created to avail the deduction as per the provisions of Section 36(1)(viii) of the Income Tax Act, 1961 on profits derived from the business of providing long-term finance for construction or purchase of houses in India for residential purposes and for development of infrastructure facility in India.

(vii) Other comprehensive income

On equity investments

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated in the FVOCI equity investments reserve. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

On debt investments

The Group recognises changes in the fair value of debt instruments held with a dual business objective of collect and sell in other comprehensive income. These changes are accumulated in the FVOCI debt investments reserve. The Group transfers amounts from this reserve to profit or loss when the debt instrument is sold. Any impairment loss on such instruments is reclassified immediately to the Statement of Profit and Loss.

On cash flow hedge reserve

It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

On loans

The Group recognises changes in the fair value of loans measured under FVOCI in other comprehensive income and impairment loss allowances are recognised in profit or loss. The table gives details of movement of fair value changes:

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Balance as at the beginning of the year	-	-
Fair value changes during the year*	200.62	62.97
Impairment loss allowances transferred to profit or loss	(200.62)	(62.97)
Balance as at the end of the year	-	-

* Refer note no 9 for changes in business model.

(viii) Share options outstanding account

Share options outstanding account is created as required by Ind AS 102 'Share Based Payments' on the Employee Stock Option Scheme operated by the Parent Company for employees of the Group

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

26 Interest income

(₹ In Crore)

Particulars	For the year ended 31 March 2021				For the year ended 31 March 2020			
	On financial assets measured at				On financial assets measured at			
	FVOCI*	Amortised cost*	FVTPL	Total	FVOCI*	Amortised cost*	FVTPL	Total
On loans	2,015.85	20,990.30	-	23,006.15	1,660.60	21,137.17	-	22,797.77
On investments	149.77	47.35	58.44	255.56	112.80	14.87	27.42	155.09
On others	-	41.67	-	41.67	-	17.53	-	17.53
	2,165.62	21,079.32	58.44	23,303.38	1,773.40	21,169.57	27.42	22,970.39

* As per effective interest rate (EIR), refer note no. 3.1(i).

27 Fees and commission income

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Service and administration charges	1,313.82	899.61
Fees on value added services and products	369.71	413.65
Foreclosure income	144.56	157.43
Distribution income	612.48	1,115.29
Brokerage income	11.82	4.94
	2,452.39	2,590.92

28 Net gain on fair value changes

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
(A) Net gain on financial instruments at fair value through profit or loss		
On trading portfolio:		
Realised gain on investments at FVTPL	528.39	486.12
Unrealised gain on investments at FVTPL	(21.47)	37.44
(B) Others		
Realised gain on sale of FVOCI debt instruments	84.30	13.93
	591.22	537.49

29 Sale of services

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Service fees for management of assigned portfolio of loans	157.53	124.27
	157.53	124.27

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

30 Other operating income

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Recoveries against financial assets	162.64	140.90
Net realisation on sale of written off loans	0.94	9.80
	163.58	150.70

31 Other income

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Interest on income tax refund	4.77	1.01
Net gain on foreign currency transactions and translation	-	0.08
Dividend income	-	0.64
Miscellaneous income	10.18	10.14
	14.95	11.87

32 Finance costs

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
On financial liabilities measured at amortised cost:		
On debt securities	3,503.25	3,906.48
On borrowings other than debt securities	3,766.33	3,669.24
On deposits	1,746.10	1,512.16
On subordinated debts	335.64	352.69
On lease liability	29.30	26.57
On others	33.38	6.07
	9,414.00	9,473.21

33 Fees and commission expense

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Commission and incentives	40.03	62.81
Recovery costs	1,150.81	959.39
Credit guarantee fees	50.43	29.70
Loan portfolio management service charges	5.21	4.47
	1,246.48	1,056.37

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

34 Impairment on financial instruments

(₹ In Crore)

Particulars	For the year ended 31 March 2021			For the year ended 31 March 2020		
	At amortised cost	At FVOCI	Total	At amortised cost	At FVOCI	Total
On loans	5,736.46	206.02	5,942.48	3,826.28	88.53	3,914.81
On others	26.10	-	26.10	14.67	-	14.67
	5,762.56	206.02	5,968.58	3,840.95	88.53	3,929.48

35 Employee benefits expenses

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Employees emoluments	2,165.77	2,289.78
Contribution to provident fund and other funds	120.51	113.60
Share based payment to employees	124.75	100.76
Staff welfare expenses	87.64	43.82
	2,498.67	2,547.96

36 Other expenses

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Insurance	5.25	3.15
Rent, taxes and energy cost	35.44	43.31
Director’s fees, commission and expenses	3.75	5.66
Communication expenses	80.72	124.05
Outsourcing/back office expenses	130.71	242.83
Travelling expenses	61.05	213.54
Information technology expenses	227.90	210.89
Bank charges	105.35	134.46
Net loss on disposal of property, plant and equipment	6.85	2.29
Auditor's fees and expenses*	0.82	1.10
Advertisement, branding and promotion	104.16	221.93
Expenditure towards Corporate Social Responsibility activities**	110.98	82.75
Repairs and maintenance	87.91	97.88
Printing and stationery	8.31	18.14
Legal and professional charges	17.92	24.95
Customer experience	79.17	96.30
Miscellaneous expenses+	171.50	238.64
	1,237.79	1,761.87

+ Includes donation of ₹ Nil (Previous year ₹ 20 crore) made to political parties through Electoral Bonds.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

36 Other expenses (Contd.)

* Payment to auditor (net of service tax/GST credit availed)#

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Audit fees	0.46	0.46
Tax audit fee	0.06	0.06
Limited review fees	0.10	0.10
In other capacity:		
Other services	0.20	0.43
Reimbursement of expenses	-	0.05
	0.82	1.10

Excludes fees of ₹ Nil (Previous year ₹ 0.49 crore) incurred during the year ended 31 March 2020 in respect of fund raised through qualified institutional placement, adjusted against securities premium.

** Corporate Social Responsibility expenditure

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
(a) Gross amount required to be spent by the Group during the year	110.46	82.48
(b) Amount spent in cash during the year on:		
(i) Construction/acquisition of any asset	-	-
(ii) On purpose other than (i) above	110.98	82.75
	110.98	82.75

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

37 Earnings per share (EPS)

In accordance with Ind AS 33 'Earnings per share', Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares of the Parent Company.

The following reflects the income and share data used in the basic and diluted EPS computations:

	For the year ended 31 March	
Particulars	**2021**	**2020**
(A) Net profit attributable to equity shareholders (₹ In Crore)	4,419.82	5,263.75
(B) Weighted average number of equity shares for basic earnings per share	600,670,592	586,346,942
Effect of dilution:		
Employee stock options	4,825,269	4,623,187
(C) Weighted average number of equity shares for diluted earnings per share	605,495,861	590,970,129
Earning per share (Basic) (₹) (A/B)	73.58	89.77
Earning per share (Diluted) (₹) (A/C)	73.00	89.07

38 Segment Information

The Parent Company and one of its subsidiary viz; BHFL operate in a single reportable segment i.e. financing, since the nature of the loans are exposed to similar risk and return profiles and hence are collectively operating under a single segment.

One of the subsidiary viz. Bfinsec has started operating in broking segment. Since, BFinsec does not satisfy the quantitative thresholds laid down under Ind AS 108 'Operating segments' for reportable segments, it has not been considered for segment reporting.

The Group operates in a single geographical segment i.e. domestic.

39 Transfer of financial assets that are derecognised in their entirety where the Group has continuing involvement

The Group has not transferred any assets that are derecognised in their entirety where the Group continues to have continuing involvement.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

40 Revenue from contracts with customers

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Type of services		
Service and administration charges	1,313.82	899.61
Fees on value added services and products	369.71	413.65
Foreclosure charges	144.56	157.43
Distribution income	612.48	1,115.29
Sale of services	157.53	124.27
Brokerage Income	11.82	4.94
	2,609.92	2,715.19
Geographical markets		
India	2,609.92	2,715.19
Outside India	-	-
	2,609.92	2,715.19
Timing of revenue recognition		
Services transferred at a point in time	2,609.92	2,715.19
Services transferred over time	-	-
	2,609.92	2,715.19

Contract balances

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Service asset	240.95	157.07
Fees, commission and other receivables	415.64	258.91
	656.59	415.98

- Impairment allowance recognised on contract balances is Nil (Previous year Nil)

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans

Defined benefit plans

(A) Gratuity

The gratuity plan is governed by the Payment of Gratuity Act, 1972. Under the Gratuity Act, an employee who has completed five years of service is entitled to specific benefits. The level of benefits provided depends on the member's length of service, managerial grade and salary at retirement age.

Movement in defined benefit obligations

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Defined benefit obligation as at the beginning of the year	166.55	108.08
Current service cost	35.07	22.43
Past service cost	(6.27)	-
Interest on defined benefit obligation	10.93	8.05
Remeasurements due to:		
Actuarial loss/(gain) arising from change in financial assumptions	(0.33)	13.18
Actuarial loss/(gain) arising from change in demographic assumptions	14.81	-
Actuarial loss/(gain) arising on account of experience changes	11.90	18.48
Benefits paid	(3.37)	(4.03)
Liabilities assumed/(settled)*	0.81	0.36
Defined benefit obligation as at the end of the year	230.10	166.55

* On account of business combination within the Group

Movement in plan assets

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Fair value of plan asset as at the beginning of the year	115.84	75.14
Employer contributions	16.61	37.62
Interest on plan assets	8.54	6.71
Remeasurements due to:		
Actual return on plan assets less interest on plan assets	(1.37)	0.13
Benefits paid	(3.37)	(4.03)
Assets acquired/(settled)*	0.81	0.27
Fair value of plan asset as at the end of the year	137.06	115.84

*On account of business combination within Group

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans (Contd.)

(A) Gratuity (Contd.)

Reconciliation of net liability/asset

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Net defined benefit liability as at the beginning of the year	50.72	32.97
Expense charged to Statement of Profit and Loss	31.19	23.76
Amount recognized in other comprehensive income	27.75	31.51
Employers contributions	(16.61)	(37.62)
Impact of liability assumed or (settled)	-	0.09
Net defined benefit liability as at the end of the year	93.05	50.71

Expenses charged to the Statement of Profit and Loss

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Current service cost	35.07	22.43
Past service cost	(6.27)	-
Interest cost	2.39	1.33
	31.19	23.76

Movement in asset ceiling

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Value of asset ceiling as at the beginning of the year	-	0.02
Remeasurements due to change in surplus/deficit	-	(0.02)
Value of asset ceiling as at the end of the year	-	-

Remeasurement losses in other comprehensive income

(₹ In Crore)

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Opening amount recognized in other comprehensive income	69.09	37.58
Changes in financial assumptions	(0.33)	13.18
Changes in demographic assumptions	14.81	-
Experience adjustments	11.90	18.48
Actual return on plan assets less interest on plan assets	1.37	(0.13)
Adjustment to recognize the effect of asset ceiling	-	(0.02)
Closing amount recognized outside profit or loss in other comprehensive income	96.84	69.09

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans (Contd.)

(A) Gratuity (Contd.)

Amount recognised in Balance Sheet

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Present value of funded defined benefit obligation	229.90	166.46
Fair value of plan assets	137.05	115.84
Net funded obligation	92.85	50.62
Present value of unfunded defined benefit obligation	0.20	0.09
Net defined benefit liability recognised in Balance Sheet	93.05	50.71

Key actuarial assumptions

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Discount rate (p.a.)	6.80%	6.80%
Salary escalation rate (p.a.)	11%	11%
Category of plan assets		
Insurer managed funds	100%	100%

Sensitivity analysis for significant assumptions

Particulars	As at 31 March 2021		As at 31 March 2020	
	Discount rate	Salary Escalation Rate	Discount rate	Salary Escalation Rate
Impact of increase in 50 bps on defined benefit obligation	(5.26%)	5.46%	(4.53%)	4.66%
Impact of decrease in 50 bps on defined benefit obligation	5.71%	(5.09%)	4.87%	(4.38%)

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans (Contd.)

(A) Gratuity (Contd.)

Projected plan cash flow

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Maturity Profile		
Expected benefits for year 1	12.40	11.39
Expected benefits for year 2	13.18	12.96
Expected benefits for year 3	14.43	13.19
Expected benefits for year 4	16.11	13.76
Expected benefits for year 5	15.93	14.17
Expected benefits for year 6	17.21	13.79
Expected benefits for year 7	16.27	14.61
Expected benefits for year 8	15.00	13.87
Expected benefits for year 9	22.60	13.13
Expected benefits for year 10 and above	421.05	238.32

Expected contribution to fund in the next year

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Expected contribution to fund in the next year	32.50	13.00

(B) Compensated absences

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Maturity profile		
Present value of unfunded obligations	11.37	11.54
Expense recognised in the Statement of Profit and Loss	3.19	7.44
Discount rate (p.a.)	6.80%	6.80%
Salary escalation rate (p.a.)	11%	11%

(C) Long term service benefit liability

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Present value of unfunded obligations	20.08	11.90
Expense recognised in the Statement of Profit and Loss	9.41	4.01
Discount rate (p.a.)	6.80%	6.80%

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans (Contd.)

(D) Provident fund

In case of certain employees, the Provident fund contribution is made to Bajaj Auto Ltd. Provident Fund Trust. In terms of the guidance note issued by the Institute of Actuaries of India, the actuary has provided a valuation of provident fund liability based on the assumptions listed below and determined that there is no shortfall as of 31 March 2021. The assumptions used in determining the present value of obligation of interest rate guarantee under deterministic approach are as set out below:

Movement in defined benefit obligations

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Defined benefit obligations as the beginning of the year	428.71	285.37
Current service cost	35.44	34.85
Interest on defined benefit obligation	30.83	24.04
Remeasurements due to:		
Actuarial loss arising from change in financial assumptions	5.10	-
Actuarial loss arising from change in demographic assumptions	-	-
Actuarial loss arising on account of experience changes	10.68	23.69
Employees contribution	83.64	75.59
Benefits paid	(21.63)	(15.94)
Liabilities assumed/(settled)*	3.93	1.11
Defined benefit obligation as at the end of the year	576.70	428.71

* On account of business combination within group

Movement in defined benefit plan

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Fair value of plan asset as at the beginning of the year	428.71	285.37
Interest on plan assets	30.83	24.04
Remeasurements due to:		
Actual return on plan assets less interest on plan assets	10.68	23.69
Employer contribution	35.44	34.85
Employees contribution	83.64	75.59
Benefits paid	(21.63)	(15.94)
Assets acquired/(settled)	3.93	1.11
Fair value of plan asset as at the end of the year	571.60	428.71

* On account of business combination within group.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans (Contd.)

(D) Provident fund (Contd.)

Reconciliation of net liability/asset

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Net defined benefit liability/(asset) as at the beginning of the year	-	-
Expense charged to Statement of Profit and Loss	35.44	34.85
Amount recognized in other comprehensive income	5.10	-
Employer contribution	(35.44)	(34.85)
Net defined benefit liability/(asset) as at the end of the year	5.10	-

Expenses charged to the Statement of Profit and Loss

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Current service cost	35.44	34.85
	35.44	34.85

Remeasurement gains/(losses) in other comprehensive income

(₹ In Crore)

Particulars	For the year ended 31 March 2021	2020
Opening amount recognized in OCI	-	-
Changes in financial assumptions	5.10	-
Experience adjustments	10.68	23.69
Actual return on plan assets less interest on plan assets	(10.68)	(23.69)
Closing amount recognized in OCI	5.10	-

Amount recognised in Balance Sheet

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Present value of funded defined benefit obligation	576.70	428.71
Fair value of plan assets	571.60	428.71
Net funded obligation	5.10	-
Net defined benefit liability/(asset) recognised in Balance Sheet	5.10	-

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

41 Employee benefit plans (Contd.)

(D) Provident fund (Contd.)

Key actuarial assumptions

Particulars	As at 31 March 2021	2020
Discount rate (p.a.)	6.80%	6.80%
Future derived return on assets (p.a.)	8.67%	8.54%
Discount rate for the remaining term to maturity of the investment (p.a.)	6.25%	6.45%
Average historical yield on the investment portfolio (p.a.)	8.12%	8.19%
Guaranteed rate of return (p.a.)	8.00%	8.50%

Category of plan assets

(₹ In Crore)

Particulars	As at 31 March 2021	2020
Government debt securities	299.48	229.22
Other debt instruments	206.39	162.83
Others	65.73	36.66
	571.60	428.71

Sensitivity analysis for significant assumption

The following table summarizes the impact in absolute terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the difference between the rate earned and the guaranteed rate.

Particulars	As at 31 March 2021		As at 31 March 2020	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation	1.77%	(0.88%)	2.25%	-

The Indian Parliament has approved the Code on Social Security, 2020 which subsumes the Provident Fund and the Gratuity Act and rules there under. The Ministry of Labour and Employment has also released draft rules thereunder on 13 November 2020, and has invited suggestions from stakeholders which are under active consideration by the Ministry. The Group will evaluate the rules, assess the impact, if any, and account for the same once the rules are notified and become effective.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

42 Contingent liabilities and commitments

(a) Contingent liabilities not provided for in respect of

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Disputed claims against the Group not acknowledged as debts	53.83	44.97
VAT matters under appeal	4.29	4.39
ESI matters under appeal	5.14	5.14
GST/Service tax matters under appeal		
On interest subsidy	1,905.44	1,971.65
On penal interest/charges	237.25	223.15
On others	6.42	6.22
Income tax matters		
Appeals by the Company	-	0.32
Appeals by the Income tax department	0.28	0.24

(i) The Group is of the opinion that the above demands are not tenable and expects to succeed in its appeals/defense.

(ii) The Commissioner, Service Tax Commissionerate, Pune, through an order dated 31 March 2017, has confirmed the demand of service tax of ₹644.65 crore and penalties of ₹198.95 crore from the Parent Company in relation to the interest subsidy the Parent Company received from manufacturers and dealers during the period 1 April 2010 to 30 September 2016. The Commissioner has also demanded payment of interest on the service tax amount confirmed until the date the Parent Company pays the service tax demanded, which as at 31 March 2021 amounted to ₹ 690.56 crore. In accordance with legal advice, the Parent Company filed an appeal on 6 July 2017 with the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai disputing the demands. The Parent Company, in line with the opinion obtained from a senior legal counsel, is of view that the said demands are not tenable.

In addition, the Principal Commissioner, Central GST and Central Excise, Commissionerate Pune -I, through order dated 3 February 2021, has confirmed the demand of service tax of ₹ 217.22 crore and penalty thereon of ₹ 21.72 crore from the Parent Company in relation to the interest subsidy received from manufacturers and dealers during the period 1 October 2016 to 30 June 2017. The Principal Commissioner has also demanded payment of interest on the service tax amount confirmed until the date the Parent Company pays the service tax demanded, which as at 31 March 2021 amounted to ₹ 132.34 crore. In accordance with legal advice, the Parent Company is in process to file an appeal with the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai against the said demand. The Parent Company, in line with the opinion obtained from a senior legal counsel, is of view that the said demands are not tenable.

(iii) The Commissioner, Central Excise and CGST, Pune -I Commissionerate, through an order dated 7 September 2018, has confirmed the demand of service tax of ₹ 53.87 crore and penalties of ₹ 53.87 crore from the Parent Company in relation to the penal interest/charges the Parent Company received from the customers during the period 1 July 2012 to 31 March 2016. In addition, the Commissioner has demanded payment of interest on the service tax amount confirmed until the date the Parent Company pays the service tax demanded, which as at 31 March 2021 amounted to ₹ 59.54 crore. In accordance with legal advice, the Parent Company filed an appeal on 26 December 2018 with the Customs, Excise and Service Tax Appellate Tribunal, Mumbai disputing the demands. The Parent Company, in line with the opinion obtained from a legal counsel, is of view that the said demands are not tenable.

In addition, the Principal Commissioner, Central GST and Central Excise, Pune -I Commissionerate, through an order dated 30 December 2019, has confirmed the demand of service tax of ₹ 40.22 crore and penalty thereon of

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

42 Contingent liabilities and commitments (Contd.)

₹ 4.02 crore on penal interest/charges received by the Parent Company from the customers during the period 1 April 2016 to 30 June 2017. The Principal Commissioner has also demanded payment of interest on the service tax amount demanded, until the date the Parent Company pays the demand, which as at 31 March 2021, amounted to ₹ 25.74 crore. In accordance with legal advice, the Parent Company filed an appeal on 28 August 2020 with the Customs, Excise and Service Tax Appellate Tribunal, Mumbai disputing the demands. The Parent Company, in line with the opinion obtained from a legal counsel, is of view that the said demands are not tenable.

(iv) It is not practicable for the Parent Company to estimate the timings of the cash flows, if any, in respect of the above pending resolution of the respective proceedings.

(b) Capital and other commitments

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
(i) Capital commitments [Estimated amount of contracts remaining to be executed on capital account not provided for (net of advances)]	37.72	37.52
(ii) Other commitments - towards partially disbursed/un-encashed loans	2,988.45	3,110.05
	3,026.17	3,147.57

43 Changes in liabilities arising from financing activities

(a) Changes in capital and asset structure arising from financing activities

The Group does not have any financing activities which affect the capital and asset structure of the Group without the use of cash and cash equivalents.

(b) Changes in liability arising from financing activities

(₹ In Crore)

Particulars	As at 1 April 2020	Cash flows	Exchange difference	Other	As at 31 March 2021
Debt securities	49,537.36	4,937.14	-	27.64	54,502.14
Borrowing (other than Debt Securities)	54,700.17	(7,142.32)	(155.26)	38.61	47,441.20
Deposits	21,427.15	4,246.41	-	129.87	25,803.43
Subordinated debts	4,141.75	(228.72)	-	(14.42)	3,898.61
	129,806.43	1,812.51	(155.26)	181.70	131,645.38

(₹ In Crore)

Particulars	As at 1 April 2019	Cash flows	Exchange difference	Other	As at 31 March 2020
Debt securities	46,681.33	1,956.39	-	899.64	49,537.36
Borrowing (other than debt securities)	37,574.44	16,906.34	247.44	(28.05)	54,700.17
Deposits	13,193.01	7,987.91	-	246.23	21,427.15
Subordinated debts	4,139.07	-	-	2.68	4,141.75
	101,587.85	26,850.64	247.44	1,120.50	129,806.43

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2021 Transaction value	2021 Outstanding amounts carried in Balance Sheet	2020 Transaction value	2020 Outstanding amounts carried in Balance Sheet
(A) Holding Company, subsidiaries and fellow subsidiaries					
1. Bajaj Finserv Ltd. (Holding company)	Contribution to equity (317,816,130 shares of ₹ 2 each)	-	(63.56)	-	(63.56)
	Dividend paid	-	-	508.51	-
	Business support charges paid	28.95	-	21.16	-
	Business support charges received	1.68	-	1.10	-
	Secured non-convertible debentures issued	-	(705.88)	-	(965.69)
	Secured non-convertible debentures redemption	560.00	-	141.00	-
	Interest paid on non-convertible debentures	74.27	-	57.73	-
	Asset sale	0.23	-	-	-
	Asset purchase	-	-	0.16	-
	License fee paid (transaction value ₹ 10,110)		-	-	-
2. Bajaj Allianz Life Insurance Company Ltd. (Fellow subsidiary)	Contribution to equity (200,000 shares of ₹ 2 each)	-	(0.04)	-	(0.04)
	Dividend paid	-	-	0.32	-
	Security deposit for property	0.93	1.53	-	0.60
	Insurance expenses	11.71	3.91	2.63	3.50
	Insurance premium adjusted (including cancellation receipts)	30.91	1.32	302.29	0.46
	Commission income	10.61	(0.07)	18.20	1.52
	Secured non-convertible debentures issued	-	(206.52)	-	(228.90)
	Unsecured non-convertible debentures issued	-	(1,874.13)	-	(1,219.30)
	Secured non-convertible debentures redemption	20.00	-	-	-
	Unsecured non-convertible debentures redemption	1.80	-	-	-
	Interest paid on non-convertible debentures	120.23	-	65.64	-
	Business support charges received	0.01	0.07	-	0.05
	Business support charges paid	0.23	-	-	-
	Lease liability recognised at inception	4.56	(4.79)	1.71	(1.05)
	Payment toward lease obligation	0.90	-	0.66	-
	Interest expenses on lease obligation	0.08	-	0.11	-
	Maintenance expense	0.23	-	0.33	(0.20)
	Claim receipts on behalf of customers	168.86	0.48	100.80	-
	Asset purchase (transaction value ₹ 11,384)		-	-	-
	Other payment	0.02	-	-	-
	Loan insurance expenses	14.34	-	-	-
3. Bajaj Allianz General Insurance Company Ltd. (Fellow subsidiary)	Insurance expenses	33.44	4.32	14.05	4.17
	Advance for employee insurance	-	32.24	-	-
	Insurance premium adjusted (including cancellation receipts)	42.89	(1.84)	620.75	(0.12)
	Commission income	8.33	0.91	89.08	0.95
	Secured non-convertible debentures issued	-	(946.87)	-	(846.39)
	Unsecured non-convertible debentures issued	-	(42.01)	-	(42.00)
	Interest paid on non-convertible debentures	68.51	-	22.56	-
	Business support charges received	3.92	-	1.91	-
	Interest subsidy received	2.89	-	4.87	-
	Claim receipts for assets	0.75	-	0.49	-

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

		2021		2020	
Name of the related party and nature of relationship	Nature of transaction	Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
4. Bajaj Finserv Direct Ltd. (Fellow subsidiary)	Business support charges paid	29.41	(2.68)	44.30	(0.75)
	Business support charges received	1.17	0.11	-	-
	Sourcing commission paid	36.51	(6.40)	57.51	(3.03)
	Asset sale	0.18	0.14	0.22	0.06
	Asset purchase	12.44	(13.52)	0.11	-
	Interest subsidy received	0.07	-	0.30	0.03
	Platform usage charges	11.97	(13.23)	-	-
	Other receipts	0.07	-	0.13	-
	Other payments	0.02	-	3.24	-
5. Bajaj Finserv Health Ltd. (Fellow subsidiary)	Business support charges received	0.14	-	0.11	-
	Business support charges paid	0.46	(0.31)	-	-
	Interest subsidy received	0.25	-	0.03	-
	Asset sale	0.02	0.02	0.02	-
	Marketing fee	7.88	7.68	-	-
	Other receipts	-	-	0.04	0.01
(B) Key management personnel (KMP) and their relatives					
1. Rahul Bajaj (Director) (Chairman till 31 July 2020)	Sitting fees	0.06	-	0.09	-
	Commission	0.12	(0.11)	0.18	(0.16)
2. Nanoo Pamnani (Vice Chairman till 22 Feb 2020)	Sitting fees	-	-	0.20	-
	Commission	-	-	2.08	(2.05)
3. Sanjiv Bajaj (Chairman) (Vice Chairman till 31 July 2020) (Chairman w.e.f. 1 August 2020)	Sitting fees	0.25	-	0.22	-
	Commission	0.36	(0.33)	0.32	(0.29)
4. Rajeev Jain (Managing Director)	Remuneration (including perquisite)	9.72	(1.50)	11.43	-
	Equity shares issued pursuant to stock option scheme	8.11	-	1.65	-
	Fair value of stock options granted	15.56	-	13.05	-
	Brokerage and Service charges received	0.09	-	0.03	-
	Demat Charges (transaction value ₹ 2,788)		-	-	-
5. Rajeev Jain HUF	Brokerage (transaction value ₹ 19,517)		-	-	-
	Demat Charges (transaction value ₹ 993)		-	-	-
6. Madhur Bajaj (Director)	Sitting fees	0.06	-	0.04	-
	Commission	0.12	(0.11)	0.08	(0.07)
7. Rajiv Bajaj (Director)	Sitting fees	0.06	-	0.05	-
	Commission	0.12	(0.11)	0.10	(0.09)
8. Dipak Poddar (Director)	Sitting fees	0.10	-	0.03	-
	Commission	0.20	(0.19)	0.06	(0.05)
9. Ranjan Sanghi (Director)	Sitting fees	0.14	-	0.14	-
	Commission	0.28	(0.26)	0.28	(0.25)
10. D J Balaji Rao (Director)	Sitting fees	0.06	-	0.07	-
	Commission	0.12	(0.11)	0.14	(0.13)
11. Dr. Omkar Goswami (Director)	Sitting fees	0.21	-	0.12	-
	Commission	0.34	(0.31)	0.24	(0.22)

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2021 Transaction value	2021 Outstanding amounts carried in Balance Sheet	2020 Transaction value	2020 Outstanding amounts carried in Balance Sheet
12. Dr. Gita Piramal (Director)	Sitting fees	0.07	-	0.09	-
	Commission	0.14	(0.13)	0.18	(0.16)
13. Anami N Roy (Director)	Sitting fees	0.11	-	0.07	-
	Commission	0.16	(0.15)	0.14	(0.13)
14. Dr. Naushad Forbes (Director)	Sitting fees	0.10	-	0.08	-
	Commission	0.20	(0.19)	0.16	(0.14)
15. Radhika Singh (Spouse of Dr. Omkar Goswami, director of the Parent Company)	Fixed deposit accepted	-	(2.00)	2.00	(2.00)
	Fixed deposit interest accrued	0.16	-	0.01	(0.01)
	Fixed deposit interest paid	0.15	-	-	-
16. Shekher Bajaj	Nil	-	-	-	-
17. Niraj Bajaj	Nil	-	-	-	-
(C) Entities in which KMP and their relatives have significant influence					
1. Bajaj Auto Ltd.	Investment in equity shares (₹ 7,685, previous year ₹ 7,685)	-		-	
	Dividend received (transaction value Previous year ₹ 27,000)	-	-		-
	Security deposit	-	0.23	-	0.23
	Interest subsidy received	1.72	-	0.36	0.04
	Business support charges paid	20.32	(0.88)	26.77	-
	Lease liability recognised at inception	-	(0.67)	2.97	(1.91)
	Payment toward lease obligation	1.29	-	1.06	-
	Interest expenses on lease obligation	0.10	-	0.20	-
	Business support charges received	0.23	0.02	0.23	-
	Fixed deposit accepted	-	(100.00)	500.00	(500.00)
	Fixed deposit repaid	400.00	-		
	Fixed deposit interest accrued	8.00	(10.23)	15.50	(15.50)
2. Bajaj Holdings & Investments Ltd.	Investment in equity shares (outstanding ₹ 19,646, previous year ₹ 19,646)	-		-	
	Dividend received (transaction value Previous year ₹ 5,438)	-	-		-
	Secured non-convertible debentures issued	-	(311.43)	-	(311.87)
	Interest paid on non-convertible debentures	23.39	-	-	-
	Business support charges paid	15.71	-	15.78	-
	Business support charges received	0.36	-	0.51	-
	Other payments (transaction value Previous year ₹ 4,309)	-	-		-
3. Mukand Ltd.	Loan given	-	-	25.00	25.14
	Loan repayment received	25.14	-	24.37	-
	Interest income	1.33	-	4.16	-
4. Hind Musafir Agency Ltd.	Services received	2.46	0.03	50.95	0.33
5. Bajaj Electricals Ltd	Asset purchase	0.64	(0.12)	0.45	0.08
	Interest subsidy received (Previous year outstanding ₹ 43,935)	0.02	0.02	0.03	
	Other expenses	0.03	-	-	-

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2021 Transaction value	2021 Outstanding amounts carried in Balance Sheet	2020 Transaction value	2020 Outstanding amounts carried in Balance Sheet
6. Jamnalal Sons Pvt. Ltd.	Contribution to equity (127,640 shares of ₹ 2 each)	-	(0.03)	-	(0.03)
	Dividend paid (transaction value Previous year ₹ 15,040)	-	-		-
	Security deposit	-	0.19	-	0.19
	Lease liability recognised at inception	-	(0.58)	1.31	(0.97)
	Payment toward lease obligation	0.46	-	0.34	-
	Interest expenses on lease obligation	0.07	-	0.10	-
	Other expenses	0.03	(0.01)	0.06	-
7. Maharashtra Scooters Ltd.	Contribution to equity (18,974,660 shares of ₹ 2 each)	-	(3.79)	-	(3.79)
	Dividend paid	-	-	30.36	-
	Business support charges received	0.16	-	0.14	-
	Secured non-convertible debentures issued	-	(191.95)	-	(95.56)
	Secured non-convertible debentures redemption	5.00	-	-	-
	Interest paid on non-convertible debentures	7.51	-	11.11	-
8. Hercules Hoists Ltd.	Fixed deposit accepted	-	(6.50)	6.50	(6.50)
	Fixed deposit interest accrued	0.54	(0.58)	0.09	(0.09)
9. Bachhraj Factories Private Ltd.	Contribution to equity (72,000 shares of ₹ 2 each)	-	(0.01)	-	(0.01)
10. Baroda Industries Private Ltd.	Contribution to equity (117,600 shares of ₹ 2 each)	-	(0.02)	-	(0.02)
11. Suraj Sanghi Finance Ltd.	Contribution to equity (200 shares of ₹ 2 each, Previous year 500 shares of ₹ 2 each)	-		-	
12. Centre for Technology Innovation and Economic Research	Corporate social responsibility expenses	0.20	-	-	-
13. Poddar Housing And Development Ltd.	Loan given	-	13.00	-	-
	Interest Income	1.71	0.02	-	-
(D) Post Employment Benefit Entity					
1. Bajaj Auto Limited Provident Fund	Unsecured non-convertible debentures issued	-	(48.24)	-	(54.61)
	Unsecured non-convertible debentures redemption	6.00	-	-	-
	Interest paid on non-convertible debentures	4.92	-	4.91	-
	Provident fund contribution (Employer's share)	35.45	(10.99)	34.52	(10.29)
2. Bajaj Auto Employees Superannuation Fund	Superannuation contribution	0.42	-	0.49	-
3. Bajaj Auto Employees Group Gratuity Fund	Gratuity contribution	14.65	-	13.00	-
4. Bajaj Auto Senior Staff Group Gratuity Fund	Gratuity contribution	2.50	-	25.00	-

Notes

- Transaction values are excluding taxes and duties.
- Amount in bracket denotes credit balance.
- Name of the related party and nature of the related party relationship where control exists have been disclosed irrespective of whether or not there have been transactions between the related parties. In other cases, disclosure has been made only when there have been transactions with those parties.
- Related parties as defined under clause 9 of the Ind AS 24 'Related Party Disclosures' have been identified based on representations made by key managerial personnel and information available with the Company. All above transactions are in the ordinary course of business and on arms' length basis. All outstanding balances are to be settled in cash and are unsecured except secured non-convertible debentures issued to related parties which are disclosed appropriately.
- Provisions for gratuity, compensated absences and other long term service benefits are made for the Group as a whole and the amounts pertaining to the key management personnel are not specifically identified and hence are not included above.
- NCD transaction includes only issuance from primary market, and outstanding balance of NCDs held by related parties as on reporting date.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

45 Capital

The Group actively manages its capital base to cover risks inherent to its business and meets the capital adequacy requirement of RBI and NHB. The adequacy of the Group's capital is monitored using, among other measures, the regulations issued by RBI and NHB.

(i) Capital management

Objective

The Group's objective is to maintain appropriate levels of capital to support its business strategy taking into account the regulatory, economic and commercial environment. The Group aims to maintain a strong capital base to support the risks inherent to its business and growth strategies. The Group endeavours to maintain a higher capital base than the mandated regulatory capital at all times.

Planning

The Group's assessment of capital requirement is aligned to its planned growth which forms part of an annual operating plan which is approved by the Board and also a long range strategy. These growth plans are aligned to assessment of risks- which include credit, liquidity and market.

The Group monitors its capital to risk-weighted asset ratio (CRAR) on a monthly basis through its assets liability management committee (ALCO).

The Group endeavours to maintain its CRAR higher than the mandated regulatory norm. Accordingly, increase in capital is planned well in advance to ensure adequate funding for its growth.

The Parent Company's dividend distribution policy states that subject to profits & other financial parameters as per applicable legal provisions, the Board shall endeavour to maintain a dividend payout in the range of 15% to 25% of profits after tax on standalone basis, to the extent possible.

The Parent Company is also the provider of equity capital to its wholly owned subsidiaries and also provides them with non-equity capital where necessary. These investments are funded by the Parent Company through its equity share capital and other equity which inter alia includes retained profits.

(ii) Regulatory capital

Bajaj Finance Ltd.

(₹ In Crore)

	As at 31 March	
Particulars	**2021**	**2020**
Tier I capital	32,838.50	28,697.72
Tier II capital	4,179.83	5,043.43
Total capital (Tier I + Tier II)	37,018.33	33,741.15
Risk weighted assets	130,767.51	134,916.74
Tier I CRAR	25.11%	21.27%
Tier II CRAR	3.20%	3.74%
CRAR (Tier I + Tier II)	28.31%	25.01%

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

45 Capital (Contd.)

Bajaj Housing Finance Ltd.

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Tier I capital	5,820.36	5,495.58
Tier II capital	178.68	151.25
Total capital (Tier I + Tier II)	5,999.04	5,646.83
Risk weighted assets	28,119.67	22,450.98
Tier I CRAR	20.70%	24.48%
Tier II CRAR	0.63%	0.67%
CRAR (Tier I + Tier II)	21.33%	25.15%

(iii) Dividend distributions made and proposed

Subsidiaries have not paid any dividend so far and have not recommended any dividend for financial year ended 31 March 2021 as well.

Dividends on equity shares paid and proposed by Bajaj finance Ltd. during the year

(₹ In Crore)

Particulars	FY2021	FY2020
Dividend paid including dividend distribution tax out of profits of previous year*	-	419.46
Profit for the relevant year	4,881.12	3,890.34
Dividend as a percentage of profit for the relevant year	-	10.78%

* includes amount paid ₹ Nil (Previous year ₹ 3.21 crore) on unexercised option to Trust which do not accrete to it.

Interim Dividend on equity shares declared and paid during the year

(₹ In Crore)

Particulars	FY2021	FY2020
Interim dividend including dividend distribution tax	-	725.37
Profit for the year	3,955.51	4,881.12
Interim Dividend as a percentage of profit for the relevant year	-	14.86%

Proposed for approval at the annual general meeting (not recognised as a liability as on 31 March 2021)

Particulars	FY2021
Dividend on equity share at ₹ 10 per share (a)	602.59
Profit after tax for the year ended 31 March 2021 (b)	3,955.51
Dividend proposed as a percentage of profit after tax (a/b)	15.23%

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Events after reporting date

There have been no events after the reporting date that require adjustment/disclosure in these financial statements.

47 Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques.

This note describes the fair value measurement of both financial and non-financial instruments.

Valuation framework

The Group has an internal fair value assessment team which assesses the fair values of assets qualifying for fair valuation.

The Company's valuation framework includes:

- Benchmarking prices against observable market prices or other independent sources;
- Development and validation of fair valuation models using model logic, inputs, outputs and adjustments;
- Use of fair values as determined by the derivative counter parties.

These valuation models are subject to a process of due diligence and validation before they become operational and are continuously calibrated. These models are subject to approvals by various functions including risk, treasury and finance functions. Finance function is responsible for establishing procedures, governing valuation and ensuring fair values are in compliance with accounting standards.

Valuation methodologies adopted

Fair values of financial assets, other than those which are subsequently measured at amortised cost, have been arrived at as under:

- Fair values of investments held for trading under FVTPL have been determined under level 1 (refer note no. 48) using quoted market prices of the underlying instruments;
- Fair values of investments in unquoted equity instruments designated under FVOCI have been measured under level 3 (refer note no. 48) at fair value based on a discounted cash flow model.
- Fair values of investment in quoted equity and other instruments designated under FVOCI have been determined under level 1 using quoted market prices of the underlying instruments;
- Fair value of loans held under a business model that is achieved by both collecting contractual cash flows and partially selling the loans through partial assignment to willing buyers and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are designated under FVOCI. The fair value of these loans have been determined under level 3. Consequent to change in business model, the Parent Company did not have any loans designated under FVOCI for year ended 31 March 2020(refer note no. 9).
- Cross currency interest rate swap (CCIRS) held for the purpose of hedging foreign currency denominated External Commercial Borrowings are accounted as cash flow hedge. CCIRS is being considered under Level 2 for fair valuation which is performed through discounted cash flow method by deriving future forward rates from published zero coupon yield curve. All future cashflows for both the paying and receiving legs in the swap contract are discounted to present value using these forward rates and accordingly arrived at the valuation for a point of time.

The Group has determined that the carrying values of cash and cash equivalents, bank balances, trade receivables, short term loans, floating rate loans, trade payables, short term debts, borrowings, bank overdrafts and other current liabilities are a reasonable approximation of their fair value and hence their carrying values are deemed to be fair values.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

48 Fair value hierarchy hierarchy

The Group determines fair values of its financial instruments according to the following hierarchy:

Level 1 - valuation based on quoted market price: financial instruments with quoted prices for identical instruments in active markets that the Group can access at the measurement date.

Level 2 - valuation using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3 - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

Quantitative disclosures of fair value measurement hierarchy for financial instruments measured at fair value as at 31 March 2021

(₹ In Crore)

Particulars	Date of valuation	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investments held for trading under FVTPL	31-Mar-21	13,291.70	-	-	13,291.70
Equity instrument designated under FVOCI (Unquoted)	31-Mar-21	-	-	281.21	281.21
Equity instrument designated under FVOCI (Quoted)	31-Mar-21	150.00			150.00
Other investments designated under FVOCI	31-Mar-21	3,717.63	-	-	3,717.63
Loans designated under FVOCI	31-Mar-21	-	25,178.92	-	25,178.92
Derivative financial instrument	31-Mar-21	-	(137.87)	-	(137.87)
		17,159.33	25,041.05	281.21	42,481.59

Quantitative disclosures of fair value measurement hierarchy for financial instruments measured at fair value as at 31 March 2020

(₹ In Crore)

Particulars	Date of valuation	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investments held for trading under FVTPL	31-Mar-20	14,438.75	-	-	14,438.75
Equity instrument designated under FVOCI (Unquoted)	31-Mar-20	-	-	262.32	262.32
Equity instrument designated under FVOCI (Quoted)	31-Mar-20	150.00	-	-	150.00
Other investments designated under FVOCI	31-Mar-20	2,764.60	-	-	2,764.60
Loans designated under FVOCI	31-Mar-20	-	21,659.53	-	21,659.53
Derivative financial instrument	31-Mar-20	-	171.76	-	171.76
		17,353.35	21,831.29	262.32	39,446.96

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

48 Fair value hierarchy (Contd.)

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial assets:

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Opening balance	262.32	225.00
Acquisitions during the year	18.89	37.32
Disposals during the year	-	-
Fair value gains/losses recognised in profit or loss	-	-
Gains/(losses) recognised in other comprehensive income	-	-
Closing balance	281.21	262.32

Sensitivity analysis of significant unobservable input on the fair value of equity instrument classified under FVOCI

(₹ In Crore)

Particulars	Sensitivity to fair value as at 31 March 2021	
	1 % increase	1 % decrease
Discounting rate	(8.24)	8.81
Cash flows	6.79	(6.42)

(₹ In Crore)

Particulars	Sensitivity to fair value as at 31 March 2020	
	1 % increase	1 % decrease
Discounting rate	(6.44)	8.43
Cash flows	9.29	(7.36)

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

48 Fair value hierarchy (Contd.)

Fair value of financial instruments measured at amortised as at 31 March 2021

(₹ In Crore)

		Fair value measurement using			
Particulars	**Carrying value**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)***	**Significant unobservable inputs (Level 3)***	**Total**
Financial assets					
Cash and cash equivalents	1,861.17	1,861.17	-	-	1,861.17
Bank balances other than cash and cash equivalents	315.01	315.01	-	-	315.01
Trade receivables	1,107.24	-	-	1,107.24	1,107.24
Loans	121,507.95	-	-	121,843.34	121,843.34
Investments	1,017.60	-	-	1,017.60	1,017.60
Other financial assets	537.18	-	-	537.18	537.18
	126,346.15	2,176.18	-	124,505.36	126,681.54
Financial liabilities					
Trade payables	894.86	-	-	894.86	894.86
Other payables	213.82	-	-	213.82	213.82
Debt securities	54,502.14	-	56,382.22	-	56,382.22
Borrowings (other than debt securities)	47,441.20	-	-	47,441.20	47,441.20
Deposits	25,803.43	-	26,061.56	-	26,061.56
Subordinated debts	3,898.61	-	4,263.08	-	4,263.08
Other financial liabilities	891.78	-	-	891.78	891.78
	133,645.84	-	86,706.86	49,441.66	136,148.52

* fair value computed using discounted cash flow method

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

48 Fair value hierarchy (Contd.)

Fair value of financial instruments not measured at fair value as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)*	Significant unobservable inputs (Level 3)*	Total
Financial assets					
Cash and cash equivalents	1,344.52	1,344.52	-	-	1,344.52
Bank balances other than cash and cash equivalents	38.20	38.20	-	-	38.20
Trade receivables	952.56	-	-	952.56	952.56
Loans	119,716.52	-	-	120,510.83	120,510.83
Investments	20.32	-	-	20.46	20.46
Other financial assets	470.08	-	-	470.08	470.08
	122,542.20	1,382.72	-	121,953.93	123,336.65
Financial liabilities					
Trade payables	761.97	-	-	761.97	761.97
Other payables	197.84	-	-	197.84	197.84
Debt Securities	49,537.36	-	50,258.28	-	50,258.28
Borrowings (other than debt securities)	54,700.17	-	-	54,700.17	54,700.17
Deposits	21,427.15	-	21,502.08	-	21,502.08
Subordinated debts	4,141.75	-	4,350.78	-	4,350.78
Other financial liabilities	745.00	-	-	745.00	745.00
	131,511.24	-	76,111.14	56,404.98	132,516.12

* fair value computed using discounted cash flow method

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies

A summary of the major risks faced by the Group, its measurement, monitoring and management are described as under:

Nature of risk	Arising from	Executive governance structure	Measurement, monitoring and management of risk
Liquidity and funding risk	Liquidity risk arises from mismatches in the timing of cash flows. Funding risk arises from: • inability to raise incremental borrowings and deposits to fund business requirement or repayment obligations • when long term assets cannot be funded at the expected term resulting in cashflow mismatches; • Amidst volatile market conditions impacting sourcing of funds from banks and money markets	Board appointed Risk Management Committee (RMC) and Asset Liability Committee (ALCO)	Liquidity and funding risk is: • measured by - identification of gaps in the structural and dynamic liquidity statements. - assessment of incremental borrowings required for meeting the repayment obligation as well as the Group's business plan in line with prevailing market conditions. - liquidity coverage ratio (LCR) in accordance with guidelines issued by RBI. • monitored by - assessment of the gap between visibility of funds and the near term liabilities given current liquidity conditions and evolving regulatory directions for NBFCs. - a constant calibration of sources of funds in line with emerging market conditions in banking and money markets - periodic reviews by ALCO relating to the liquidity position, LCR and stress tests assuming varied 'what if' scenarios and comparing probable gaps with the liquidity buffers maintained by the Group. • managed by the Group's treasury team under Liquidity Risk Management Framework through various means like liquidity buffers, sourcing of long term funds, positive asset liability mismatch, keeping strong pipeline of sanctions and approvals from banks and assignment of loans under the guidance of ALCO and Board.
Market risk	Market risk arises from fluctuation in the fair value of future cash flow of financial instruments due to changes in the market variables such as interest rates, foreign exchange rates and equity prices.	Board appointed RMC and ALCO	Market risk is: • measurement of market risks encompasses exposure to Equity investments, foreign exchange rates which would impact our external commercial borrowings and Interest rate risks on investment portfolios as well as the floating rate assets and liabilities with differing maturities is measured using changes in equity prices, and sensitivities like movements in foreign exchange and using Valuation at Risk ('VaR'), basis point value (PV01), modified duration analysis and other measures to determine movements in our portfolios and impact on our income, including the sensitivity of net interest income; • monitored by assessments of fluctuation in the equity price, unhedged foreign exchange exposures, if any, movements of interest rate sensitivities under simulated stress test scenarios given range of probable interest rate movements on both fixed and floating assets and liabilities; and • managed by the Group's treasury team under the guidance of ALCO and Investment Committee .

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

Nature of risk	Arising from	Executive governance structure	Measurement, monitoring and management of risk
Credit risk	Credit risk is the risk of financial loss arising out of a customer or counterparty failing to meet their repayment obligations to the Group	Board appointed RMC and Chief Risk Officer (CRO)	Credit risk is: • measured as the amount at risk due to repayment default of a customer or counterparty to the Group. Various matrics such as EMI default rate, overdue position, EMI moritorium, restructuring, collection efficiency, credit bureau information, non performing loans etc. are used as leading indicators to assess credit risk. • monitored by RMC and CRO using level of credit exposures, portfolio monitoring, repurchase rate, bureau data of portfolio performance and industry, geographic, customer, portfolio concentration risks; and assessment of any major change in the business environment including economic, political as well as natural calamity/pandemic. • managed by a robust control framework by the risk and collection department. This is acheived by continuously aligning credit and collection policies and resourcing, obtaining external data from credit bureaus and reviews of portfolios and delinquencies by senior and middle Management team comprising of risk, analytics, collection and fraud containment along with business. The same is periodically reviewed by the Board appointed RMC.
Operational risk	Operational risk is the risk arising from inadequate or failed internal processes or controls, people and system and also from external events	Board appointed RMC/Senior Management and Audit Committee (AC)	Operational risk is: • measured by KPIs set for each of the processes/functions, system and control failures and instances of fraud. • monitored by deviations identified in each of the set KPIs for the processes/controls, periodical review of technology platforms and review of control processes as part of internal control framework. • managed by in house compliance units established across different businesses and functions, operations and internal audit function under the guidance of RMC and AC.

(a) Liquidity and funding risk

The Group's ALCO monitors asset liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the Balance Sheet.

The Group maintains a judicious mix of borrowings from banks, money markets, foreign market, public deposits and other deposits and continues to diversify its sources of borrowings with an emphasis on longer tenor borrowings. This strategy of balancing varied sources of funds and long tenor borrowings along with liquidity buffer framework has helped the Group maintain a healthy asset liability position and interest rate during the financial year 2020-21 (FY2021) - the weighted average cost of borrowing was 7.84% versus 8.37% during the financial year 2019-20 (FY2020) despite highly uncertain market conditions. The overall borrowings including debt securities, deposits and subordinated debts stood at ₹ 131,645.38 crore as of 31 March 2021. As part of strategy to granularise its overall borrowings, the Group has increased contribution of public and other deposits to overall borrowings from 16.50 in FY2020 to 19.60% in FY2021.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

The Group continuously monitors liquidity in the market; and as a part of its ALM strategy, the Group maintains a liquidity buffer managed by an active investment desk to reduce this risk. In a normal economic scenario liquidity buffer of 5% to 8% is maintained by the Group. During the year, amindst pandemic, the Group maintained significantly higher amount of liquidity buffer to safeguard itself against any significant liquidity risk. The average liquidity buffer for FY2021 was ₹ 17,736.62 crore. The Group maintained a liquidity buffer of ₹ 16,485.48 crore as on 31 March 2021.

RBI vide Circular No. RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 has issued with guidelines on liquidity risk framework for NBFCs. It covers various aspects of Liquidity risk management in NBFCs such as granular level classification of buckets in structural liquidity statement and tolerance limits thereupon, Liquidity risk management tools and principles. The Group has formulated a policy on Liquidity Risk Management Framework which covers Liquidity Risk Management Policy, Strategies and Practices, LCR, stress testing, contingency funding plan, Maturity profiling, Liquidity Risk Measurement – Stock approach, Currency Risk, Interest Rate Risk and Liquidity Risk Monitoring Tools.

RBI has mandated minimum liquidity coverage ratio (LCR) of 50% to be maintained by December 2020, which is to be gradually increased to 100% by December 2024. The Parent Company has LCR of 270% as of 31 March 2021 as against the LCR of 50% mandated by RBI.

The Group focuses on funding the balance sheet through long term liabilities against relatively short tenor assets. This practice lends itself to having an inherent ALM advantage due to large EMI inflow emanating from short tenor businesses which puts it in an advantageous position for servicing of its near term obligations.

The table below summarises the maturity profile of the undiscounted contractual cashflow of the Group's financial liabilities :

(₹ In Crore)

	As at 31 March 2021			As at 31 March 2020		
Particulars	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Debt securities	17,555.27	47,928.53	65,480.80	16,162.23	33,477.56	49,639.79
Borrowings (other than debt securities)	14926.31	38,844.55	53,770.86	14,835.02	39,950.88	54,785.90
Deposits	13,532.03	15,268.60	28,800.63	10,385.54	11,123.49	21,509.03
Subordinated debts	380.26	5,119.54	5,499.80	448.07	3,709.60	4,157.67
Trade payables	894.86	-	894.86	761.97	-	761.97
Other payables	213.82	-	213.82	197.84	-	197.84
Other financial liabilities	662.86	296.96	959.82	474.00	271.31	745.31
	48,162.41	107,458.18	155,620.59	43,264.67	88,532.84	131,797.51

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

The table below shows contractual maturity profile of carrying value of assets and liabilities :

(₹ In Crore)

Particulars	As at 31 March 2021			As at 31 March 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	1,861.17	-	1,861.17	1,344.52	-	1,344.52
Bank balances other than cash and cash equivalent	291.88	23.13	315.01	38.20	-	38.20
Derivative financial instruments	-	-	-	171.76	-	171.76
Trade receivables	964.13	143.11	1,107.24	952.56	-	952.56
Loans	53,203.59	93,483.28	146,686.87	48,014.69	93,361.36	141,376.05
Investments	15,587.73	2,809.18	18,396.91	14,622.92	2,920.98	17,543.90
Other financial assets	512.97	24.21	537.18	464.65	5.67	470.32
Non-financial assets						
Current tax assets (net)	-	159.77	159.77	-	216.72	216.72
Deferred tax assets (net)	-	945.90	945.90	-	850.13	850.13
Property, plant and equipment	-	1,041.69	1,041.69	-	1,097.26	1,097.26
Capital work-in-progress	-	7.07	7.07	-	-	-
Intangible assets under development	-	43.99	43.99	-	-	-
Goodwill	-	3.27	3.27	-	3.27	3.27
Other intangible assets	-	270.74	270.74	-	220.46	220.46
Other non-financial assets	129.98	20.08	150.06	89.08	17.14	106.22
	72,551.45	98,975.42	171,526.87	65,698.38	98,692.99	164,391.37
LIABILITIES						
Financial liabilities						
Derivative financial instrument	137.87	-	137.87	-	-	-
Trade payables	894.86	-	894.86	761.97	-	761.97
Other payables	213.82	-	213.82	197.84	-	197.84
Debt securities	16,018.42	38,483.72	54,502.14	16,151.22	33,386.14	49,537.36
Borrowings (other than debt securities)	12,217.85	35,223.35	47,441.20	14,826.17	39,874.00	54,700.17
Deposits	12,442.57	13,360.86	25,803.43	10,368.15	11,059.00	21,427.15
Subordinate Liabilities	252.79	3,645.82	3,898.61	447.80	3,693.95	4,141.75
Other financial liabilities	636.23	255.55	891.78	473.97	271.03	745.00
Non-financial liabilities						
Current tax liabilities (net)	180.17	-	180.17	59.17	-	59.17
Provisions	18.25	119.44	137.69	18.47	62.53	81.00
Other non-financial liabilities	399.74	107.15	506.89	337.33	74.76	412.09
	43,412.57	91,195.89	134,608.46	43,642.09	88,421.41	132,063.50

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

(b) Market risk

Market risk is the risk that the fair value of future cash flow of financial instruments will fluctuate due to changes in the market variables such as interest rates, foreign exchange rates and equity prices.

(i) Interest rate risk

On investment book

The Group holds short duration investment portfolio and thus it has a minimum fair value change impact on its investment portfolio. The interest rate risk on the investment portfolio and corresponding fair value change impact is monitored using VaR and the parameters for monitoring the same are defined in its investment policy.

Sensitivity analysis as at 31 March 2021

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1 % increase	1 % decrease
Investment at amortised cost	1,017.60	1,017.60	-	-
Investment at FVTPL	13,291.70	13,291.70	(16.28)	16.28
Investment at FVOCI (other than equity)	3,717.63	3,717.63	(41.00)	41.00

Sensitivity analysis as at 31 March 2020

(₹ In Crore)

Particulars	Within 12 months	Fair value	Sensitivity to fair value	
			1 % increase	1 % decrease
Investment at amortised cost	20.32	20.46	(0.12)	0.12
Investment at FVTPL	14,438.75	14,438.75	(18.75)	18.75
Investment at FVOCI (other than equity)	2,764.60	2,764.60	(48.34)	48.34

On assets and liabilities

Interest rate sensitivity on fixed and floating rate assets and liabilities with differing maturity profiles is measured by using the duration gap analysis. The same is computed monthly and sensitivity of the market value of equity assuming varied changes in interest rates are presented and monitored by ALCO.

Sensitivity Analysis as at 31 March 2021

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1 % increase	1 % decrease
Loans	146,686.87	147,022.26	(1,291.09)	1,328.58
Debt securities	54,502.14	56,382.22	(1,110.94)	1,180.19
Borrowings (other than debt securities)	47,441.20	47,441.20	-	-
Deposits	25,803.43	26,061.56	(340.41)	350.32
Subordinated debts	3,898.61	4,263.08	(156.12)	164.95

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

Sensitivity analysis as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1 % increase	1 % decrease
Loans	141,376.05	142,170.36	(1,136.96)	1,166.55
Debt securities	49,537.36	50,258.28	(1,038.41)	1,099.43
Borrowings (other than debt securities)	54,700.17	54,700.17	-	-
Deposits	21,427.15	21,502.08	(162.25)	169.74
Subordinated debts	4,141.75	4,350.78	(171.50)	182.37

(ii) Price risk

The Group's equity investments carry a risk of change in prices. To manage its price risk arising from investments in equity securities, the Group periodically monitors the sectors it has invested in, performance of the investee companies, measures mark- to- market gains/losses and reviews the same.

Sensitivity Analysis as at 31 March 2021

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			10% increase	10% decrease
Investment in equity shares (quoted)	88.77	88.77	8.88	(8.88)

Sensitivity analysis as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			10% increase	10% decrease
Investment in equity shares (quoted)	57.91	57.91	5.79	(5.79)

(iii) Foreign currency risk

The Group is exposed to foreign currency fluctuation risk for its foreign currency borrowing (FCB). The Group's borrowings in foreign currency are governed by RBI guidelines (RBI master direction RBI/FED/2018-19/67 dated 26 March 2019 and updated from time to time) which requires entities raising ECB for an average maturity of less than 5 years to hedge minimum 70% of the its ECB exposure (Principal and Coupon). The Group hedges its entire ECB exposure for the full tenure of the ECB as per Board approved Interest Rate risk, Currency risk and Hedging policy.

The Group for its FCB, evaluates the foreign currency exchange rates, tenure of FCB and its fully hedged costs. The Group manages its currency risks by entering into derivatives contracts as hedge positions and the same are being governed through the Board approved Interest rate risk, Currency risk and hedging policy.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

The Group's exposure of foreign currency risk at the end of the reporting period expressed in INR are as follows :

(₹ In Crore)

Particulars	As at 31 March 2021 USD	As at 31 March 2021 JPY	As at 31 March 2020 USD	As at 31 March 2020 JPY
Hedged				
ECB	(3,964.19)	(1,417.97)	(2,664.69)	(1,417.97)
Derivative financial instrument*	3,964.19	1,417.97	2,664.69	1,417.97
Unhedged	0.01	-	0.49	-

* represents the notional amount of the derivative financial instrument

Hedging policy

The Group's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

Impact of hedge on the Balance Sheet :

(₹ In Crore)

Particulars	As at 31 March 2021			As at 31 March 2020		
	Notional amount	Carrying amount of hedging instrument asset	Carrying amount of hedging instrument liability	Notional amount	Carrying amount of hedging instrument asset	Carrying amount of hedging instrument liability
INR USD CCIRS	3,964.19	-	(71.07)	2,664.69	115.66	-
INR JPY CCIRS	1,417.97	-	(66.55)	1,417.97	56.11	-

(c) Credit risk

Credit risk is the risk of financial loss arising out of a customer or counterparty failing to meet their repayment obligations to the Group. It has a diversified lending model and focuses on six broad categories viz: (i) consumer lending, (ii) SME lending, (iii) rural lending, (iv) mortgages, (v) loan against securities, and (vi) commercial lending. The Group assesses the credit quality of all financial instruments that are subject to credit risk.

Classification of financial assets under various stages

The Group classifies its financial assets in three stages having the following characteristics:

- stage 1: unimpaired and without significant increase in credit risk since initial recognition on which a 12-month allowance for ECL is recognised;
- stage 2: a significant increase in credit risk since initial recognition on which a lifetime ECL is recognised; and
- stage 3: objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due (DPD) or one instalment overdue on the reporting date and are accordingly transferred from stage 1 to stage 2. For stage 1 an ECL allowance is calculated based on a 12-month Point in Time (PIT) probability weighted probability of default (PD). For stage 2 and 3 assets a life time ECL is calculated based on a lifetime PD.

The Group offered One Time Restructuring (OTR) on loans in accordance with RBI guidelines on 'Resolution Framework for COVID-19 related stress'. The Group has considered OTR as an early indicator of significant increase in credit risk and accordingly classified such loans as Stage 2.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

Computation of impairment on financial instruments

The Group calculates impairment on financial insturments ECL approach prescribed under Ind AS 109 'Financial instruments'. ECL uses three main components: PD, LGD (loss given default) and EAD (exposure at default) along with an adjustment considering forward macro economic conditions [refer note no. 3.4.(i) of signinficant accounting policies for methodology of computation of ECL].

The Group recaliberates components of its ECL model periodically by; (1) using the available incremental and recent information, except where these informations do not represent the future outcome, and (2) assessing changes to its statistical techniques for a granular estimation of ECL. The incremental information of the portfolio performance in FY2021 has not been considered appropriate for recaliberation of ECL model. This was due to the distortion caused by the pandemic induced lockdown resulting in very low economic activity, unforseen distortion of customers financial position and volitile repayment behaviour, leading to RBI announcing EMI moratorium and OTR. Given the temporary distortion of input variables, the Group has not recalibrated components of its ECL model.

Trade receivables and other financial assets were subjected to simplified ECL approach under Ind AS 109 'Financial instruments'.

The table below summarises the approach adopted by the Group for various components of ECL viz. PD, EAD and LGD across major product lines using empirical data where relevant:

<table>
<tr><th rowspan="2">Lending verticals</th><th rowspan="2">Nature of businesses</th><th colspan="3">PD</th><th rowspan="2">EAD</th><th rowspan="2">LGD</th></tr>
<tr><th>Stage 1</th><th>Stage 2</th><th>Stage 3</th></tr>
<tr><td>Consumer lending - B2B</td><td>Financing for products such as two wheeler, three wheeler, consumer durable, digital, lifecare and furniture etc.</td><td colspan="2" rowspan="5">Use of statistical automatic interaction detector tools to identify PDs across a homogenous set of customers.*</td><td rowspan="5">100%</td><td rowspan="6">EAD is computed based on past trends of proportion of outstanding at time of default to the outstanding on reporting date.</td><td rowspan="6">Past trends of recoveries for each set of portfolios are discounted at a reasonable approximation of the original effective rates of interest.</td></tr>
<tr><td>Consumer lending - B2C</td><td>Personal loans to salaried and self employed individuals</td></tr>
<tr><td>SME lending</td><td>Unsecured and secured loans to SME's, self employed customers and professionals</td></tr>
<tr><td>Rural lending - B2B</td><td>Financing for products such as consumer durable, digital and furniture etc. and gold loans</td></tr>
<tr><td>Rural lending - B2C</td><td>Personal loans to salaried, self employed customers and professionals</td></tr>
<tr><td>Mortgages</td><td>Home loans, loans against property, developer finance and lease rental discounting</td><td colspan="2">Use of statistical automatic interaction detector tools to identify PDs across a homogenous set of customers for retail loans and internal evaluation with a management overlay for wholesale loans.*</td><td>100%</td></tr>
<tr><td>Loans against securities</td><td>Loans against shares, mutual funds, deposits and insurance policies</td><td colspan="2">Determined on evaluation of time to sell in event of defaults</td><td>100%</td><td>EAD is computed based on assessment of time to default considering customer profile and time for liquidation of securities.</td><td>Based on associated risk of the underlying securities</td></tr>
<tr><td>Commercial lending</td><td>Working capital and term loans to small and mid sized corporates</td><td colspan="2">External ratings or internal evaluation with a management overlay for each customer or customer industry segment.</td><td>100%</td><td>EAD is computed taking into consideration the time to default based on historic trends across rating profile.</td><td>Based on estimates of cash flows</td></tr>
</table>

* No changes were made to PD rates of loans which retained their Stage 1 and Stage 2 classification of 31 March 2020. For new acquisitions and for existing loans where stage classification has changed from 31 March 2020, average PD rates of 31 March 2020 applicable to respective asset class and stage were applied.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

The table below summarises the gross carrying values and the associated allowances for expected credit loss (ECL) stage wise for loan portfolio:

As at 31 March 2021

(₹ In Crore)

	Secured			Unsecured		
Particulars	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Gross carrying value	80,921.89	4,008.79	1,861.99	60,617.49	2,715.93	868.78
Allowance for ECL	507.61	705.50	922.56	638.47	861.54	672.32
ECL coverage ratio	0.63%	17.60%	49.55%	1.05%	31.72%	77.39%

As at 31 March 2020

(₹ In Crore)

	Secured			Unsecured		
Particulars	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Gross carrying value	78,199.95	2,535.95	1,365.18	61,389.06	612.45	997.82
Allowance for ECL	632.84	348.95	727.20	1,079.50	237.85	698.02
ECL coverage ratio	0.81%	13.76%	53.27%	1.76%	38.84%	69.95%

Collateral valuation

The nature of products across these broad product categories are either unsecured or secured by collateral. Although collateral is an important risk mitigant of credit risk, the Group's practice is to lend on the basis of assessment of the customer's ability to repay rather than placing primary reliance on collateral. Based on the nature of product and the Group's assessment of the customer's credit risk, a loan may be offered with suitable collateral. Depending on its form, collateral can have a significant financial effect in mitigating the Group's credit risk.

The main types of collateral across various products obtained are as follows:

Product group	**Nature of securities**
Consumer lending - B2B	Hypothecation of underlying product financed e.g. two wheeler, three wheeler and consumer durable etc.
Rural lending - B2B	Hypothecation of underlying product financed e.g. consumer durable, furniture and digital products etc.
Mortgages	Equitable mortgage of residential and commercial properties.
Loans against securities	Pledge of equity shares and mutual funds and lien on deposits and insurance policies
Commercial lending	Plant and Machinery, book debts etc

The Group periodically monitors the market value of collateral and evaluates its exposure and loan to value metrics for high risk customers. The Group exercises its right of repossession across all secured products and primarily in its two wheeler and three wheeler financing business. It also resorts to invoking its right under the SARFAESI Act and other judicial remedies available against its mortgages and commercial lending business. The repossessed assets are either sold through auction or released to delinquent customers in case they come forward to settle their dues. For its loan against securities business, the Group recoups shortfall in value of securities through part recall of loans or additional securities from the customer, or sale of underlying securities. The Group does not record repossessed assets on its Balance Sheet as non-current assets held for sale.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

Analysis of concentration risk

The Group continues to grow its granularity of its Loans portfolio by expanding its geographic reach in order to reduce geographic concentrations while continually calibrating its product mix across its six categories of lending mentioned above.

Measurement uncertainty and sensitivity analysis of ECL estimates

Expected credit loss impairment allowances recognised in the financial statements reflect the effect of a range of possible economic outcomes, calculated on a probability-weighted basis, based on the economic scenarios described below. The recognition and measurement of expected credit losses ('ECL') involves the use of estimation. It is necessary to formulate multiple forward-looking economic forecasts and its impact as an integral part of ECL model.

Methodology

The global as well as the Indian economy has passed through a difficult phase in FY2021. The macro numbers have been a reflection of the impact which COVID-19 had on the industry, prices, employment and economy as a whole. The Group has adopted the use of three scenarios, representative of its view of forecast economic conditions, required to calculate unbiased expected loss. They represent a most likely outcome i.e. central scenario and two less likely outer scenarios referred to as the Upside and Downside scenarios. The Group has assigned a 10% probability to the two outer scenarios, while the central scenario has been assigned an 80% probability. These weights are deemed appropriate for the unbiased estimation of impact of macro factors on ECL. The key scenario assumptions are used keeping in mind external forecasts and management estimates which ensure that the scenarios are unbiased.

The Group has used multiple economic factors and tested their correlations with past loss trends witnessed. The economic factors tested were GDP growth rates, growth of bank credit, wholesale price index (WPI), consumer price index (CPI), industrial production index, unemployment rate, crude oil prices and policy interest rates. Based on past correlation trends, CPI and unemployment rate were the two factors with acceptable correlation with past loss trends which were in line with Management views on the drivers of portfolio trends. These factors were assigned appropriate weights to measure ECL in forecast economic conditions.

During the year, the macro variables have been tested for their resilience in the difficult operating conditions of lockdown, loss of business on account of COVID-19 scare and social distancing norms. The first half of the year saw the maximum stress on the numbers with GDP growth turning negative to (23.9%) Unemployment rate touching a peak of 23%, retail inflation touching a high of 7.22% and IIP turning negative to the extent of over 57%. Almost all the macro-economic fundamentals have passed through the period of immense stress during the year. It was only after the first half year, that some of the economic fundamentals started showing signs of recovery.

The Central Scenario taken by the Group takes into account the stress and the downside risk prevalent during most part of the year, by capturing the macro variables numbers of the most difficult period of COVID-19 pandemic.

Amongst the list of macro indicators, unemployment and inflation are the two variables which are very critical from an income and expenditure perspective. Unemployment has a direct relation with the income levels and thus the growth of the economy from the expenditure side, inflation and inflationary expectations affect the disposable income of the people. Both the macro-variables directly and indirectly impact the disposable income of the people, which eventually drives the economy.

For unemployment, the Group has considered data published by a leading business information (BI) company engaged in monitoring of Indian economic indicators. The unemployment rate, which averaged around 7.6% for FY20 jumped to 18% in the first quarter of FY2021 and peaked at over 23% in April 2020. It continued to stay at elevated levels during the first half of the year i.e., April 2020 to September 2020 averaging at 13%. In the second half of FY2021, which can be construed as months of recovery and account for recovery in industrial production etc, the average unemployment rate numbers have moderated to 7.1%, with unemployment rate at 6.5% as of March 2021.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

While formulating the central scenario, the Group has considered the peak unemployment rate of around 18% in Q1 FY2021 and assumed it to moderate thereafter.

For the downside scenario, while the Group believes that the downside risks might have passed, the rate of improvement may be slower and, therefore factored in a slow recovery rate. Accordingly, starting with a peak of 18% in March 2021 quarter, the downside scenario assumes it to fall from the peak but continue to stay at double-digit levels till March 2022.

For the upside scenario, the Group acknowledges various surveys and studies indicating improving employment situation as also industrial recovery. However, it maintained a caution stance that the unemployment levels after reaching the peak in March 2021 quarter, though may improve to a best case of 4% by the end of March 2022 but may come back to an historical (excluding COVID period) 4 year average of 6.45%. The unemployment numbers as such captured the impact of lockdown, migration of labour and various other restrictions hitting the overall employment environment.

Similarly, CPI which hovered between 3.50% to 5.84% for quarter ending September 2019 and December 2019, went to a high of 6.53% in Q1 FY2021, 6.96% in Q2 FY2021 and 6.38% in Q3 FY2021 respectively before showing signs of some easing in Q4 FY21. The CPI numbers reflected the stress impact due to lockdown and disruption in supply chains and increased prices for food and beverages.

For the downside scenario, the Group believes that the inflation risk still remains and, therefore, assumes the retail inflation to marginally see a uptick due to demand-supply imbalances and hit a peak of over 9% by the end of next year, before easing off to the average of pre-COVID-19 period in the three-year time horizon.

For the upside scenario, we believe that there would be certain factors which might come into play viz, base effect, higher food grain production, better supply chain management and improving trade scenario etc, and, therefore, inflation may see easing to a minimum of over 2% before averaging back to the pre-COVID-19 levels.

Risk management amidst COVID-19

The unprecedented health scare caused by COVID-19 which led to a countrywide lockdown in month of March 2020 and continued till May 2020 followed by gradual unlocking from June 2020, had a varying impact on different sectors of the economy. Salaried individuals had to contend with a scenario of reduced income and/or job losses. Corporates, SMEs and MSMEs struggled on account of reduced economic activities and business rhythm that was not efficient due to severe disruption in both demand and supply. All these lead to major cash flow constraints and erosion in the asset value, though temporary in nature. These developments severely tested risk management frameworks across the financial sector.

On 27 March 2020, the RBI, in order to provide relief on debt servicing obligations, permitted financial institutions to offer moratorium to their borrowers on instalments falling due between 1 March 2020 to 31 May 2020 which was further extended to 31 August 2020 vide RBI's order dated 23 May 2020. With uncertainties caused by COVID-19 pandemic including the pace of easing of the lockdown restrictions, the time needed to restart the economy and attaining some level of normalcy, the credit performance and repayment behaviour of the customers was distorted and was monitored closely. The Group has witnessed significant movement of portfolio from stage 1 to stage 2 and stage 3 post moratorium period which ended on 31 August 2020 and accordingly accounted for higher credit cost in FY2021.

The Group observed elevated default on payment of instalments and collection related constraints which resulted in much higher credit costs in the current year compared to previous year. This was despite the Group making requisite investment to deepen its collections infrastructure to control its credit costs by enhancing collection efforts, tightening in its risk underwriting policies as well as COVID-19 and macro overlay provision of ₹ 850 crore in FY2020.

During the year, the Group, as a matter of prudence, has written off principal and interest amounts (including capitalised interest) of ₹ 2,497 crore and ₹ 482 crore respectively, of potentially unrecoverable loans, which were under moratorium, by utilising the available expected credit loss provision (including management overlay). The Group has carried a contingency provision of ₹ 840 crore as on 31 March 2021.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

49 Risk management objectives and policies (Contd.)

ECL sensitivity to future economic conditions

ECL coverage of financial instruments under forecast economic conditions:

(₹ In Crore)

Particulars	As at 31 March 2021	As at 31 March 2020
Gross carrying amount of loans	150,994.87	145,100.41
Reported ECL	4,308.00	3,724.36
Reported ECL coverage	2.85%	2.57%
Assumptions for central scenario		
Base ECL without macro overlay (based on empirical evidences)	3,468.00	2,802.92
Add : Management overlay for COVID-19	663.00	748.39
Central scenario	4,131.00	3,551.31
ECL amounts for alternate scenario		
Central scenario (80%)	4,131.00	3,551.31
Downside scenario (10%)	6,649.94	5,508.76
Upside scenario (10%)	3,382.10	3,324.39
Reported ECL	4,308.00	3,724.36
Management overlay for Macro economics factors and COVID-19	840.00	921.44
Additional Management overlay representing COVID-19 stress	663.00	748.39
ECL Coverage ratios by scenario		
Central scenario (80%)	2.74%	2.45%
Downside scenario (10%)	4.40%	3.80%
Upside scenario (10%)	2.24%	2.29%

(d) Operational risk

Operational risk is the risk arising from inadequate or failed internal processes, people or systems, or from external events. The Group manages operational risks through comprehensive internal control systems and procedures laid down around various key activities in the Group viz. loan acquisition, customer service, IT operations, finance function etc.. Internal audit also conducts a detailed review of all the functions at least once a year, this helps to identify process gaps on timely basis. Further IT and Operations have a dedicated compliance and control units within the function who on continuous basis review internal processes. This enables the Management to evaluate key areas of operational risks and the process to adequately mitigate them on an ongoing basis.

The Group has put in place a robust Disaster Recovery (DR) plan and Business Continuity Plan (BCP) to ensure continuity of operations including services to customers, if any eventuality is to happen such as natural disasters, technological outage etc. Robust periodic testing is carried, and results are analysed to address gaps in the framework, if any. DR and BCP audits are conducted on a periodical basis to provide assurance regarding the effectiveness of the Group's readiness.

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

50 Employee stock option plan

The Board of Directors at its meeting held on 14 October 2009, approved an issue of stock options up to a maximum of 5% of the then issued equity capital of the Parent Company aggregating to 1,829,803 equity shares of the face value of ₹ 10 each in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 subject to the approval of the shareholders under Section 81(1A) of the Companies Act, 1956. The shareholders of the Parent Company vide their special resolution passed through postal ballot on 15 December 2009 approved the issue of equity shares of the Parent Company under one or more Employee Stock Option Scheme(s). The shareholders, at the Annual General Meeting held on 16 July 2014, approved an additional issue of 677,313 stock options i.e. from 1,829,803 to 2,507,116 options of the face value of ₹ 10 each under the stock options scheme of the Company i.e. Employee Stock Option Plan 2009.

Pursuant to the sub-division of each equity share of face value of ₹ 10 into five equity shares of face value of ₹ 2 on 10 September 2016 and allotment of bonus equity share in the proportion of one equity share of face value of ₹ 2 for every one equity share on 14 September 2016, the aggregate number of equity shares which would be available for future grants under the Employee Stock Option Plan, 2009 were adjusted from 2,507,116 equity shares of face value of ₹ 10 to 25,071,160 equity shares of face value of ₹ 2 each.

Further, vide the Special Resolution passed by the members of the Parent Company through postal ballot on 19 April 2021, the Parent Company has approved the increase in the aforesaid limit of options by 10,000,000 options. The maximum limit under the scheme now stand revised from 25,071,160 options (adjusted for sub-division and bonus) to 35,071,160 options.

Vesting period of the options issued under the ESOP Scheme is on a straight line basis over the period of 4 years with the vesting condition of continuous employement with the Parent Company or the Group except in case of death and retirement where the vesting would happen immediately.

The Nomination and Remuneration Committee of the Parent Company has approved the following grants to select senior level executives of the Company in accordance with the Stock Option Scheme. Under the scheme, fifteen grants have been made as of 31 March 2021, details of which, duly adjusted for sub-division of shares and issue of bonus shares thereon, are given as under :

As on 31 March 2021

Grant date	Exercise price (₹)	Options granted	Options vested and exercisable	Options unvested	Options exercised	Options cancelled	Options outstanding
12-Jan-10	35.87	1,320,000	-	-	1,282,500	37,500	-
21-Jul-10	54.20	3,267,500	-	-	2,948,130	319,370	-
28-Jul-11	70.52	3,762,000	-	-	3,335,000	427,000	-
16-May-12	87.61	3,595,000	62,050	-	2,953,700	579,250	62,050
15-May-13	138.04	3,949,300	329,225	-	2,767,075	853,000	329,225
01-Nov-13	135.31	197,000	-	-	49,250	147,750	-
16-Jul-14	219.66	2,816,000	637,500	-	1,837,750	340,750	637,500
20-May-15	448.16	1,935,000	474,060	-	1,091,440	369,500	474,060
24-May-16	765.37	1,430,000	584,351	-	620,274	225,375	584,351
17-May-17	1,347.75	1,120,750	384,021	232,526	362,840	141,363	616,547
16-Oct-17	1,953.05	16,350	-	4,088	12,262	-	4,088
01-Feb-18	1,677.85	120,000	24,926	14,914	32,071	48,089	39,840
17-May-18	1,919.95	1,273,416	318,972	530,655	232,903	190,886	849,627
16-May-19	3,002.75	1,123,900	207,880	807,957	66,171	41,892	1,015,837
19-May-20	1,938.60	2,054,250	-	2,020,150	-	34,100	2,020,150
		27,980,466	3,022,985	3,610,290	17,591,366	3,755,825	6,633,275

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

50 Employee stock option plan (Contd.)

As on 31 March 2020

Grant date	Exercise price (₹)	Options granted	Options vested and exercisable	Options unvested	Options exercised	Options cancelled	Options outstanding
12-Jan-10	35.87	1,320,000	-	-	1,282,500	37,500	-
21-Jul-10	54.20	3,267,500	-	-	2,948,130	319,370	-
28-Jul-11	70.52	3,762,000	74,250	-	3,260,750	427,000	74,250
16-May-12	87.61	3,595,000	291,950	-	2,723,800	579,250	291,950
15-May-13	138.04	3,949,300	647,100	-	2,449,200	853,000	647,100
01-Nov-13	135.31	197,000	-	-	49,250	147,750	-
16-Jul-14	219.66	2,816,000	895,145	-	1,580,105	340,750	895,145
20-May-15	448.16	1,935,000	676,850	-	888,650	369,500	676,850
24-May-16	765.37	1,430,000	481,000	276,250	447,375	225,375	757,250
17-May-17	1,347.75	1,120,750	298,449	468,104	214,360	139,837	766,553
16-Oct-17	1,953.05	16,350	4,088	8,176	4,086	-	12,264
01-Feb-18	1,677.85	120,000	20,062	29,828	22,021	48,089	49,890
17-May-18	1,919.95	1,273,416	180,128	811,100	102,005	180,183	991,228
16-May-19	3,002.75	1,123,900	-	1,104,550	-	19,350	1,104,550
		25,926,216	3,569,022	2,698,008	15,972,232	3,686,954	6,267,030

Weighted average fair value of stock options granted during the year is as follows:

Particulars	FY2021	FY2020
Grant date	19-May-20	16-May-19
No. of options granted	2,054,250	1,123,900
Weighted average fair value (₹)	787.24	1,257.94

Following table depicts range of exercise prices and weighted average remaining contractual life:

As on 31 March 2021

For all grants	No. of options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (years)
Outstanding at the beginning of the year	6,267,030	70.52-3002.75	1,206.35	3.98
Granted during the year	2,054,250	1,938.60	1,938.60	
Cancelled during the year	68,871	1,347.75-3,002.75	2,270.91	
Exercised during the year	1,619,134	70.52-3,002.75	637.39	
Outstanding at the end of the year	6,633,275	87.61-3,002.75	1,560.95	4.51
Exercisable at the end of the year	3,022,985	87.61-3,002.75	875.50	2.40

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

50 Employee stock option plan (Contd.)

As on 31 March 2020

For all grants	No. of options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (years)
Outstanding at the beginning of the year	6,621,597	54.20-1,953.05	791.71	4.20
Granted during the year	1,123,900	3,002.75	3,002.75	
Cancelled during the year	201,512	765.37-3002.75	1,868.80	
Exercised during the year	1,276,955	54.20-1953.05	532.80	
Outstanding at the end of the year	6,267,030	70.52-3002.75	1,206.35	3.98
Exercisable at the end of the year	3,569,022	70.52-1953.05	498.17	4.15

The weighted average market price of equity shares for options exercised during the year is ₹ 4,093.17 (Previous year ₹ 3,584.30).

Method used for accounting for share based payment plan

The Parent Company has used the fair value method to account for the compensation cost of stock options to employees. The fair value of options used are estimated on the date of grant using the Black – Scholes Model. The key assumptions used in Black – Scholes Model for calculating fair value as on the date of respective grants are:

Grant date	Risk Free interest rate	Expected life	Expected volatility	Dividend yield	Price of the underlying share in the market at the time of the option grant (₹)*
12-Jan-10	6.70%	1-5 years	54.01%	0.62%	35.87
21-Jul-10	7.42%	3.5 -6.5 years	55.38%	1.28%	54.20
28-Jul-11	8.27%	3.5 -6.5 years	53.01%	1.42%	70.52
16-May-12	8.36%	3.5 -6.5 years	49.58%	1.37%	87.61
15-May-13	7.32%	1-5 years	29.97%	1.09%	138.04
01-Nov-13	8.71%	1-5 years	32.83%	1.11%	135.31
16-Jul-14	8.66%	1-5 years	38.01%	0.73%	219.66
20-May-15	7.76%	3.5 -6.5 years	34.88%	0.36%	448.16
24-May-16	7.38%	3.5 -6.5 years	33.13%	0.47%	765.37
17-May-17	6.89%	3.5 -6.5 years	34.23%	0.05%	1,347.75
16-Oct-17	6.69%	3.5 -6.5 years	34.51%	0.04%	1,953.05
01-Feb-18	7.42%	3.5 -6.5 years	34.05%	0.04%	1,677.85
17-May-18	7.91%	3.5 -6.5 years	33.65%	0.19%	1,919.95
16-May-19	7.09%	3.5 -6.5 years	34.03%	0.13%	3,002.75
19-May-20	5.58%	3.5 -6.5 years	40.30%	0.83%	1,938.60

* adjusted for sub-division of shares and issue of bonus shares thereon

For the year ended 31 March 2021, the Parent Company has accounted expense of ₹ 124.75 crore as employee benefit expenses (note no.35) on the aforesaid employee stock option plan (Previous year ₹ 100.76 crore). The balance in employee stock option outstanding account is ₹ 303.25 crore as of 31 March 2021 (Previous year ₹ 213.17 crore).

Notes to Consolidated financial statements for the year ended 31 March 2021 (Contd.)

51 In accordance with the instructions in the RBI circular dated 7 April 2021, all lending institutions shall refund/adjust 'interest on interest' to all borrowers including those who had availed working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the Indian Banks Association (IBA) in consultation with other industry participants/bodies published the methodology for calculation of the amount of such 'interest on interest'. Accordingly, the Group has made a provision for ₹ 3.09 crore.

52 Amounts less than ₹ 50,000 have been shown at actuals against respective line items statutorily required to be disclosed.

As per our report of even date

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Vaibhav Kumar Gupta
Partner
Membership number: 213935

Pune: 27 April 2021

On behalf of the Board of Directors

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Chairman

R Vijay
Company Secretary

Rajeev Jain
Managing Director

NOTES

BAJAJ FINANCE LIMITED

Regd. Office: Akurdi, Pune - 411 035, India