33rd ANNUAL REPORT 2019-20

BAJAJ FINANCE LIMITED

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CORPORATE INFORMATION

Board of Directors

Rahul Bajaj
Chairman

Nanoo Pamnani
Vice-Chairman
(upto 22 February 2020)

Sanjiv Bajaj
Vice-Chairman

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

Ranjan Sanghi
Chairman

Sanjiv Bajaj

Dr. Gita Piramal

Nomination and Remuneration Committee

Ranjan Sanghi
Chairman

Rahul Bajaj

Sanjiv Bajaj

Dr. Omkar Goswami

Anami N Roy

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.)

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

Syndicate 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
Tel No. (040) 67162222, Extn.1562
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) 25280081
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





First Row: **Sanjiv Bajaj, Rajeev Jain**
Second Row: **Atul Jain, Anup Saha**
Third Row: **Sandeep Jain**

CHAIRMAN'S LETTER

Dear Shareholder,

I wish to start this letter in the memory of Nanoo Pamnani, who suddenly passed away on 22 February 2020. Nanoo was the Vice Chairman of your Company, Chairman of the Audit Committee and Risk Management Committee and mentor to all at Bajaj Finance.

After Nanoo retired from a long and illustrious career at Citibank, I requested him to join the Board of your Company and also help Sanjiv Bajaj — and subsequently your Managing Director Rajeev Jain — to structure Bajaj Finance as a top-of-the-line financial services enterprise. Nanoo agreed, and joined the Board on 16 May 2007.

From then on and right up to his death, Nanoo was not just a key adviser but a guiding force and the North Star of your Company. He introduced best-in-class systems and processes; ensured accountability to targets; and became a mentor, motivator and guru to the entire senior and middle management team.

In my long corporate life, I have met some great managers. Nanoo undoubtedly ranked among the very best. We shall all miss him deeply. But, in doing so, we shall also ensure that the values, systems, processes and accountability that he introduced in your Company will not only continue but be strengthened over each passing year.

Let me now touch upon the results of your Company. As you all know, a nation-wide lockdown came into effect from 25 March 2020 to combat the spread of COVID-19. Consequently, Bajaj Finance generated no business in the last seven days of the financial year — a time that usually generates a sharp upturn in revenues. Despite this, I am happy to inform you that your Company has done very well for FY2020. The key results are given below:

- New loans booked increased by 17% to 27.44 million.
- Customer franchise increased by 24% to 42.60 million.
- Assets under management (AUM) grew by 27% to ₹ 147,153 crore.
- Net interest income rose by 42% to ₹ 16,913 crore.
- Impairment on financial instruments was ₹ 3,929 crore, which included a contingency provision of ₹ 900 crore for COVID-19. Adjusted for one-time provisions of ₹ 1,512 crore taken in FY2020, impairment on financial instruments for FY2020 would have been ₹ 2,416 crore.
- Profit after tax grew by 32% to ₹ 5,264 crore.
- The capital adequacy ratio (including Tier II capital) as of 31 March 2020 stood at 25.01%. The Tier I capital stood at 21.27%.
- During FY2020 your Company raised equity capital of approximately ₹ 8,500 crore through the QIP route.
- Your Company continued to prudently manage its asset liability management, and had surplus liquidity of ₹ 15,725 crore as of 31 March 2020 on a consolidated basis.

These are the kind of excellent results that we have associated with Bajaj Finance over the last several years.

The issue is how your Company will fare in FY2021 under the shadow of COVID-19. Bajaj Finance's Senior Management has prepared different scenarios, and contingency plans under each such alternative. There is no doubt that business will be difficult in the first half of the year — especially so in the first quarter with April 2020 being fully under lockdown. However, your Management believes that things may pick up in the second half. In any event, it has sufficient surplus liquidity to deal with the crisis.

Your Senior Management is using this grave situation to cut operational costs wherever possible, while simultaneously improving efficiency and the IT infrastructure for even faster delivery.

Large organisations tend to build up costs. It needs a jolt such as COVID-19 to examine these costs in great detail, and prune them wherever possible. This is what I understand your Company will do throughout FY2021. If these efforts are successful, the cost savings should counteract the downward pull of revenues in the first half of the financial year. And the benefits of such cost savings will continue even as revenues improve.

I am confident of Bajaj Finance. It has best-in-class people running great businesses; it has excellent systems and processes; it has developed outstanding risk metrics; and it has shown nimbleness in adapting to changed circumstances. Therefore, despite COVID-19, I believe that your Company will continue to do well in FY2021.

May I, on your behalf, encourage your Vice Chairman Sanjiv Bajaj, your Managing Director Rajeev Jain, all senior management, every business head and every employee of Bajaj Finance to leverage the Company's core strengths to prove that even a hurdle as serious as COVID-19 can be overcome. Because, together, we can. As we have.

With my best wishes. And my prayers that you and your family stay safe.

Yours sincerely,

Rahul Bajaj
Chairman

Pune: 19 May 2020

AIM FOR THE STARS

NANOO PAMNANI

(05.04.1945 - 22.02.2020)

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 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 a 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 (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. BHFL started its business in the financial year 2017-18 (FY2018). BFinsec commenced its operations in the financial year 2019-20 (FY2020).

The COVID-19 pandemic and lockdown

We are amidst unprecedented times. The COVID-19 pandemic has spread across the world — leading to well above 4.7 million confirmed infections, over 315,000 deaths, enormous human suffering and a full stop on virtually all commercial and economic activities. Even India, apparently relatively fortunate up to now, has had 101,139 confirmed cases and 3,163 deaths as per COVID-19 Situation Report–120 of World Health Organisation (WHO) dated 19 May 2020. With lockdowns spreading across countries accounting for over 50% of the world's gross domestic product (GDP), COVID-19 has caused disruptions on an unimaginable scale. Nobody really knows how long the pandemic will last; whether it will increase in the winter of 2020-21 and if so how, and what will be its final toll on lives and livelihood. With the impact of this pandemic still to play out, the scenario of eerily empty high streets, shut factories and stores, and literally millions being rendered unemployed together point to a single outcome — extreme stress for the global economy of the kind not seen since the Great Depression.

In India too, which implemented a lockdown since 25 March 2020, the pandemic has created shocks ripping through society and the world of business. The picture of millions of unemployed daily wage workers and their families trying to trudge back to their villages hundreds of kilometres away; shut factories and stores; empty construction sites; and a nation being deprived of its natural economic vigour are vignettes of this scourge. After a nationwide lockdown involving 1.35 billion people over 55 continuous days, the debate is now on how to gradually open the economy without seriously risking a major spike in infections —something that India's frail medical facility can ill cope with.

The Government of India has announced lockdown 4.0 from 18 May 2020 till 31 May 2020. Containment zones in cities and metropolises continue to remain locked down and local authorities are to intensify focus on containment zones and the so-called 'buffer zones', with some relaxations in non-containment zones. Efforts are being made to carefully open up economic activities including construction, factories, shops and stores across most parts of the country with adequate social distancing, use of masks and other stringent health protocols. Even so, returning to the pre-COVID-19 normal seems a long way away. The exit path from such a massive lockdown will be precarious with uneasy consumers, tricky health protocols and an irregular, downbeat business rhythm that will inhibit efficiency.

A group of empirically sound and carefully trained economists have been attempting to estimate what might be the impact of the pandemic in the financial year 2020-21 (FY2021). The consensus seems to be that real GDP growth will fall from 4.2% in FY2020 to (-)5% in FY2021. If it was to happen as predicted, this will represent the greatest fall in GDP growth since 1979-80, when real GDP growth plummeted from 5.7% in the previous year to (-)5.2%. According to this group of economists, Q1 FY2021 will show a sharp negative growth; Q2 FY2021 will see tortuous limping back; and H2 FY2021 will see a gradual pickup in growth which, unfortunately, may not be sufficient to prevent the full year's GDP from a sharp contraction. Frankly speaking, we do not know. What we can say quite clearly is that FY2021 will be the most difficult year that we have seen for a very long time. Not just us in India, but across much of the world.

In response, Governments across the world have unleashed massive fiscal measures to protect economic activity and dramatically strengthen health services and testing. Central banks, too, have initiated multiple monetary and regulatory measures.

India, too, has initiated relief measures. The Government of India announced a slew of wide-ranging reforms across varied sectors amidst a comprehensive package aggregating ₹ 20 lakh crore — or approximately 10% of nominal GDP — which covered among others (i) direct cash transfers and food security for vulnerable sections of society, (ii) collateral free loans and concessional credit to farmers and street vendors, (iii) enhancement of systemic liquidity by the Reserve Bank of India (RBI), (iv) special liquidity and partial credit guarantee scheme to provide liquidity to NBFCs, HFCs, MFIs and mutual funds, (v) 100% credit guarantee scheme for aggregate ₹ 3 lakh crore of emergency credit lines by banks and NBFCs to their MSME borrowers and (vi) subordinated debt and equity support to MSMEs. The Government has also initiated compliance relief measures across various regulatory requirements. The RBI has also initiated several measures like reduction in policy rates, monetary transmission, credit flows to the economy and providing relief on debt servicing.

Some experts, however, believe that the measures announced by the Government are predominantly liquidity support mechanisms through banks and NBFCs, and constitute only a limited fiscal stimulus. Given the extended tenor of lockdown and severity of its impact on the economy, it is likely that the fiscal stimulus announced so far may not have the desirable effect on the economy. It remains to be seen whether there are other fiscal measures in the offing.

BFL and its subsidiaries took immediate steps to manage this f*orce majeure* situation, some of which have been:

- Keeping employee safety as the topmost priority, and so ensuring that all employees moved immediately to 'Work-from-Home' (WFH). All employees were advised to strictly follow lockdown guidelines of the Government,
- Activating the Company's business continuity plans. As a result, BFL and all its subsidiaries continued operating under a WFH protocol,
- IT team of the Company and its subsidiaries moved in swiftly to ensure availability of sufficient bandwidth, setting up virtual private networks and making available multiple platforms for collaboration using digital media,
- Triggering business continuity plans — for servicing and recovery, and
- Engaging all business partners digitally and through WFH protocol for business continuity.

The situation is still evolving, and it is not possible to hazard a guess on how this pandemic will evolve. On its part, BFL and its subsidiaries are focusing on capital preservation, Balance Sheet protection, conservative liquidity management, operating expenses management and strengthening collections.

Macroeconomic Overview

A brief summary of FY2020 and the emerging trends in the wake of COVID-19 pandemic are discussed below.

FY2020 began with an expectation that the year would witness a slowdown in growth owing to a significant moderation in economic activity. Recognising the economic headwinds, the Government of India undertook various measures to boost growth — which included a substantial tax relief to the corporate sector to boost investments. Even without the terrible effects of COVID-19, India's GDP growth was rapidly slowing down.

Before the COVID-19 pandemic and lockdown, both the RBI and the Central Statistics Office (CSO) of the Government of India had revised the GDP growth rate downwards. The RBI changed its full year GDP growth estimate from an initial 7.2% to 5% in December 2019, and ascribed the tapering of growth to a tight credit market impacting fresh investments, weak capital expenditure and a slowdown in manufacturing. In a similar vein, the second advance estimates of national income for FY2020 released by the CSO on 28 February 2020 was substantially lower: GDP growth for FY2020 was pegged at 5% — a decadal low — compared to 6.1% in the financial year 2018-19 (FY2019); and growth in gross value added was estimated at 4.9% in FY2020 versus 6% in FY2019.

On 29 May 2020, the CSO released its estimates of GDP and GVA growth for FY2020 and the fourth quarter of FY2020. In this exercise, it also substantially revised downward its earlier estimates for the first three quarters of FY2020.

GDP growth was 5.7% in January-March 2019; fell to 5.2% in April-June 2019; then yet again to 4.4% in July-September 2019; followed by 4.1% growth in October-December 2019 and 3.1% growth in January-March 2020.

GDP growth for FY2020 was 4.2% — worst in the last 11 years.

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

Table 1: Growth in Real GDP and GVA, India

	FY2017 (3rd RE)	FY2018 (2nd RE)	FY2019 (1st RE)	FY2020 (PE)
Real GDP growth	8.3%	7.0%	6.1%	4.2%
Real GVA growth	8.0%	6.6%	6.0%	3.9%

Source: Government of India, CSO. RE denotes revised estimate and PE denotes provisional estimate.

Retail inflation, measured by the consumer price index (CPI), peaked in January 2020 and then fell by a full percentage point in February 2020 to 6.6%. Fuel inflation increased sharply in February 2020, only to plunge in March with international crude prices plummeting as never before, including the brief phenomenon of negative prices for May 2020 futures. If the reduction in oil prices is allowed to pass-through, it will help to keep inflation down for at least the first half of FY2021. However, cash-strapped central and state Governments may not do so.

In line with slowdown in economic growth in FY2020, bank credit recorded a dismal 6.1% year-on-year growth as of 27 March 2020 — largely driven by growth in personal loans. Credit growth to industry and services has been decelerating sharply.

Systemic liquidity has remained in surplus territory since June 2019. The domestic money market conditions tightened considerably since the onset of COVID-19, with bond markets witnessing a sharp rise in yields on the back of sustained Foreign Portfolio Investor (FPI) selling. Continuous redemption pressures and an overall risk aversion have elevated yields on all fixed income segments like commercial papers and corporate bonds. Moreover, the recent action of one of the mutual funds to shut six of its open-ended debt schemes created a tizzy in the money markets. Thankfully, the RBI intervened and provided a special liquidity facility for mutual funds of up to ₹ 50,000 crore through commercial banks. While this will ease liquidity pressures on mutual funds and provide confidence to financial system, it is definitely going to have an impact on pricing and flow of funds in money markets.

During the nine months ended 31 December 2019, BFL maintained its strong growth trajectory. It recorded a growth of 35% in consolidated assets under management (AUM), and 52% in consolidated profit after tax (PAT). The last quarter's performance was impacted due to lockdown caused by COVID-19 which resulted in full year's consolidated AUM growing at 27% compared to 35% in the first nine months; and consolidated PAT increasing by 32% versus 52% in first nine months. It was still a strong outcome given the difficult environment.

Having said this, 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.

To overcome the COVID-19 crisis, Governments across the world will look to the financial sector to help revive their economies. Here, given BFL's healthy capital adequacy, strong liquidity position, low gross and net NPAs, access to retail deposits, large customer franchise, diversified portfolio mix, granular geographical distribution and robust risk metrics, the Company is better placed than many others in the NBFC space to capitalise on the opportunities that will emerge in what will possibly be a totally new business environment.

Industry Overview

The NBFC sector continued to grow its share in the financial services industry. Credit growth of scheduled commercial banks (SCBs) continued to moderate throughout FY2020. On 31 March 2019, growth in advances of SCBs was 13.2%. By 30 September 2019, this had reduced to 8.7% and on 27 March 2020, it was further down to 6.1%. SCBs also continued to face asset quality challenges in FY2020. Data published by the RBI in its *Financial Stability Report* dated 27 December 2019 show that NBFCs have outperformed SCBs on asset quality, as the figures below indicate.

Table 2: Comparison of asset quality of NBFCs and SCBs

	31 March 2019		30 September 2019	
Particulars	**SCBs**	**NBFCs**	**SCBs**	**NBFCs**
Gross Non-Performing Assets	9.3%	6.1%	9.3%	6.3%
Net Non-Performing Assets	3.8%	3.4%	3.7%	3.4%

Source: Reserve Bank of India, Financial Stability Report, dated 27 June 2019 and 27 December 2019.

While the importance of NBFCs in credit intermediation continued to grow, repayment default by a systemically important NBFC in September 2018 brought to focus asset-liability mismatches of the sector — where some NBFCs were more impacted than the others. To strengthen the asset-liability profile of the sector, RBI introduced a liquidity coverage ratio (LCR) requirement for all NBFCs with AUM of ₹ 5,000 crore and above. The LCR regulation mandates NBFCs to maintain a minimum level of high-quality liquid assets to cover expected net cash outflows in a stressed scenario. The regulation also stipulates that NBFCs should attain LCR of 100% in a phased manner over a period of four years starting December 2020. It is a welcome regulatory change and will significantly strengthen ALM profile of the NBFC sector. BFL's liquidity buffer management framework exceeds these requirements even today — and demonstrates its strong orientation towards liquidity management.

COVID-19 further accentuated ALM challenges of the NBFC sector. The RBI's moratorium measures for customers is likely to put additional stress on many NBFCs. There is an asymmetry. On one hand, NBFCs have to offer such moratoriums to their customers; while on the other, their market borrowings must be repaid on due dates.

To ease liquidity pressure on NBFCs, the RBI has taken multiple actions including a Targeted Long-Term Repo Operation (TLTRO) for the sector of ₹ 50,000 crore and a special financing window through SIDBI, NABARD and National Housing Bank (NHB) of another ₹ 50,000 crore to enable financing NBFCs. It remains to be seen whether the RBI will open a direct window to support the NBFC sector.

The COVID-19 pandemic is also expected to result in a deterioration in the asset quality of the financial sector. NBFCs too will face similar pressures. Early indicators of non-delinquent customers opting for moratoriums reflect a considerable level of anxiety from customers. It remains to be seen how this anxiety eases when economic activities resume. A long-drawn lockdown or frequent lockdowns of economic activities may require the RBI to frame forbearance policies for impacted borrowers like a comprehensive one-time restructuring of loans without impacting asset classification. Such a one-time restructuring framework would enable financial sector to continue to lend and also provide customers adequate time to recover from the economic crisis and honour their obligations.

The Company

BFL enjoyed yet another strong year of performance aided by a diversified product mix, robust volume growth, prudent liability management, efficient operating costs and effective risk management. With a standalone AUM of ₹ 116,102 crore and a consolidated AUM of ₹ 147,153 crore, the Company has emerged as one of the leading diversified NBFC in the country today.

Consolidated performance highlights, FY2020

- Number of new loans booked increased by 17% to 27.44 million.
- Customer franchise grew by 24% to 42.60 million.
- AUM grew by 27% to ₹ 147,153 crore.
- Total income increased by 43% to ₹ 26,386 crore.
- Net interest income rose by 42% to ₹ 16,913 crore.
- Total operating cost grew by 35% to ₹ 5,662 crore.
- Total operating cost to net interest income improved to 33% from 35% in FY2019.
- Impairment on financial instruments was ₹ 3,929 crore, which included a contingency provision of ₹ 900 crore for COVID-19.
- BFL's consolidated net NPA at 0.65% was among the lowest across all NBFCs.
- Profit before tax (PBT) increased by 18% to ₹ 7,322 crore.
- PAT grew by 32% to ₹ 5,264 crore.
- As on 31 March 2020, capital adequacy was 25.01%, which is well above the RBI norms. Tier I adequacy was 21.27%.
- During the year, BFL raised equity capital of ₹ 8,500 crore through the qualified institutional placement (QIP) route.

Present in 2,392 locations across the country, including 1,357 locations in rural/smaller towns and villages, BFL focuses on six broad categories: (i) consumer lending, (ii) SME lending, (iii) commercial lending, (iv) rural lending, (v) deposits and (vi) partnerships and services.

BFL is well capitalised with a capital-to-risk weighted asset ratio (CRAR) of 25.01% as at 31 March 2020. It remains one of the most capitalised among large NBFCs in India. During the year, it raised equity capital of ₹ 8,500 crore through the QIP route.

BFL continued to prudently manage its asset liability management (ALM) with a strategy of raising long-term borrowings and maintaining a judicious mix of borrowings between banks, money markets, external commercial borrowings and deposits. It has a comprehensive liquidity management framework, and maintains an abundant liquidity buffer to manage liquidity risk. This has enabled BFL to overcome past and current liquidity stresses.

During the year, BFL's borrowing cost increased by 13 bps over FY2019. This was for two reasons; (i) elevated borrowing rates for the sector in the early part of FY2020 caused by default committed by a systemically important NBFC in September 2018 and (ii) conservative liquidity management stance of the Company to go long on its liability profile.

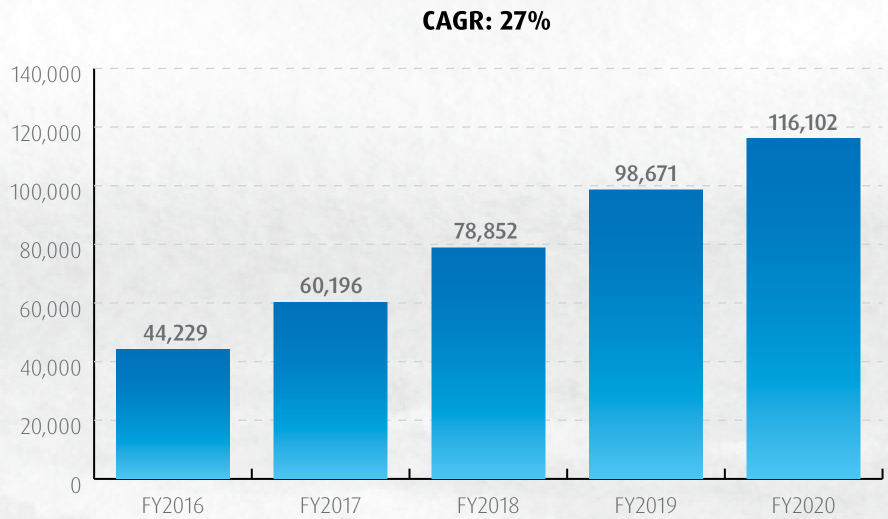
As on 31 March 2020, BFL's consolidated borrowings stood at ₹ 129,806 crore.

The Company's loan book continued to remain strong as a result of its deeply embedded risk culture and robust risk management practices. BFL's consolidated net NPA at 0.65% is among the lowest in the NBFC industry.

Assets Under Management (AUM): A Snapshot

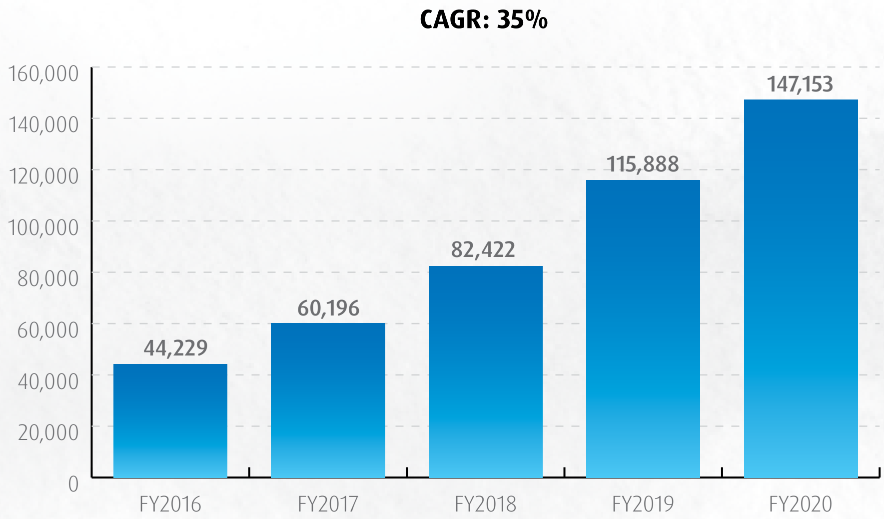
Chart A depicts BFL's standalone AUM over the last five years.
Chart B shows the consolidated AUM.

Chart A: BFL's standalone AUM (₹ In Crore)



FY2019 and FY2020 AUM are as per Ind AS, FY2018 AUM has been recast as per Ind AS, while FY2016 and FY2017 AUM numbers are as per erstwhile IGAAP.

Chart B: BFL's consolidated AUM (₹ In Crore)



FY2019 and FY2020 AUM are as per Ind AS, FY2018 AUM has been recast as per Ind AS, while FY2016 and FY2017 AUM numbers are as per erstwhile IGAAP.

Table 3 breaks down the AUM across the major business verticals.

Table 3: Assets Under Management

(₹ In Crore)

	Standalone			Consolidated		
Particulars	**FY2020**	**FY2019**	**Change**	**FY2020**	**FY2019**	**Change**
Consumer B2B-auto finance business	13,085	9,726	35%	13,085	9,726	35%
Consumer B2B-sales finance	12,657	12,261	3%	12,657	12,261	3%
Consumer B2C businesses	30,514	22,551	35%	31,256	23,002	36%
SME business	19,256	15,678	23%	19,429	15,759	23%
Rural B2B-sales finance	2,669	2,142	25%	2,669	2,142	25%
Rural B2C businesses	10,659	7,101	50%	10,659	7,101	50%
Commercial lending	6,411	5,668	13%	6,411	5,668	13%
Loans against securities	4,818	6,359	(24%)	4,821	6,359	(24%)
Mortgages	16,033	17,185	(7%)	46,166	33,870	36%
Total	**116,102**	**98,671**	**18%**	**147,153**	**115,888**	**27%**

Business Update

During the year, the Company disbursed 27.44 million loans — a growth of 17% over FY2019. Its' customer franchise as on 31 March 2020 stood at 42.6 million, or a growth of 24% over FY2019. Bajaj Finance is present in 2,392 locations across the country, including 1,357 locations in rural/ smaller towns and villages. BFL operates through over 114,400 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 in FY2020.

It financed 13.4 million consumer electronics and digital products purchases in FY2020 compared to 12.7 million in the previous year, a growth of over 5%.

It's unique Existing Member Identification (EMI) card, with about 22 million cards in force, enables customers to avail instant finance after the first purchase across over 100,000 points of sale. In FY2020, EMI cards enabled BFL to finance over 13.6 million purchases, across all sales finance categories, namely consumer electronics, digital products, lifestyle products, lifecare, e-commerce and other retail spends. In aggregate, this represented an 18% growth over FY2019.

Bajaj Finance was the largest financier of Bajaj Auto motorcycles and three-wheelers in FY2020. It financed purchase of over 1.1 million motorcycles and about 187,000 three-wheelers in FY2020. This constituted over 54% of domestic sales of Bajaj motorcycles and 51% of domestic sales of Bajaj three-wheelers.

BFL's lifestyle financing business financed approximately 544,000 transactions, which represented a growth of 13% over FY2019. This included over 108,000 transactions of its recently introduced health care segment for elective and non-elective procedures — now contributing to nearly 20% of lifestyle finance business. To further the health care financing business and facilitate hassle-free processing of loans to customers, the Company has launched a 'Health EMI Card' in FY2020. This card comes with higher limit and customised health propositions.

Financing EMI card customers on e-commerce platforms for their various purchases has become an important business in the last two-three years. BFL expanded its online relationships from 19 to 33 partners. It financed over 2,563,000 transactions in FY2020 — which was a growth of 22% over the previous year.

The retail spends financing business offers easy instalment options to customers for small ticket purchases like fashion, eyewear, travel, insurance, tyres, car accessories and servicing, app based coaching and small appliances. The business is operational in 145 locations with a footprint of over 36,000 partner stores across India. BFL financed nearly 1.8 million purchases in FY2020 compared to approximately 1.5 million in FY2019.

Personal Loans

Personal loans cross-sell (PLCS) is offered only to existing customers of BFL with good repayment track record on their consumer loans. PLCS business is a pre-approved loan origination program and relies on risk analytics, campaign management and digital acquisition strategy to cross-sell personal loans to existing customers. This business has an optimal mix of salaried and self-employed customers. PLCS business grew by 38% over FY2019 to ₹ 19,173 crore.

Salaried personal loans (SPL) is offered to affluent salaried customers with annual gross earnings of over ₹ 600,000. The SPL business AUM grew by 31% over FY2019 to ₹ 11,341 crore.

SME Lending

For Businesses

SME lending offers unsecured and secured loans to small businesses. SME lending consists of working capital loans and term facilities. Secured loans to SME customers are offered against their home, office or four-wheeler. SME Business loans AUM grew by 15% over FY2019 to ₹ 11,930 crore. This business is present in over 1,100 locations in India. Secured loans to SMEs closed FY2020 with AUM of ₹ 751 crore.

Borrow when you need, pre-pay when you can

With a Flexi Personal Loan

Up to 45% lower EMIs

Loan up to Rs. 25 Lakh

Multiple withdrawals and part payment

During the year, the Company has taken guarantee cover for portfolios worth ₹ 3,582 crore under Credit Guarantee Fund Scheme for NBFCs (CGS-II) from Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) governed by the SIDBI.

For Professionals
BFL offers loans to doctors, chartered accountants, engineers and architects under this category. Professional loans consist of working capital loans and term facilities. Professional loans AUM grew by 39% over FY2019 to ₹ 7,326 crore. This business is present in over 1,100 locations in India.

Rural Lending

The rural lending business is a seven-year old initiative. BFL offers all its lending and deposits products in small towns and villages in India through its rural lending business. In FY2020, BFL expanded its rural footprint by setting up branches in eight new states and union territories. At the end of FY2020, it was present in 1,357 locations across 21 states and union territories in India. The business had AUM of ₹ 13,328 crore as on 31 March 2020 — up by 44% from a year earlier.

Commercial Lending

Commercial lending consists of the following products: loan against securities, loans to financial institution group (FIG), working and growth capital loans to auto component manufacturers and the light engineering industry, loans to speciality chemical and pharma industry and other mid-market companies. Commercial lending business closed FY2020 with AUM of ₹ 11,229 crore. BFL witnessed a significant reduction in its loan against securities AUM due to volatile stock market condition in the second half of FY2020. It fully exited from warehouse receipt financing business in FY2020.

Deposits

BFL accepts deposits from retail and corporate clients. At the end of FY2020, BFL had a deposit book of ₹ 21,427 crore, representing a growth of 62% compared to the end of FY2019. Deposits contributed to 21% of BFL's standalone borrowings versus 15% as at the end of FY2019. Within the overall deposits book, retail deposits grew 92% year-on-year to ₹ 13,127 crore. To further facilitate this growth, BFL, in FY2020, as a test, launched 31 fixed deposits service branches across three large cities in India.

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's co-branded credit cards business in partnership with RBL Bank continued to grow in a robust manner in FY2020. The co-branded credit card is now offered across 102 locations in India. The number of cards-in-force stood at over 1.83 million as on 31 March 2020.

BFL continued to grow its co-branded wallet business by offering EMI cards in digital format. It closed FY2020 with approximately 15 million digital cards; and disbursed over 660,000 loans under its ₹ 5K and ₹ 10K loan offering on its co-branded wallet platform.

Financial performance

Table 4 gives BFL's standalone financial performance for FY2020 vis-à-vis FY2019

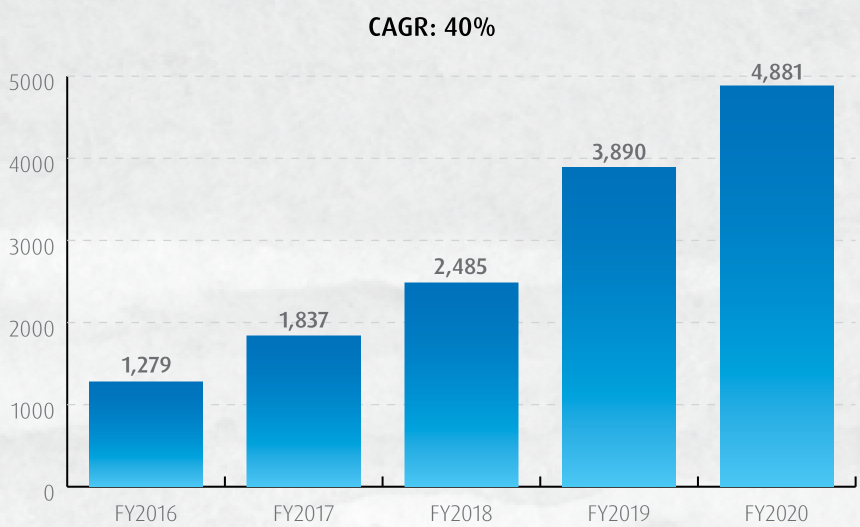
Table 4: Standalone Financials

(₹ In Crore)

Particular	FY2020	FY2019	Change
Total income	23,834	17,399	37%
Interest and finance charges	7,857	5,939	32%
Net interest income (NII)	**15,977**	**11,460**	**39%**
Employee benefit expenses	2,295	1,720	33%
Depreciation and amortisation	271	137	98%
Other expenses	2,798	2,092	34%
Pre-provisioning operating profit	**10,613**	**7,511**	**41%**
Impairment on financial instruments	3,805	1,476	158%
Profit before tax (PBT)	**6,808**	**6,035**	**13%**
Profit after tax (PAT)	**4,881**	**3,890**	**25%**
Other comprehensive income/ (expenses)	(114)	2	
Total comprehensive income	**4,767**	**3,892**	**22%**
Earnings per share (EPS) basic, in ₹	83.25	67.52	23%
Earnings per share (EPS) diluted, in ₹	82.60	66.95	23%
Book value per share, in ₹	529.85	339.09	56%

Chart C depicts growth of BFL's standalone profits after tax over the last five years.

Chart C: Standalone profit after Tax (₹ In Crore)



FY2019 and FY2020 profit are as per Ind AS, FY2018 profit has been recast as per Ind AS while FY2016 and FY2017 numbers are as per the erstwhile IGAAP.

Risk 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 and underwriting capabilities. Over years, sustained efforts to strengthen its risk framework have resulted in lower risk costs for the Company.

BFL's balanced approach to portfolio management coupled with a rigorous portfolio review mechanism has enabled it to pick up early warning signals and take corrective actions. The portfolio continues to remain healthy across most lines of businesses. With use of sophisticated analytics, BFL has maintained a healthy portfolio quality and takes risk mitigating policy actions with agility and precision.

A strong governance framework ensures that the Board of Directors and its committees approve risk strategies and delegates credit authorities. Robust underwriting practices and continuous risk monitoring ensure that portfolios stay within acceptable risk levels.

BFL 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.

Portfolio quality

BFL ended the year with a net NPA of 0.65% on consolidated basis. The standalone net NPA stood at 0.79%. On a consolidated basis, the Company's provision coverage on non-NPA assets, excluding the contingency provision, stood at 97 bps; and 159 bps including the contingency provision. Given the slowest GDP growth in last 40 years, FY2020 credit costs were higher than FY2019. BFL took several steps to manage its risk costs including lowering of AUM growth over four quarters of FY2020. It has also re-pivoted its mix towards lower risk assets like mortgages.

The Company's strategy of 'acquire and cross-sell' to manage cost and portfolio risk, based on the axiom that an existing customer poses significantly lower credit risk than a new customer, ensures lower risk across portfolios.

BFL has experience of lending to over 42.6 million customers as on 31 March 2020. Most businesses are focused on acquiring mass affluent customers — who represent bigger wallets, larger cross-sell opportunities and lower risk. The lending portfolio is diversified across various secured and unsecured products to meet almost all needs of the customer. The combination of a large franchise of mass affluent customers and multiple product offerings coupled with superior customer experience creates a strong cross-sell momentum, and thus reduces credit risk.

The Company has not only diversified risk across millions of customers and product categories but has also diversified its risk and portfolio in about 2,400 urban and rural locations in India. BFL's geographically distributed portfolio helps reduce concentration risks to the minimal.

The unprecedented health scare caused by COVID-19 which led to a countrywide lockdown is going to have a varying impact on different sectors of the economy. Salaried individuals may have to contend with a scenario of reduced income and/or job losses. Corporates, SMEs and MSMEs will struggle on account of reduced economic activities and business rhythm that is no longer efficient due to severe disruption in both demand and supply. All these will lead to major cash flow constraints and erosion in the asset value. These developments will, in turn, severely test the risk management framework across financial sector; and BFL will be no exception.

To provide relief on debt servicing obligations, the RBI has permitted financial institutions to offer moratorium to their borrowers on instalments falling due between 1 March 2020 to 31 May 2020. With uncertainties about the pace of easing of the lockdown restrictions, the time needed to restart the economy and attaining some level of normalcy, the servicing of debt obligation by these customers need to be monitored closely.

An analysis of the customer segments seeking moratorium and their past repayment behaviour reflects heightened anxiety from customer. This is borne out by our observation that nearly two-thirds of the customers seeking moratorium are those who had an impeccable repayment track record prior to COVID-19. Expectations of elevated default on timely payment of instalments and collection related constraints are likely to result in higher credit costs than witnessed hitherto. BFL has committed requisite investment to deepen its collections infrastructure to control its credit costs.

Based on early indicators of moratorium and delayed payment metrics observed in April 2020, the Company has made a contingency provision of ₹ 900 crore for COVID-19 in FY2020.

Operational risk management

BFL identifies various operational risks inherent in its business model. These cover risks of loss resulting from inadequate or failed internal process, people and systems, or external events. It has a dedicated pillar — the Operational Risk Management Framework — to effectively identify, measure, report, monitor and control such operational risks.

Analytics

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

The Company has been always an early adopter of evolving technologies and analytical tools like Big Data, Cloud Computing and Open Source software like R and Python — which now 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.

BFL has implemented various Machine Learning (ML) models in addition to classical logistic regressive models. It is also investing deeply in Artificial Intelligence (AI) for new acquisition and propensity management. 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. While doing so, BFL is conscious of customer's privacy and ensures customer consent is obtained for any cross-sell offerings.

In FY2020, BFL hired more than 100 data science and technology graduates from IIT's (Indian Institute of Technology) and other premier institutes in India. These graduates will deepen our ability to integrate data insights into decision processes and deliver cutting edge solutions.

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 utilisations for business and risk management. Significant investments have been committed to strengthen our data lake ecosystem and ML capabilities to enable data mining on semi-structured and unstructured data.

- BFL's entire data ecosystem and analytic workloads are now hosted on Microsoft Azure platform. This allows the computational flexibility to develop and deploy Big Data workloads.
- 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 our risk scorecards to meet its growth.
- BFL's capability on risk analytics and scorecards helps adherence to the new expected credit loss (ECL) based provisioning requirement. This has also led the Company to re-define and strengthen its governance and processes around model monitoring and build controls around continuous validation of risk scorecards.
- Analytic 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. We continue 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.
- Democratisation and adoption have been the mainstays of BFL's analytics journey. To further strengthen and enhance our understanding of ML applications and usage across the Company, BFL has invested in an internal learning facility called the School of Analytics.

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 by credit rating agencies reaffirm the high reputation and trust BFL has earned for its sound financial management and ability to meet financial obligations.

BFL had been 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 17 April 2020, S&P changed the rating outlook from stable to negative owing to tough operating conditions arising out of the COVID-19 pandemic. It should be noted, however, that BFL's rating of 'BBB-' is equivalent to India's sovereign rating assigned by S&P Global Ratings.

The Company had a consolidated total borrowing of ₹ 129,806 crore as on 31 March 2020. 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.

During FY2020, BFL established a secured Euro Medium Term Note (MTN) Programme for USD 1.5 billion on Singapore Stock Exchange. The MTN programme enables the Company to issue foreign currency denominated bonds in international markets. The Company continues to evaluate various options of diversification of liabilities sources including ECB. During the year, BFL raised its first tranche of fully hedged ECB term loans of USD 575 million, equivalent to ₹ 4,082.66 crore.

During FY2020, the RBI sought to address NBFCs asset liability mismatches and introduced the liquidity coverage ratio (LCR) requirement for all deposit taking NBFCs, and non-deposit taking NBFCs with an asset size of ₹ 5,000 crore and above. The new regulation mandated these NBFCs to maintain a minimum level of high-quality liquid assets to cover expected net cash outflows in a stressed scenario. The regulation also stipulated that these NBFCs should attain LCR of

100 per cent over a period of four years in a phased manner commencing from December 2020. BFL's liquidity buffer management framework is more than equipped to adhere and, indeed, surpass the requirements of this guideline.

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

Table 5 gives the behavioural maturity pattern of BFL's asset and liabilities, and depicts the prudent approach toward its ALM management. As can be seen, BFL has maintained significantly positive ALM position across all buckets as against 15% negative ALM position permissible under the current RBI regulations.

Table 5: Behaviouralised ALM snapshot as on 31 March 2020

(₹ In Crore)

Particulars	1 month	> 1 to 2 month	> 2 to 3 month	>3 to 6 month	> 6 month to 1 year	> 1 to 3 years	> 3 to 5 years	> 5 years	Total
A. Inflows									
Cash and investments	12,517	1	1	4	120	2,115	437	5,560	**20,755**
Advances	6,584	4,116	6,262	13,863	19,566	42,699	16,116	7,851	**117,057**
Trade receivable and others	4,620	59	808	60	915	4,605	–	1,606	**12,674**
Total inflows	**23,721**	**4,176**	**7,071**	**13,927**	**20,601**	**49,419**	**16,553**	**15,018**	**150,486**
B. Cumulative total inflows	**23,721**	**27,897**	**34,968**	**48,895**	**69,496**	**118,915**	**135,468**	**150,486**	–
C. Outflows									
Borrowings repayment	3,546	3,418	5,739	9,858	15,939	43,982	14,170	11,789	**108,441**
Other outflows	3,878	376	890	754	587	1,095	50	1,362	**8,992**
Capital reserves and surplus	–	–	–	–	–	–	–	33,053	**33,053**
Total outflows	**7,424**	**3,794**	**6,629**	**10,612**	**16,526**	**45,077**	**14,220**	**46,204**	**150,486**
D. Cumulative total outflows	**7,424**	**11,218**	**17,847**	**28,459**	**44,985**	**90,062**	**104,282**	**150,486**	
E. Gap (A-C)	**16,297**	**382**	**442**	**3,316**	**4,075**	**4,342**	**2,333**	**(31,186)**	
F. Cumulative GAP (B-D)	**16,297**	**16,679**	**17,121**	**20,436**	**24,511**	**28,853**	**31,186**	**-**	
G. Cumulative GAP (%) (F/D)	**220%**	**149%**	**96%**	**72%**	**54%**	**32%**	**30%**		
H. Permissible cum. GAP (%)	**(15)%**				**(15)%**				

Till date, BFL has assigned ₹ 10,603 crore of its receivables. No assignment was done in FY2020. The net assigned portfolio outstanding as on 31 March 2020 stood at ₹ 2,685 crore.

Our judicious strategy of maintaining a longer duration for liabilities than assets, coupled with and an optimal mix of borrowings between banks, money markets, external commercial borrowings and deposits have helped us to effectively manage our net interest margin (NIM) throughout FY2020.

Technology

BFL has been at the forefront of technology adoption among NBFCs, and has continuously leveraged existing and emerging technologies to launch new products, enhance customer acquisition and servicing processes along with simplifying the back-office. In doing so, it has invested in tools, technologies and practices for robust and expeditious 'Development-to-Operations' implementation to enable delivery of applications and services at a high velocity. To facilitate rapid development and operational use of technology, BFL has restructured its technology organisation by hosting development, operations, quality assurance and security teams in a single unit to deliver fully integrated and tested application lifecycles.

We have deeply invested in Application Programme Interface (API) to integrate specialised applications with customer facing interfaces like web portals, app infrastructure and BOTS on to a micro services architecture supported by platform as a service (PaaS) infrastructure.

Investment in data technologies has accelerated our transition to the next generation campaign management, business intelligence (BI) and analytics. With a scalable cloud-based Enterprise Data Warehouse (EDW) architecture in place, BFL has now deployed the data lake infrastructure — with raw data getting streamed through 'change data capture' (CDC) technology from multiple online transaction processing system. This enables exploratory deep data analysis on the raw data as against pre-cooked and curated variables.

BFL is also actively investing and deploying capabilities in AI and ML in facial recognition, optical character recognition (OCR), natural language processing (NLP) and voice. These technologies will enable frictionless customer experience at various touch points. Some examples are as follows:

- Machine learning (ML): We have deployed advanced machine learning models in the area of risk management, fraud prevention, pre-approved offer generation, offer pricing and offer recommendation.
- Facial recognition: This technology has been deployed in our corporate office and over 180 branches for contactless access in the office premises. We have also introduced this in over 25 services branches for seamless customer recognition and service offerings. We are now running a pilot of facial recognition technology in select consumer electronics stores for differentiated and frictionless check-in experience for our customers.
- Natural Language Processing (NLP): BFL uses NLP to process unstructured text onto a structured dataset. With NCP, we can read through digital underwriting notes, bank statements, invoice data and derive data variables from plain text based information like chat-bots, which enriches our customer insights. With over 40 million interactions and our continuous investment in NLP Bots infrastructure, BFL is now transitioning to Voice Bots channels — and has already deployed more than 25 skills on Alexa and Google Assistant.
- Technology Innovation and Collaboration Center (TICC): We conceptualised, co-designed, developed and deployed a 15,000 square feet state-of-art innovation and collaboration center in Pune. TICC houses multi-mode collaboration zones and executive briefing centres, partner zones for displaying and demonstrating latest and emerging technologies, fintech demo floor for hosting tech start-ups, prototyping zones for research and faster production deployment, a knowledge hub warehouse of technological materials that are customised for BFL employees. TICC will accelerate innovation, collaboration and research in emerging technologies and enable faster production deployment.

Enterprise technology architecture is being rapidly modernised to address the need for consumerisation and manage the scale and agility requirements of the Company. This is in collaboration with global technology partners and start-ups. Bajaj Finance has deeply invested in cloud and data infrastructure, and has defined a roadmap for micro services architecture and core application modernisation. We follow the philosophy of distributed architecture to manage scale and agility.

Bajaj Finance ranked 5th among India's Best Companies to work for in 2020

Ranked 11th among best large workplaces in Asia in 2020

Further, the Company is continuously working to transition our customer facing interfaces like web portals and Bots on to a micro services architecture with an auto scale layer supported by platform as a service (PaaS) infrastructure. This enables faster change management and provides ability to scale as well as to have rapid deployment.

With our scalable cloud based enterprise data warehouse (EDW) architecture, we have invested in real-time data stream ingestion technology for unstructured data analyses and re-marketing. BFL now runs large data workloads on Big Data infrastructure. Having the Big Data environment co-located with EDW has significantly powered customer segmentation, bureau time series, collection skip trace and de-duplication workloads.

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 a 'Work-from-Home' (WFH) protocol. Simultaneously, BFL increased its thrust on digital capabilities to connect with customers for servicing and recovery during the lockdown period.

Customer service

We strive 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. We always aim to reduce the time to disburse loans with minimal documentation. And we have enhanced and introduced varied communication and service channels to keep our customers informed and 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 now provides support to customers across the BFL website, portal, mobile app and Wallet. We have also introduced an interactive voice based self service capability on Google Assistant and Alexa. These help customers in answering their basic queries. For non-digitally savvy customers, we have introduced a 'Dynamic Missed Call Service' for getting life-stage based details of latest relationships with BFL. To improve communication reach and effectiveness, we have also introduced customer communication on WhatsApp.

As mentioned earlier, during FY2020, BFL introduced its facial recognition technology to its customers in service branches across major cities. These facial recognition kiosks have provided superior customer experience to walk-in customers. We have also introduced 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 preferred by its customers. In addition, customer communications through digital channels like IVR and mobile apps are also available to customers in vernacular languages.

With COVID-19, the RBI initiated debt servicing relief to borrowers — where all commercial banks, co-operative banks, all-India financial institutions and NBFCs were permitted to give moratorium to customers in respect of all term loans instalments outstanding as on 1 March 2020. Accordingly, BFL has started offering repayment moratorium to its impacted customers to assist them in protecting their cash flows in these trying times.

Human resources

Our people are our key assets. In an increasingly competitive market for talent, we focus on attracting and retaining the right talent, and fostering a work culture that is always committed to providing the best opportunities to employees to realise their potential.

As on 31 March 2020, BFL, including its subsidiaries, had 26,969 full-time employees. It added 6,806 employees in FY2020.

We conduct an annual employee engagement (ESAT) survey, through Kincentric (earlier know as Aon Hewitt), a global leader in human resource consulting, to gauge satisfaction of our employees. Through a series of objective questions, the ESAT survey helps us to assess satisfaction levels of employees across three important dimensions: (i) Say — do employees consistently speak positively about the Company to co-workers, potential employees and customers; (ii) Stay — do employees have an intense desire to be a member of the Company and associate their future with it; and (iii) Strive — do employees feel motivated to exert extra effort for the Company.

The FY2020 ESAT score saw a two percentage point increase to 91%. This places BFL in the top quartile of employee engagement across all industries in India.

We responded swiftly to the COVID-19 outbreak by adopting various measures to ensure health and safety of our employees. We cancelled all international trips, all physical trainings and conferences, curtailed domestic travels, and took extensive precautions like sanitisation of offices, availability of hand sanitisers and masks and operations in multiple shifts to ensure lesser number of staff — thus enabling social distancing. We have readied our offices to further ensure health protocols, such as making operational our Central Emergency Service Desk (CESD) into a 24x7 helpline, continuous communication on protection and social distancing, and self-declaration surveys for employees on their health status.

Awards

- *April 2019:* Ranked among the Top 25 Best Large Workplaces in Asia, 2019, (Rank 9) by the ‘Great Places to Work’ Institute.
- *May 2019:* Recognised among organisations having more than 10,000 employees by the ‘Great Place to Work’ Institute.
- *May 2019:* Recognised as one of the Best in the NBFC Industry by the ‘Great Place to Work’ Institute.
- *June 2019:* India’s Best Companies to Work for 2019, by the ‘Great Place to Work’ Institute.
- *August 2019:* Featured among the ‘Best Employers in India’, 2019, by Aon Hewitt.
- August 2019: Leapvault Tata Institute of Social Sciences (TISS) Chief Learning Officer’s Silver Shield for simulation based learning program.
- *September 2019:* Economic Times Awards for Corporate Excellence-Company of the Year for BFL.
- *September 2019:* Financial Express (FE) India’s Best Banks Awards-Banker of the Year (2017-18) Award for Sanjiv Bajaj.
- *September 2019:* FE India’s Best Banks Awards–Best NBFC of the Year 2017-18, for Bajaj Finance Ltd.
- *September 2019:* CEO of the Year, financial services category–Business Today Awards 2019, Rajeev Jain, Managing Director of BFL.
- *December 2019:* Best 50 People Capital Index Companies for 2019–Jombay.

Internal control systems and their adequacy

BFL 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.

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 non-performing assets, capital adequacy, statutory liquidity ratio, etc. The capital to risk-weighted assets ratio of BFL is 25.01% (Ind AS), which is well above the RBI norm of 15%.

Bajaj Housing Finance Ltd.

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 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.

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 FY2020, the home loans business had AUM of ₹ 21,435 crore, a growth of 85% compared to the end of FY2019.

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 15 locations across India. It ended FY2020 with AUM of ₹ 3,996 crore, a growth of 84% over FY2019.

Lease rental discounting

BHFL focusses 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 72% in FY2020 to ₹ 2,940 crore.

Developer financing

BHFL offers construction finance (CF) and inventory finance to small to mid-size developers with strong track record 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 2020, stood at ₹ 1,774 crore.

Rural mortgages

BHFL offers home loans and loans against property to salaried and self-employed customers across 73 small towns in India. Rural mortgages business operates at an average loan value of nearly ₹ 1.3 million per customer. It closed FY2020 with AUM of ₹ 1,629 crore

Tables 6 and 7 give the snapshot of BHFL's operation in FY2020.

Table 6: BHFL's Standalone Financials

(₹ In Crore)

Particular	FY2020	FY2019	Change
Total income	2,646	1,150	130%
Interest and finance charges	1,616	685	136%
Net interest income (NII)	**1,030**	**465**	**121%**
Total operating expenses	339	297	14%
Pre-provisioning operating profit	**691**	**168**	**311%**
Impairment on financial instruments	124	25	396%
Profit before exceptional item and tax	**567**	**143**	**297%**
Exceptional item	-	6	
Profit before tax (PBT)	**567**	**149**	**281%**
Profit after tax (PAT)	**421**	**110**	**283%**
Other comprehensive income/(expenses)	(1)	(2)	0%
Total comprehensive income	**420**	**108**	**289%**
Earnings per share (EPS) basic, in ₹	1.12	0.52	

Table 7: BHFL's Assets Under Management

(₹ In Crore)

Assets Under Management	FY2020	FY2019	Change
Housing loans (including top ups)	21,435	11,584	85%
Loan against property	3,996	2,176	84%
Lease rental discounting	2,940	1,705	72%
Developer finance	1,774	705	152%
Rural mortgage loans	1,629	860	89%
Other loans	931	532	75%
	32,705	**17,562**	**86%**

Bajaj Financial Securities Ltd.

Bajaj Financial Securities Ltd. ('BFinsec'), a 100% subsidiary of BFL, is registered with SEBI as a stock broker and depository participant. It started its business operations from August 2019. BFinsec generated a total income of ₹ 11 crore and profit after tax of ₹ 2 crore in FY2020.

Consolidated Financial Statement

Table 8 gives a summary of consolidated financial performance for FY2020, including that of BHFL and BFinsec.

Table 8: BFL's Consolidated Financials

(₹ In Crore)

Particular	FY2020	FY2019	Change
Total income	26,386	18,500	43%
Interest and finance charges	9,473	6,623	43%
Net interest income (NII)	**16,913**	**11,877**	**42%**
Employee benefit expenses	2,549	1,939	31%
Depreciation and amortisation	295	144	105%
Other expenses	2,818	2,114	33%
Pre-provisioning operating profit	**11,251**	**7,680**	**46%**
Impairment on financial instruments	3,929	1,501	162%
Profit before tax (PBT)	**7,322**	**6,179**	**18%**
Profit after tax (PAT)	**5,264**	**3,995**	**32%**
Other comprehensive income/(expenses)	(116)	0	
Total comprehensive income	**5,148**	**3,995**	**29%**
Earnings per share (EPS) basic, in ₹	89.77	69.33	29%
Earnings per share (EPS) diluted, in ₹	89.07	68.75	30%
Book value per share, in ₹	538.4	341.4	58%

Key Ratios

Table 9 gives select key ratios for FY2020 vis-a-vis FY2019.

Table 9: BFL's key ratios on a consolidated basis

Ratios	FY2020	FY2019
Net interest income to average loans	13.32%	12.40%
Total operating expenses to NII	33.47%	35.33%
Return on equity (ROE)	20.24%	22.48%
Capital to risk-weighted assets ratio (CRAR) *	25.01%	20.66%
Tier I	21.27%	16.27%
Tier II	3.74%	4.39%
Gross NPA	1.61%	1.54%
Net NPA	0.65%	0.63%
Provisioning coverage ratio (PCR)	60%	60%
EPS- Basic (₹)	89.77	69.33
Diluted (₹)	89.07	68.75

* These ratios are on a standalone basis.

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.

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 FY2020.

This Report states 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 have gone 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 the Bajaj group to the highest standards of good corporate governance practices 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.

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 a promoter, at least one half of the board of the company should consist of independent directors.

Nanoo Pamnani, Vice-Chairman and independent director ceased to be a director of the Company with effect from 22 February 2020 consequent to his unfortunate demise.

As on 31 March 2020, 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 and 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.

More details regarding the directors are mentioned in the Directors' Report.

Number of meetings of the Board

During FY2020, the Board met nine times, viz., 16 May 2019, 25 July 2019, 17 September 2019, 18 September 2019, 22 October 2019, 28 November 2019, 29 January 2020, 21 February 2020 and 17 March 2020. 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 FY2020

Name of director	Category	Relationship with other directors	No. of Board meetings attended (out of 9)	Whether attended AGM
Rahul Bajaj	Chairman, non-executive	Father of Rajiv Bajaj and Sanjiv Bajaj	8	Yes
Nanoo Pamnani*	Vice-Chairman, non-executive, independent	-	7	Yes
Sanjiv Bajaj	Vice-Chairman, non-executive	Son of Rahul Bajaj and brother of Rajiv Bajaj	9	Yes
Rajeev Jain	Managing Director, executive	-	9	Yes
Madhur Bajaj	Non-executive	-	4	Yes
Rajiv Bajaj	Non-executive	Son of Rahul Bajaj and brother of Sanjiv Bajaj	5	Yes
Dipak Poddar	Non-executive, independent	-	3	Yes
Ranjan Sanghi	Non-executive, independent	-	8	Yes
D J Balaji Rao	Non-executive, independent	-	7	Yes
Dr. Omkar Goswami	Non-executive, independent	-	7	Yes
Dr. Gita Piramal	Non-executive, independent	-	8	Yes
Dr. Naushad Forbes	Non-executive, independent	-	8	Yes
Anami N Roy	Non-executive, independent	-	7	Yes

*ceased to be a director w.e.f. 22 February 2020 consequent to his demise.

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 FY2020, 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 attended by them.

The members of the Company vide an ordinary resolution passed at the annual general meeting 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 its 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 has also approved payment of ₹ 18,000,000 to late Nanoo Pamnani, Vice-Chairman and non-executive independent director, as additional commission in consideration for extra services rendered by him at the request of the Management, during FY2020.

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

Information supplied 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 functional heads 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 the Management to the Board is far ahead of the mandate under the SEBI Listing Regulations. The independent directors of the Company, met on 19 May 2020 and expressed their satisfaction on the quality, quantity and timeliness of flow of information between the Company Management and the Board, that is necessary for the Board to effectively and reasonably perform their duties.

Pursuant to the requirements under the NBFC Regulations, the following information, *inter alia,* are also being placed before the Board at regular intervals:

i. Risk management system, risk management policy and strategy followed
ii. Compliance with corporate governance standards
iii. Minutes of meetings of Risk Management, Asset-Liability and IT Strategy Committees
iv. Compliance with fair practices code
v. Functioning of grievance redressal mechanism at various levels of Management
vi. Update, review and monitoring frauds

Orderly succession to Board and Senior Management

The framework of succession planning for appointment of Board/Management is placed before the Board for its review. In addition, changes in the Senior Management and their responsibilities is updated to the Board from time to time.

Directorships and memberships of board committees

Table 2: Number of directorship/committee positions of directors as on 31 March 2020 (including the Company)

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

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

None of the director holds 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 company of a public company are included and 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, none of the directors serve as an independent director in more than seven equity listed companies or in more than three equity listed companies in case he/she is a whole-time 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.

Directorship in equity listed companies

Table 3: Name of equity listed entities where directors of the Company held directorships as on 31 March 2020 (including the Company)

Name of director	Name of the listed entity	Category
Rahul Bajaj	a. Bajaj Auto Ltd.	Chairman, executive
	b. Bajaj Finance Ltd.	Chairman, non-executive
Sanjiv Bajaj	a. Bajaj Auto Ltd.	Non-executive
	b. Bajaj Finance Ltd.	Vice-Chairman, non-executive
	c. Bajaj Finserv Ltd.	Chairman & Managing Director, executive
	d. Bajaj Holdings & Investment Ltd.	Managing Director & CEO, executive
	e. Maharashtra Scooters Ltd.	Chairman, non-executive
Rajeev Jain	a. Bajaj Finance Ltd.	Managing Director, executive
Madhur Bajaj	a. Bajaj Auto Ltd.	Vice-Chairman, non-executive
	b. Bajaj Electricals Ltd.	Non-executive
	c. Bajaj Finance Ltd.	Non-executive
	d. Bajaj Finserv Ltd.	Non-executive
	e. Bajaj Holdings & Investment Ltd.	Non-executive
Rajiv Bajaj	a. Bajaj Auto Ltd.	Managing director & CEO, executive
	b. Bajaj Finance Ltd.	Non-executive
	c. Bajaj Finserv Ltd.	Non-executive
	d. Bajaj Electricals Ltd.	Non-executive
	e. Bajaj Holdings & Investment Ltd.	Non-executive
Dipak Poddar	a. Bajaj Finance Ltd.	Non-executive, independent
	b. Poddar Housing and Development Ltd.	Chairman, executive
	c. V. I. P Industries Ltd.	Non-executive, independent
Ranjan Sanghi	a. Bajaj Finance Ltd.	Non-executive, independent
	b. Kemp & Co. Ltd.	Non-executive, independent
D J Balaji Rao	a. Bajaj Auto Ltd.	Non-executive, independent
	b. Bajaj Finance Ltd.	Non-executive, independent
	c. Bajaj Finserv Ltd.	Non-executive, independent
	d. Bajaj Holdings & Investment Ltd.	Non-executive, independent
	e. CMI FPE Ltd.	Non-executive, independent

Directorship in equity listed companies

Table 3: Name of equity listed entities where directors of the Company held directorships as on 31 March 2020 (including the Company) (Contd.)

Name of the director	Name of the listed entity	Category
Dr. Omkar Goswami	a. Ambuja Cements Ltd.	Non-executive, independent
	b. Bajaj Auto Ltd.	Non-executive, independent
	c. Bajaj Finance Ltd.	Non-executive, independent
	d. Godrej Consumer Products Ltd.	Non-executive, independent
Dr. Gita Piramal	a. Bajaj Auto Ltd.	Non-executive, independent
	b. Bajaj Finance Ltd.	Non-executive, independent
	c. Bajaj Finserv Ltd.	Non-executive, independent
	d. Bajaj Holdings & Investment Ltd.	Non-executive, independent
Dr. Naushad Forbes	a. Bajaj Auto Ltd.	Non-executive, independent
	b. Bajaj Finance Ltd.	Non-executive, independent
	c. Bajaj Finserv Ltd.	Non-executive, independent
	d. Bajaj Holdings & Investment Ltd.	Non-executive, independent
	e. Zodiac Clothing Co. Ltd.	Non-executive, independent
Anami N Roy	a. Bajaj Auto Ltd.	Non-executive, independent
	b. Bajaj Finance Ltd.	Non-executive, independent
	c. Bajaj Finserv Ltd.	Non-executive, independent
	d. Bajaj Holdings & Investment Ltd.	Non-executive, independent
	e. Glaxosmithkline Pharmaceuticals Ltd.	Non-executive, independent
	f. Finolex Industries Ltd.	Non-executive, independent

Note: For the purpose of the above information, only companies having its equity shares listed on a recognised stock exchange are considered in terms of the regulation 17A of the SEBI Listing Regulations.

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 have been debarred or disqualified from being appointed or continuing as directors of the Company by the Ministry of Corporate Affairs or any other statutory authority. The same 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 as laid down in the Act.

Accordingly, the Company has a Board approved code of conduct for Board members and Senior Management of the Company. The said code has been placed on the Company's website and can be accessed at https://www.bajajfinserv.in/finance-investor-relations-policies-and-documents

All the Board members and Senior Management personnel have affirmed compliance with the Code for the year ended 31 March 2020. A declaration to this effect signed by the Managing Director forms a part of this Report.

Maximum tenure of independent directors

In terms of the Act, independent directors shall hold office for a term 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.

Formal letter of appointment to independent directors

The Company issued a formal letter of appointment/re-appointment to independent directors in the manner as 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, Chairperson and individual directors.

The manner in which formal annual evaluation of performance was carried out by the Board is given below:

- The Nomination and Remuneration Committee (NRC), at its meeting held on 17 March 2017, revised the criteria for performance evaluation. The said 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, questionnaire-cum-rating sheet were deployed using an IT platform for seeking feedback of the directors with regards to the performance of the Board, its Committee, Chairperson 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, Chairperson and individual directors for the year 2019 and a consolidated report thereof were arrived at.
- The report of performance evaluation so arrived at, was then noted and discussed by the Board at its meeting held on 19 May 2020.
- The NRC reviewed the implementation and compliance of the performance evaluation at its meeting held on 19 May 2020.
- Under the law, as per the report of performance evaluation, the Board shall determine, *inter alia,* whether to continue the term of appointment of the independent director.
- Details on the evaluation of Board, non-independent directors and Chairperson of the Company as carried out by the independent directors at their seperate meeting held on 19 May 2020 have been furnished in a separate para elsewhere in this Report.

Remuneration policy

The Board, on recommendation of the NRC, has framed a remuneration policy. The 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 detailed remuneration policy is placed on the Company's website and can be accessed at https://www.bajajfinserv.in/media/finance/downloads/remuneration-policy.pdf

Board diversity policy

In compliance with the provisions of the SEBI Listing Regulations, the Board through NRC has devised a policy on Board Diversity. The objective of the said policy is to ensure that the Board comprises an adequate number of members with diverse experience and skills, such that it best serves the governance and strategic needs of the Company. The Board composition, as at present, broadly meets with the above objective.

Familiarisation programme

With a view to familiarise the independent directors with the Company's operations, as required under the SEBI Listing Regulations, the Company has held various familiarisation programmes for the independent directors relating to the Company, NBFC industry, business model of the Company, their roles, rights and responsibilities, major developments and updates on the Company and group, etc., throughout the year on an ongoing and continuous basis.

The 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 the director/employee to report to the Management, without fear of victimisation, any unacceptable work behavior, any 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. This mechanism provides safeguards against victimisation of directors/employees who avail of the mechanism and provides for direct access to the Chairman of the Audit Committee in exceptional cases. The policy has been appropriately communicated to the employees within the organisation and has also been hosted on the Company's website and can be accessed at https://www.bajajfinserv.in/media/finance/downloads/whistle-blower-policy.pdf

During FY2020, no employee has been denied access to the Audit Committee under this policy.

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, business, etc., is given in the Directors' Report.

BHFL is a material subsidiary within the meaning of the SEBI Listing Regulations.

The policy on 'material subsidiaries' in terms of the SEBI Listing Regulations, 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

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

Share Capital

As at 31 March 2020, the paid up capital of the Company was ₹ 120.34 crore consisting of 601,689,069 equity shares of face value of ₹ 2 fully paid up. For details of shares issued during FY2020 please refer the Directors' Report.

The Company has not issued any convertible securities.

Core skills/expertise/competencies

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 placed on the website of the Company and can be accessed at https://www.bajajfinserv.in/finance-investor-relation-annual-reports

Related party transactions

All related party transactions entered during FY2020 were on an arm's length basis and in the ordinary course of business under the Act and not material under the SEBI Listing Regulations.

All related party transactions during FY2020 were entered with the approval of the Audit Committee pursuant to provisions of the Act, SEBI Listing Regulations and RBI guidelines. The details of such transactions were placed before the Audit Committee for noting/review on a quarterly basis.

A statement showing the disclosure of transactions with related parties as required under Indian Accounting Standard 24 (Ind AS 24) issued by Institute of Chartered Accountants of India is set out separately in this Annual Report. Disclosures relating to related party transactions on a half-yearly basis are filed with the stock exchanges.

During FY2020, 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, and the same has also been hosted on the Company's website and can be accessed 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 limits (₹ 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

Disclosures

Suitable disclosures have been made in the financial statements, together with Management's explanation in the event of any treatment being different from that prescribed in the Ind AS.

Audit Committee

Pursuant to the Act, SEBI Listing Regulations and NBFC Regulations, the Company has an Audit Committee, meeting the composition prescribed thereunder with minimum two-third of the members (including Chairman) being independent directors. All the members are non–executive directors and 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 in order to comply 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.

Meetings and attendance

During FY2020, the Committee met four times viz., on 16 May 2019, 25 July 2019, 22 October 2019 and 29 January 2020. The meetings were scheduled well in advance and not more than one hundred and twenty days elapsed between any two meetings.

In addition to the members of the Audit Committee, these meetings were attended by Chief Financial Officer, internal auditor 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.

Late Nanoo Pamnani, erstwhile Chairman of the Committee was present at the AGM held on 25 July 2019 to answer members' queries.

Table 4: Composition of the Audit Committee and attendance record of the members for FY2020

Name of director	Category	No. of meetings attended (out of 4)
Dr. Omkar Goswami@	Chairman, non-executive, independent	4
Nanoo Pamnani*	Chairman, non-executive, independent	4
Sanjiv Bajaj	Non-executive	4
Ranjan Sanghi	Non-executive, independent	4

@ Designated as Chairman of the Committee w.e.f. 17 March 2020.
* Ceased to be a Chairman and member of the Committee consequent upon his demise on 22 February 2020.

Dr. Naushad Forbes has been inducted as a member of the Committee w.e.f. 19 May 2020.

During FY2020, 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 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 and as Compensation Committee for implementation of the BFL Employee Stock Option Scheme, 2009.

Meetings and attendance

During FY2020, the Committee met once on 16 May 2019.

Late Nanoo Pamnani, erstwhile Chairman of the Committee was present at the AGM held on 25 July 2019 to answer members' queries.

Table 5: Composition of the Nomination and Remuneration Committee and attendance record of the members for FY2020

Name of director	Category	No. of meetings attended (out of 1)
Ranjan Sanghi*	Chairman, non-executive, independent	1
Nanoo Pamnani@	Chairman, non-executive, independent	1
Rahul Bajaj	Non-executive	1
Sanjiv Bajaj	Non-executive	1
Dr. Omkar Goswami	Non-Executive, independent	1
Anami N Roy#	Non-Executive, independent	-

* Designated as Chairman of the Committee w.e.f.17 March 2020.
@Ceased to be a Chairman and member of the Committee consequent to his demise on 22 February 2020.
#Inducted as a member w.e.f. 17 March 2020.

During FY2020, the Board had accepted all recommendations of the Committee.

Risk Management Committee

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

The terms of reference of the Committee, *inter alia,* include, to manage the integrated risk, to lay down procedures to inform the Board about risk assessment and minimisation procedures in the Company and to frame, implement, monitor 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 the Management identifies and controls risk through a properly defined framework.

RBI vide circular dated 16 May 2019, mandated NBFCs with asset size of more than ₹ 50 billion to appoint a Chief Risk Officer (CRO). Pursuant to the same, Deepak Bagati has been appointed as CRO.

Meetings and attendance

During FY2020, the Committee met once on 18 September 2019.

Table 6: Composition of the Risk Management Committee and attendance record of the members for FY2020

Name of director/senior executive	Category	No. of meetings attended (out of 1)
Dr. Omkar Goswami@	Chairman, non-executive, independent	-
Nanoo Pamnani*	Chairman, non-executive, independent	1
Sanjiv Bajaj	Non-executive	1
Rajeev Jain	Managing Director	1
Dipak Poddar	Independent, Non-executive	Nil
Deepak Bagati#	Chief Risk Officer	-
Fakhari Sarjan	Enterprise Risk Officer	1
Sandeep Jain	Chief Financial Officer	1

@Appointed as a member and Chairman w.e.f. 17 March 2020.

*Ceased to be a Chairman and member of the Committee consequent to his demise on 22 February 2020.

#Appointed as the Chief Risk Officer and member of the Committee w.e.f. 29 January 2020.

During FY2020, the Board had accepted all recommendations of the Committee.

Stakeholders Relationship Committee

Pursuant to the Act and the 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 being 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 FY2020, the Committee met once on 29 January 2020 to, *inter alia*, review the status of investors' services rendered. The secretarial auditor as well as the Company Secretary were present. 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 FY2020, meeting of senior executives of KFin Technologies Pvt. Ltd. with few Committee members was organised to discuss regarding changes in the management and organisation set-up at KFin and its implication on their RTA operations.

Table 7: Details of the investor complaints received during FY2020

No. of complaints outstanding at the beginning of the year	No. of complaints received	No. of complaints not solved to the satisfaction of the shareholder	No. of complaints solved	No. of pending complaints
Nil	14	Nil	14	Nil

Table 8: Composition of the Stakeholders Relationship Committee and attendance record of the members for FY2020

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

@Ceased to be a member of the Committee consequent to his demise on 22 February 2020.

The Company Secretary of the Company acts as the Compliance Officer.

Ranjan Sanghi, Chairman of the Stakeholders Relationship Committee, was present at the AGM of the Company held on 25 July 2019, to answer shareholders' queries.

During FY2020, the Board had 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.

Meeting and Attendance

During FY2020, the Committee met once on 29 January 2020.

Table 9: Composition of the Duplicate Share Certificate Issuance Committee and attendance record of the members for FY2020

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

*Ceased to be a member of the Committee consequent to his demise on 22 February 2020.

Independent directors' meeting

The Ministry of Corporate Affairs vide General circular no. 11 dated 24 March 2020, granted relaxation in compliance with holding separate meeting of independent director without attendance of non-independent directors and members of the management for FY2019-20. The said meeting was, however, held on 19 May 2020 (earlier scheduled on 17 March 2020 and was postponed due to COVID-19) to *inter alia:*

i) note the report of performance evaluation from the Chairman of the Board for the year 2019;
ii) review the performance of non-independent directors and the Board as a whole;
iii) review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors; and
iv) assess 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. Gita Piramal as Chairperson for the meeting. All independent directors were present at the meeting.

Remuneration of directors

Pecuniary relationship/transaction with non-executive directors

During FY2020, there were no pecuniary relationship/transactions of any non–executive directors with the Company.

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/criteria-of-making-payments-to-ned.pdf

Details of Remuneration of directors

All non–executive directors are paid sitting fees and commission and one independent director is paid additional commission as per the details provided in the annexure to the Directors' Report in section VI(B) of Form MGT–9, i.e., Extract of the Annual Return.

Managing Director

During FY2020, the Company paid remuneration to Rajeev Jain, Managing Director (MD) of the Company as provided in annexure to the Directors' Report in section VI(A) of Form MGT-9, i.e., Extract of the Annual Return. The tenure of the MD was for five years upto 31 March 2020 with notice period of three months or salary in lieu thereof. The performance pay/bonus of MD is based on the performance of the Company and his contribution for the same. During FY2020, 141,450 stock options were granted to the MD at a grant price of ₹ 3,002.75, being the closing market price on NSE on the day preceding the day of grant, which 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.

Rajeev Jain was appointed as MD of the Company for a period of 5 years commencing 1 April 2015. Accordingly, his tenure as MD expired on 31 March 2020. The Board, on recommendation of the Nomination and Remuneration Committee, at its meeting held on 17 March 2020, approved his re-appointment as MD for of 5 years with effect from 1 April 2020.

During FY2020, none of the directors, other than the MD, were paid any performance-linked incentive. During FY2020, the Company did not advance any loans to any of its directors.

Shareholding of Directors

Information on shares held by directors in the Company as on 31 March 2020 is provided in an annexure to the Directors' Report in section IV(v) of Form MGT-9, i.e., Extract of the Annual Return. None of the directors hold any convertible securities in the Company.

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. As per the disclosures submitted by the Senior Management, there were no such transactions during FY2020.

Compliances regarding insider trading

Pursuant to SEBI (Prohibition of Insider Trading) Regulations 2015, as amended, 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').

The Board, at its meeting held on 22 October 2019, revised the Code of Conduct to regulate, monitor and report trading by Insiders in line with the requirements of SEBI (Prohibition of Insider Trading) Amendment Regulations, 2019.

Means of communication

Quarterly, half-yearly and annual financial results are published in 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 Anand Bazar Patrika (all editions). The Company also sends the half-yearly financial results, along with a detailed write-up, to all members.

The Company's website, https://www.bajajfinserv.in/corporate-bajaj-finance, which, 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. All financial and other vital official news releases are also communicated to BSE Ltd. (BSE) and National Stock Exchange of India Ltd.(NSE). The Company discloses material events or information to BSE and NSE, which are subsequently placed on its website.

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.

The Company, during FY2020, sent documents, such as notice calling the 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. Members desiring to receive the said documents in physical form continued to get the same in physical form, upon request during FY2020.

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 annual general meetings (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 if any
30th AGM	19 July 2017 at 12.15 p.m.	Issue of non-convertible debentures through private placement
31st AGM	19 July 2018 at 12.15 p.m.	Issue of non-convertible debentures through private placement
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
		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
		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
		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
		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
		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
		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
		8. Issue of non-convertible debentures through private placement

During FY2020, the Company had sought approval of the members, through postal ballot twice, the details of the same are given below:

1. Postal Ballot notice dated 17 September 2019:

   a. Special business and voting:

Sr. No.	Particulars	Votes [No. of shares and (%)]	
		In favour	Against
i.	Issue of securities to Qualified Institutional Buyers	469,115,449 (99.75%)	1,180,289 (0.25%)

   b. Details of the scrutiniser–Shyamprasad D Limaye (FCS No. 1587, CP No. 572)
   c. Date of scrutinisers report–24 October 2019
   d. Date of passing the resolution (last date of for voting)–23 October 2019

2. Postal ballot notice dated 29 January 2020:

   a. Special business and voting:

Sr. No.	Particulars	Votes [No. of shares and (%)]	
		In favour	Against
i.	Amendment to the Articles of Association of the Company	475,637,338 (97.63%)	11,568,540 (2.37%)
ii.	Fixing the Foreign Portfolio Investments' limit	413,191,772 (89.72%)	47,336,688 (10.28%)
iii.	Increasing the borrowing power of the Board to ₹ 160,000 crore	487,182,602 (99.46%)	2,627,666 (0.54%)
iv.	Creation of charge on the properties including whole or substantially the whole of Company's undertaking up to an amount of ₹ 160,000 crore	487,108,728 (99.46%)	2,627,775 (0.54%)

   b. Details of the scrutiniser–Shyamprasad D Limaye (FCS No. 1587, CP No. 572)
   c. Date of scrutinisers report–17 March 2020
   d. Date of passing the resolution (last date of for voting)–15 March 2020

The Scrutiniser's Report for the above Postal ballots have 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 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, shall be 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.

Details of capital market non-compliance, if any

The Company has complied with all the applicable legal requirements and 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.

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 FY2020. 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:

a. Number of complaints filed during FY2020	1
b. Number of complaints disposed of during FY2020	1
c. Number of complaints pending at the end of FY2020	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	Audit Fees	6,167,750
2	Other Services	9,189,000
	Total	**15,356,750**

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 the mandatory requirements of the SEBI Listing Regulations including but not limited to the provisions of regulations 17 to 27 and 46(i)(b) 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

33rd Annual General Meeting

Day and Date	Tuesday, 21 July 2020
Time	12.15 p.m.
Venue/Mode	The Company is conducting meeting through video conferencing ('VC')/other audio visual means ('OAVM') pursuant to the MCA circular. For details please refer to the Notice of AGM.

Ministry of Corporate Affairs vide its circulars dated 8 April 2020, 13 April 2020 and 5 May 2020 have provided option to companies to conduct Annual General Meeting (AGM) during calendar year 2020 through "VC or OAVM" and send financial statements (including boards' report, auditors' report and other documents to be attached therewith) through email only.

Accordingly, the Annual report of the Company for FY2020 along with the Notice convening the 33rd AGM is being sent only by email to the members, and all other persons/entities entitled to receive the same. The instructions for participating in the 33rd AGM through VC or OAVM have been provided in the Notice. The Notice can be accessed on the Company's website at https://www.bajajfinserv.in/finance-investor-relation-annual-reports and on website of the stock exchanges.

Financial calendar for FY2021

Unaudited first quarter financial results	July 2020
Unaudited second quarter financial results	October 2020
Unaudited third quarter financial results	January/early February 2021
Approval of audited annual results for the year ending 31 March	April/May 2021
Despatch/mailing of Annual Reports	June 2021
Annual General Meeting	July 2021

Registrar and share transfer agent

The Company had appointed Karvy Computershare Pvt. Ltd., as its registrar and share transfer agent and accordingly, processing of share transfer/dematerialisation/rematerialisation and allied activities were outsourced to it.

All operations of Karvy Computershare Pvt. Ltd. were transferred to Karvy Fintech Pvt. Ltd. with effect from 17 November 2018 pursuant to the order of the Hyderabad Bench of the National Company Law Tribunal. Further during FY2020, the name of Karvy Fintech Pvt. Ltd. was changed to KFin Technologies Pvt. Ltd. (hereinafter referred to as 'KFin') with effect from 5 December 2019.

All the share registry services are now handled in the name of KFin.

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 being processed at KFin. The work related to dematerialisation/rematerialisation is handled by KFin through connectivity with NSDL and CDSL.

Dividend and date of payment

The Board of Directors of the Company at their meeting held on 21 February 2020, declared an interim dividend of ₹ 10 per equity share (500%) of face value of ₹ 2 for FY2020, payable to shareholders holding shares as on 4 March 2020. The same was credited/dispatched to the shareholders on 9 March 2020.

The Board of Directors of the Company have proposed the above-referred interim dividend as final dividend for the financial year ended 31 March 2020. Dividend paid in the previous year was ₹ 6 per equity share (300%) of face value of ₹ 2.

Payment of dividend

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the '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 interim dividend was paid through electronic mode, where the bank account details of the members were available. Where dividend was paid through electronic mode, intimation regarding such remittance was sent separately to the members. In case where the dividend could not be paid through electronic mode, the same was 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 was printed on such payment instruments.

Pursuant to the aforesaid circular, the Company had written to shareholders holding shares in physical form requesting them to furnish details regarding their PAN and also their bank details for payment of dividend through electronic mode. Those shareholders who are yet to respond to the Company's request in this regard are once again requested to take action in the matter at the earliest.

For enabling the payment of dividend in future through electronic mode, members holding shares in physical form are requested to furnish updated particulars of their bank account to KFin along with a copy of a cancelled cheque of the bank account and self-attested copy of PAN card.

Beneficial owners holding shares in electronic form are requested to furnish their bank account details to their respective depository participants and ensure that such changes are recorded by them correctly. The request for updating particulars of bank account should be signed as per the specimen signature registered with KFin/depository participants, as the case may be.

Unclaimed dividend

Unclaimed dividend up to FY1995 have been transferred to the general revenue account of the Central Government. Members who have not encashed their dividend warrants upto FY1995 are requested to claim the said amount from Registrar of Companies, Maharashtra, Pune, Block A, 1st and 2nd Floor, PCNTDA Green Building, Near Akurdi Railway Station, Pune–411 044.

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, the unpaid/unclaimed dividend for FY1996 to FY2012 have already been transferred by the Company to the said Fund from 2003 onwards.

Unpaid/unclaimed dividend for the FY2013 shall become due for transfer to the said Fund in August 2020. Members are requested to verify their records and send their claim, if any, for FY2013, before the amount becomes due for transfer to the Fund. Communication is being sent to the members who have not yet claimed dividend for FY2013, requesting them to claim the same as well as unpaid dividend, if any, for the subsequent years. As a measure to reduce the unclaimed dividend, the Company also sends periodic reminder to shareholders who have not claimed their dividend for any year to approach the Company or its RTA with necessary documents for filing their claim.

The Company has uploaded the details of unclaimed dividend, unclaimed deposits and unclaimed interest on deposits on the Company's website and can be accessed at https://www.bajajfinserv.in/finance-investor-relations-unclaimed-dividends and also on website specified by the Ministry of Corporate Affairs http://www.iepf.gov.in/IEPF/services.html

Transfer of shares to IEPF

Pursuant to section 124(6) of the Act and the 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 by the Company within a period of thirty days of expiry of said seven years.

The Company will send individual letters through speed post or other permissible mode of communication, to all such members, whose dividend from FY2013 has remained unclaimed, requesting them to claim the amount of unpaid dividend on or before the Company proceeds with transfer of related shares to the demat account of IEPF. The Company also publishes a notice in the newspaper intimating the members regarding the said transfer and these details will also be made available on the Company's website and can be accessed at https://www.bajajfinserv.in/finance-investor-relations-unclaimed-dividends

During FY2020, the Company transferred 30,200 equity shares (P.Y. – 40,000 equity shares) of the face value of ₹ 2 in respect of 28 shareholders (P.Y. – 38 shareholders) to the Demat Account of the IEPF Authority held with NSDL.

Shareholder can claim such unpaid dividends and underlying shares transferred to the Fund by following the procedure prescribed in the IEPF Rules. A link of the procedure to claim is available on the Company's website at the link-
https://www.bajajfinserv.in/finance-investor-relations-unclaimed-dividends

Shareholders 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 FY2020, 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.

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 transferred in the physical category during FY2020 were 18,670 against 53,685 during FY2019, the details thereof were placed before the Board of Directors on a quarterly basis.

Relaxation granted by SEBI in wake of the COVID-19 pandemic

SEBI, considering the nation-wide lockdown, in wake of the COVID-19 pandemic, granted relaxation by extending the timelines for processing various investor request in case of physical securities including rematerialization of shares, transmission of shares, resolution of grievances, issue of duplicate share certificates, etc.

Dematerialisation/rematerialisation of shares and liquidity

During FY2020, 318,125 shares were dematerialized (P.Y. – 735,420 shares). No shares were rematerialised during FY2020 (P.Y. – 2,404 shares). Shares held in physical and electronic mode as on 31 March 2020 are as given in Table 1.

Table 1: Shares held in physical and electronic mode

	Position as on 31 March 2020		Position as on 31 March 2019	
Particulars	**No. of shares**	**% of total shares**	**No. of shares**	**% of total shares**
Physical	883,636	0.15	1,215,961	0.21
Demat:				
NSDL	586,398,344	97.46	562,093,910	97.25
CDSL	14,407,089	2.39	14,658,517	2.54
Sub-total	600,805,433	99.85	576,752,427	99.79
Total	**601,689,069**	**100.00**	**577,968,388**	**100.00**

Stock code

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

Listing on stock exchanges

Name	**Address**
BSE Ltd. (BSE)	1st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001
National Stock Exchange of India Ltd. (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 Ltd.

Annual Listing fees, as prescribed, have been paid to the said stock exchanges upto 31 March 2021.

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).

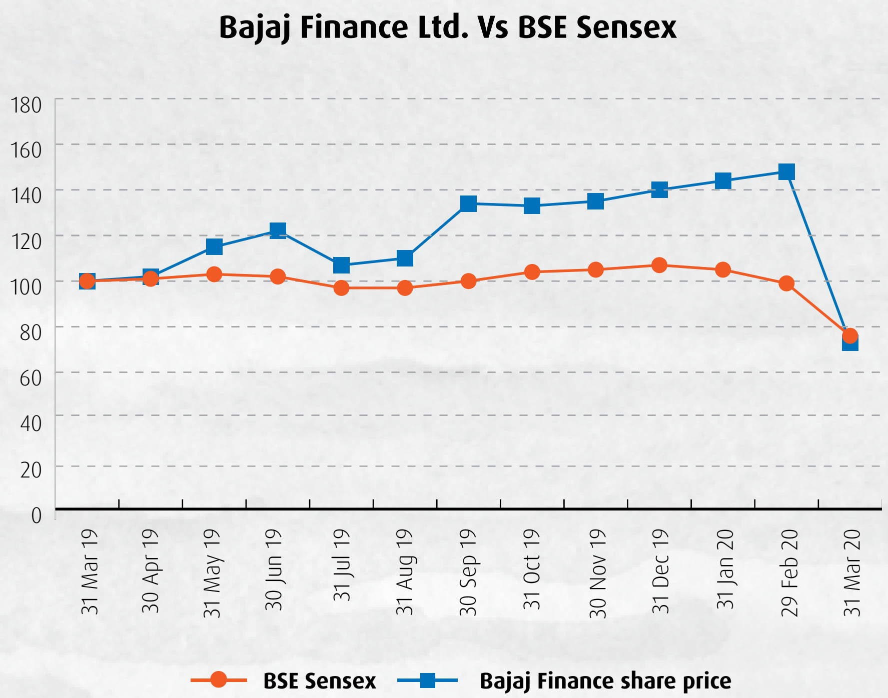
Market price data

Table 2: Monthly highs and lows of equity shares of Bajaj Finance Ltd. during FY2020 (₹ vis-á-vis BSE Sensex)

	BSE		NSE		
Month	High (₹)	Low (₹)	High (₹)	Low (₹)	Closing BSE Sensex
Apr-19	3,131.90	2,974.95	3,130.00	2,975.00	39,031.55
May-19	3,534.80	2,849.20	3,531.00	2,848.10	39,714.20
Jun-19	3,695.00	3,420.20	3,693.25	3,419.95	39,394.64
Jul-19	3,761.35	2,995.55	3,762.00	2,994.00	37,481.12
Aug-19	3,449.00	2,998.60	3,449.60	2,998.00	37,332.79
Sept-19	4,112.00	3,210.00	4,111.75	3,208.00	38,667.33
Oct-19	4,219.50	3,820.80	4,219.85	3,819.45	40,129.05
Nov-19	4,277.50	4,022.00	4,280.00	4,021.00	40,793.81
Dec-19	4,280.00	3,881.10	4,281.55	3,880.25	41,253.74
Jan-20	4,485.75	3,952.10	4,485.00	3,950.00	40,723.49
Feb-20	4,923.20	4,205.00	4,923.40	4,203.30	38,297.29
Mar-20	4,619.80	2,098.55	4,617.95	2,100.00	29,468.49

Chart: Performance in comparison to BSE Sensex

Bajaj Finance Ltd. stock performance Vs BSE Sensex, indexed to 100 on 31 March 2019



Distribution of shareholding

Table 3 gives details about the pattern of shareholding across various categories as on 31 March 2020, while Table 4 gives the data according to size classes.

Table 3: Distribution of shareholding across categories

	31 March 2020		31 March 2019	
Categories	**No. of shares**	**% to total capital**	**No. of shares**	**% to total capital**
Promoter and Promoter Group	338,169,045	56.20	318,678,085	55.17
Resident Individuals	51,604,554	8.58	53,330,547	9.23
Bodies Corporates/NBFCs	7,322,410	1.22	29,719,038	5.14
Mutual Funds/Financial Institutions/Banks	50,165,920	8.34	42,275,671	7.32
Foreign Institutional Investor/ Foreign Portfolio Investor	127,317,017	21.16	119,437,947	20.67
Non Resident Individuals/Foreign National	4,719,447	0.78	4,930,203	0.85
Alternate Investment Funds	3,626,422	0.60	2,272,097	0.39
Others	18,764,254	3.12	7,124,800	1.23
Total	**601,689,069**	**100.00**	**577,968,388**	**100.00**

Table 4: Distribution of shareholding according to size class as on 31 March 2020

Range of holding	No. of members	% to total members	No. of Shares held	% to total capital
1-1000	371,716	97.92	19,245,269	3.20
1001-5000	5,544	1.46	11,372,652	1.89
5001-10000	774	0.20	5,592,534	0.93
10001-100000	1,239	0.33	39,066,441	6.49
100001-500000	265	0.07	58,770,776	9.77
500001-1000000	29	0.01	21,968,387	3.65
1000001 and above	41	0.01	445,673,010	74.07
TOTAL:	**379,608**	**100.00**	**601,689,069**	**100.00**

Credit Rating

During FY2020, the Company retained its credit ratings owing to high capital adequacy, strong promoter support, tightened credit acceptance criteria and robust asset liability management. It also reaffirms the high reputation and trust the Company has earned for its sound financial management and its ability to meet financial obligations. The credit rating as at 31 March 2020 is given below:

Long term debt rating

- 'CRISIL AAA/Stable' for its long-term borrowing programme, which comprises of ₹ 38,457 crore for the non-convertible debenture (NCD) programme, ₹ 3,300 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 ₹ 1,290 crore for the NCD programme and ₹ 1,278.30 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 ₹ 11,035 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 ₹ 1,016 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

Investment grade Long term issuer rating of 'BBB-' with stable outlook and a short-term rating of 'A-3' by S & P Global.

Shareholders' and investors' grievances

The Board of Directors of the Company has constituted a Stakeholders Relationship Committee to specifically look into and resolve grievances of security-holders viz., shareholders, debenture holders and deposit holders on various matters. Queries/complaints received from stakeholders are promptly attended. Queries/complaints received during the period under review related to non-receipt of dividend non-receipt of annual report and change of address and/or bank particulars. As on 31 March 2020, there were no pending issues to be addressed or resolved.

During FY2020, letters were received from SEBI/ROC/stock exchanges/investors concerning 14 complaints filed by the shareholders on various matters, which were duly resolved.

As a green initiative, the Company availed of special services offered by NSDL to update email addresses of shareholders of the Company holding shares with depository participant registered with NSDL and who have not registered their email addresses. This would enable such shareholders to immediately receive various communication from the Company from time to time including the Annual Report, dividend credit intimation, half-yearly communication, etc. through email. Shareholders 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

To enhance shareholders' experience and with an aim to resolve shareholders' grievance at the earliest, KFin has launched a new mobile application–'KPRISM' for providing online service to shareholders. KPRISM can be accessed at http://kprism.kfintech.com/ Shareholders may download the mobile application and complete one time registration for availing of a host of services.

Demat suspense account for unclaimed shares

According to 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 FY2020 is given below:

Sr. No.	Particulars	Number of members	Numbers of shares
1	Shares lying in the unclaimed suspense account at the beginning of FY2020	127	143,860
2	Transfer to IEPF during FY2020	16	16,000
3	Transfer to claimants during FY2020	26	31,600
4	Shares lying in unclaimed suspense account at the end of FY2020 (4=1-2-3)	85	96,260

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 lodgment 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 death 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 21 July 2020.

Members who are entitled to participate in the AGM can view the proceedings of AGM by logging on the e-voting website of KFin at https://emeetings.kfintech.com/ using the 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 33rd AGM. Please refer the Notice of the 33rd AGM for more details, which is hosted on the Company's website at https://www.bajajfinserv.in/finance-investor-relation-annual-reports and on the website of stock exchanges.

Voting through electronic means

Pursuant to section 108 of Act and the Rules made thereunder and provisions under 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 shareholders would therefore be able to exercise their voting rights on the items put up in the Notice of AGM through such e-voting method. 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.

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

Cut-off date, as per the said Rules, is 14 July 2020 and the remote e-voting shall be open for a period of 3 (three) days, from 18 July 2020 (9.00 a.m.) till 20 July 2020 (5.00 p.m.).

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

Detailed procedure is given in the Notice of the 33rd AGM and is also placed on the Company's website at https://www.bajajfinserv.in/finance-investor-relation-annual-reports

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

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 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.

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 policy.

The Company, being a financial service 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 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

M S Madhusudhan/Mohd. Mohsinuddin
Tel No. (040) 67162222, Extn.1562
Fax No. (040) 23001153
Email ID: mohsin.mohd@kfintech.com
Website: www.kfintech.com

Company

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 FY2020, the Company has not sanctioned loans to any of its directors and there are no outstanding loans to directors as on 31 March 2020.
2. None of the employees of the Company are related to any of the directors.
3. Barring the impact of COVID-19 pandemic as described in the 'Management Discussion and Analysis' no significant event has taken place which will have an impact on the performance of the Company during FY2020, from the date of the Balance Sheet till the date of this report.
4. Profile of fixed deposits as on 31 March 2020:

Period of deposit (months)	No. of depositors	Amount (₹ In Crore)	% to total deposits
12-23	59,016	3,749.95	24.88
24-35	26,649	1,155.59	7.67
36-60	276,289	10,166.26	67.45
Total	**361,954**	**15,071.80**	**100.00**

As on 31 March 2020, there were 6 FDs amounting to ₹ 5.45 lakh which had matured and remained unclaimed and interest on matured deposits amounting to ₹ 0.36 lakh had also remained unclaimed.

DIRECTORS' REPORT

Your directors present the thirty-third Annual Report along with the audited standalone and consolidated financial statements for FY2020.

Sad demise of Nanoo Pamnani

At the outset, your Directors express their profound grief on the sudden and sad demise of Nanoo Pamnani, Vice-Chairman and independent director of Bajaj Finance Ltd. (the 'Company') who passed away on 22 February 2020.

His association with the Company began on 16 May 2007 when he joined the Board. His leadership helped the management to propel the Company to become the most diversified NBFC in the country over the last decade. This would not have been possible but for his astute expertise and supervision over years. He was the Chairman and Member of several Committees of the Board.

The Board places on records its sincere appreciation for valuable services rendered by Nanoo Pamnani as an independent director and Vice-Chairman of the Company. He will be missed dearly.

COVID-19 pandemic

The COVID-19 pandemic has caused a huge disruption creating an unprecedented impact on the financial well-being of nations, corporations and individuals. A detailed discussion on impact of COVID-19 on the NBFC sector and operations of the Company is covered in the 'Management Discussion and Analysis.'

Circulation of Annual Reports in electronic form

In view of the prevailing COVID-19 situation and consequent lockdown across the country, the Ministry of Corporate Affairs (MCA) has exempted companies from circulation of physical copies of Annual Report for FY2020.

Accordingly, the Annual Report of the Company for FY2020 is being sent only by email to the members, and all other persons/entities entitled to receive the same.

This Annual Report, along with other documents, is also available on the Company's website at https://www.bajajfinserv.in/finance-investor-relation-annual-reports

Financial results

The highlights of the standalone financial results are as under:

Table 1: BFL's Standalone financial performance

(₹ In Crore)

Particulars	FY2020	FY2019	% change over FY2019
Total income	23,834	17,399	37
Interest and finance charge	7,857	5,939	32
Net interest income	**15,977**	**11,460**	**39**
Total operating expenses	5,364	3,949	36
Pre-provisioning operating profit	**10,613**	**7,511**	**41**
Impairment on financial instruments	3,805	1,476	158
Profit before tax	**6,808**	**6,035**	**13**
Profit after tax	**4,881**	**3,890**	**25**
Retained earnings as at the beginning of the year	**7,612**	**4,788**	**59**
Profit after tax	4,881	3,890	25
Other comprehensive income on defined benefit plan	(25)	(9)	178
Retained earnings before appropriations	**12,468**	**8,669**	**44**
Appropriations			
Transfer to reserve fund u/s 45-IC(1) of the RBI Act, 1934	(977)	(779)	25
Dividend paid	(950)	(231)	311
Tax on dividend	(195)	(48)	306
Adjustment of dividend to ESOP Trust	3	1	200
Retained earnings as at the end of the year	**10,349**	**7,612**	**36**

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

Transfer to reserve fund

Pursuant to the RBI Directions, non-banking financial companies (NBFCs) are required to transfer a sum not less than 20 per cent of its net profit every year to reserve fund before declaration of any dividend. Accordingly, the Company has transferred a sum of ₹ 977 crore to reserve fund.

Subsidiaries, associates and joint ventures

The Company has two wholly owned 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. BHFL started its business in the financial year 2017-18 (FY2018). BFinsec commenced its commercial operations from August 2019 (FY2020).

The Company does not have any associate or joint venture company.

A summary of financial performance of subsidiaries viz., BHFL and BFinsec is given below:

(i) Bajaj Housing Finance Ltd. (BHFL)

BHFL is a housing finance company registered with NHB and is engaged in the business of mortgages. The performance highlights of BHFL for FY2020 are as below:

- Assets under management as at 31 March 2020 was ₹ 32,705 crore as compared to ₹ 17,562 crore, representing a growth of 86%.
- Total income increased by 130% to ₹ 2,646 crore.
- Net interest income rose by 122% to ₹ 1,030 crore.
- Total operating cost to net interest income improved significantly to 33% from 64% in FY2019.
- Impairment on financial instruments was ₹ 124 crore, which included a contingency provision of ₹ 50 crore for COVID-19.
- Gross NPA and Net NPA were at 0.08% and 0.05%, respectively, among the lowest across all HFCs.
- Profit before tax (PBT) increased sharply by 281% to ₹ 567 crore.
- PAT grew by 283% to ₹ 421 crore.
- As on 31 March 2020, capital adequacy was 25.15%, which is well above the NHB norms of 13%.

Regulation 16 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations') prescribes that a subsidiary whose income or net worth exceeds 10 per cent of consolidated income or net worth in the immediately preceding accounting year, shall be a material subsidiary. Based on the net worth of BHFL, it has become a material subsidiary of the Company.

(ii) Bajaj Financial Securities Ltd. (BFinsec)

BFinsec is registered with SEBI as a stock broker and depository participant. During FY2020, BFinsec also received registration from AMFI to act as a distributor of Mutual Fund products. It generated a total income of ₹ 11 crore and profit after tax of ₹ 2 crore in FY2020.

Performance and financial position of subsidiaries

A summary of financial performance for FY2020 of the wholly owned subsidiaries, i.e., BHFL and BFinsec is given below:

Table 2: BHFL's financial performance

(₹ In Crore)

Particulars	FY2020	FY2019	% change over FY2019
Total income	2,646	1,150	130
Interest and finance charges	1,616	685	136
Net interest income	**1,030**	**465**	**122**
Total operating expenses	339	297	14
Pre-provisioning operating profit	**691**	**168**	**311**
Impairment on financial instruments	124	25	396
Profit before exceptional item and tax	**567**	**143**	**297**
Exceptional item	-	6	
Profit before tax (PBT)	**567**	**149**	**281**
Profit after tax (PAT)	**421**	**110**	**283**
Other comprehensive income/(expenses)	(1)	(2)	0
Total comprehensive income	**420**	**108**	**289**
Earnings per share (EPS) basic, in ₹	1.12	0.52	

Table 3: BFinsec's financial performance

(₹ In Crore)

Particulars	FY2020	FY2019
Total income	11	2
Interest and finance charges	1	–
Net interest income	**10**	**2**
Total operating expenses	9	–
Profit before tax (PBT)	**1**	**2**
Profit after tax (PAT)	**2**	**1**

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

Pursuant to the provisions of section 136 of the Companies Act, 2013, as amended (the 'Act'), the financial statements, consolidated financial statements of the Company and separate financial statements of each of the subsidiary is available on the website of the Company at https://www.bajajfinserv.in/finance-investor-relation-annual-reports.

Dividend distribution policy

Pursuant to the provisions of regulation 43A of the SEBI Listing Regulations, the Company has formulated a Dividend Distribution policy. The said policy is annexed to this report. The policy states that the Board should, *inter alia,* consider prevailing circumstances and conditions in determining the distribution of dividend to its members.

Dividend

The Board of Directors, at their meeting held on 21 February 2020, declared an interim dividend of ₹ 10 per equity share (500%) of face value of ₹ 2, payable to shareholders holding shares as on 4 March 2020. The amount of interim dividend and tax thereon aggregate to ₹ 725.37 crore. Dividend paid for FY2019 was ₹ 6 per equity share (300%) of face value of ₹ 2. The amount of dividend and tax thereon aggregated to ₹ 419.46 crore.

The directors recommend for consideration of the shareholders at the ensuing annual general meeting (AGM), the above referred interim dividend as final dividend for the financial year ended 31 March 2020.

Share capital

As on 31 March 2020, paid-up share capital of the Company stood at ₹ 120.34 crore consisting of 601,689,069 equity shares of face value of ₹ 2 fully paid-up.

a. Qualified Institutions Placement

During FY2020, pursuant to provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, the Act, and the approval of members and of the Board of Directors, the Company made a Qualified Institutions Placement (QIP) of 21,794,871 equity shares of face value of ₹ 2 at a price of ₹ 3,900 per equity share (inclusive of premium of ₹ 3,898 per equity share), representing a discount of 2.98 per cent to the floor price of ₹ 4,019.78 per share, to Qualified Institutional Buyers (QIB) aggregating to approximately ₹ 8,500 crore.

The net proceeds from the aforementioned QIP was approximately ₹ 8,449.94 crore. The entire net proceeds have been utilised for the purpose stated in the placement document i.e., for funding the business requirements of the Company and for general corporate purpose.

b. Employee stock options

During FY2020, 19,25,810 equity shares, at applicable grant prices, were allotted to BFL Employee Welfare Trust pursuant to BFL Employee Stock Options Scheme, 2009.

Postal ballot

In addition to the approval for issue of securities by way of a QIP during FY2020, approval of shareholders was also sought for the below businesses, through a Postal Ballot. All the resolutions were passed by overwhelming majority:

- **Amendment to articles of association**

  The Articles of association of the Company were amended to insert an enabling provision for appointment of any person who has rendered significant or distinguished services to the Company or to the industry to which the Company's business relates or in the public field, as 'Chairman Emeritus'.

- **Investment limit of foreign portfolio investors**

  The Ministry of Finance (Department of Economic Affairs), vide its notification dated 17 October 2019, superseded the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 and the Foreign Exchange Management (Acquisition and Transfer of Immovable Property in India) Regulations, 2018 with the introduction of Foreign Exchange Management (Non-debt Instruments) Rules, 2019.

  As per the said rules, the FPI limit with effect from 1 April 2020, will automatically get enhanced to sectoral cap, i.e. 100 percent in case of the Company. However, the Board and the shareholders may choose to set a lower limit of 24 or 49 or 74 per cent. Accordingly, pursuant to the approval of the shareholders by means of a special resolution through a Postal Ballot, the investment limit of Foreign Portfolio Investors was fixed at 49 per cent. As per the said rules, this limit can be enhanced to 74 per cent or 100 per cent but cannot be reduced. For details of the shareholding of Foreign Portfolio Investors as on 31 March 2020, please refer the annexed 'Extract of Annual Return'.

- **Increase in borrowings powers and creation of charge**

  The Company has increased the borrowing powers of the Board from ₹ 130,000 crore to ₹ 160,000 crore, pursuant to section 180(1)(c) of the Act, and to create/provide necessary security for such borrowings by creation of charge on the assets of the Company, present and future, for an amount up to ₹ 160,000 crore.

  The combined borrowing limit of the BFL and its housing finance subsidiary, i.e., BHFL, as approved by their respective shareholders, now stands at ₹ 215,000 crore.

Working results of the Company

BFL enjoyed yet another strong year of performance aided by a diversified product mix, robust volume growth, prudent liability management, efficient operating costs and effective risk management. With a standalone AUM of ₹ 116,102 crore and a consolidated AUM of ₹ 147,153 crore, the Company has emerged as one of the leading diversified NBFCs in the country today. During the nine months ended 31 December 2019, the Company maintained its strong growth trajectory. It recorded a growth of 35% in consolidated AUM, and of 52% in consolidated profit after tax (PAT). The last quarter's performance was impacted due to a lockdown caused by COVID-19 which resulted in full year's consolidated AUM growing at 27% compared to 35% in the first nine months; and consolidated PAT increasing by 32% versus 52% in first nine months. It was still a strong outcome given the difficult environment.

Performance Highlights of the Company for FY2020 are as below

- Number of new loans booked increased by 17% to 27.44 million.
- AUM grew by 27% to ₹ 147,153 crore on a consolidated basis and by 18% to ₹ 116,102 crore on a standalone basis.
- Total income increased by 43% to ₹ 26,386 crore on a consolidated basis and by 37% to ₹ 23,834 crore on a standalone basis.
- Net interest income (NII) rose by 42% to ₹ 16,913 crore on a consolidated basis and by 39% to ₹ 15,977 crore on a standalone basis.
- Total operating cost to NII improved to 33% from 35% in FY2019 on a consolidated basis.
- Impairment on financial instruments was ₹ 3,929 crore on a consolidated basis, which included an accelerated charge of two identified large accounts of ₹ 483 crore and a contingency provision of ₹ 900 crore for COVID-19. This on a standalone basis was ₹ 3,805 crore including the accelerated charge of ₹ 483 crore and a contingency provision of ₹ 850 crore for COVID-19.
- BFL's consolidated and standalone net NPA stood at 0.65% and 0.79%, respectively-among 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 increased by 18% to ₹ 7,322 crore on a consolidated basis and by 13% to ₹ 6,808 crore on a standalone basis.
- PAT grew by 32% to ₹ 5,264 crore on a consolidated basis and by 25% to ₹ 4,881 crore on a standalone basis.
- As on 31 March 2020, capital adequacy was 25.01%, which is well above the RBI norms. Tier I adequacy was 21.27%.

The Company continued to prudently manage its asset liability management (ALM) with a strategy of raising long-term borrowings and maintaining a judicious mix of borrowings between banks, money markets and deposits. As on 31 March 2020, the Company had a consolidated liquidity buffer of ₹ 15,725 crore.

During FY2020, the Company's borrowing cost increased by 13 bps over FY2019. This was for two reasons; (i) elevated borrowing rates for the sector in the early part of FY2020 caused by default committed by a systemically important NBFC in September 2018; and (ii) conservative liquidity management stance of the Company to go long on its liability profile.

The Company's provision coverage on non-NPA assets, on a consolidated basis, excluding the contingency provision, stood at 97 bps and 159 bps including the contingency provision, which is higher than the extant provisioning norms of RBI for NBFCs.

Given the COVID-19 situation, 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 incapacitated customer service and debt recovery infrastructure, and (iv) continuing to service their own debt.

To overcome the COVID-19 crisis, governments across the world will look to the financial sector to help revive their economies. Here, given your Company's healthy capital adequacy, strong liquidity position, low gross NPA and net NPA, access to retail deposits, large customer franchise, diversified portfolio mix, granular geographical distribution and robust risk metrics, it is better placed than many others in the NBFC space to capitalise on the opportunities that will emerge in what will possibly be a totally new business environment.

Moratorium of loans

The Reserve Bank of India, 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. Accordingly, the Company started offering moratorium to its customers basis a Board approved policy.

Operations

Details regarding the operations of the different products of the Company and the state of affairs of the Company are covered in the 'Management Discussion and Analysis'.

Extract of Annual return

The Extract of Annual Return as provided under section 92(3) of the Act, in the prescribed form MGT-9 is annexed to this Report and is also hosted on the Company's website and can be accessed at https://www.bajajfinserv.in/finance-investor-relation-annual-reports

Directors and key managerial personnel (KMP)

A. Change in Directorate

On account of his untimely and sad demise on 22 February 2020, Nanoo Pamnani ceased to be a director with effect from the said date. The Board places on record its sincere appreciation for guidance, services and mentorship provided by late Nanoo Pamnani as an independent director and Vice-Chairman of the Company.

B. Directors liable to retire by rotation

Madhur Bajaj, director (DIN: 00014593) retires by rotation at the ensuing AGM, being eligible, offers himself for re-appointment. Necessary details for re-appointment as required under the Act and the SEBI Listing Regulations is given in the notice of 33rd AGM.

C. Re-appointment of Managing Director

Rajeev Jain (DIN: 01550158) was appointed as the Managing Director of the Company for a period of 5 years from 1 April 2015 up to 31 March 2020. The Board, on recommendation of the Nomination and Remuneration and after evaluating his performance and considering the Company's growth under his leadership approved his re-appointment for a period of 5 years commencing 1 April 2020, subject to approval of the shareholders.

Accordingly, resolution seeking his re-appointment for further term of 5 years forms a part of the notice convening the 33rd AGM.

D. Key Managerial Personnel

There was no change in the Key Managerial Personnel of the Company during FY2020.

Number of meetings of the Board

Nine (9) meetings of the Board were held during FY2020. Details of the meetings and attendance thereat forms part of the 'Corporate Governance Report'.

Audit committee

Consequent to demise of Nanoo Pamnani, Dr. Omkar Goswami was designated as Chairman of the Committee with effect from 17 March 2020. Further, Dr. Naushad Forbes has been inducted as a member w.e.f. 19 May 2020.

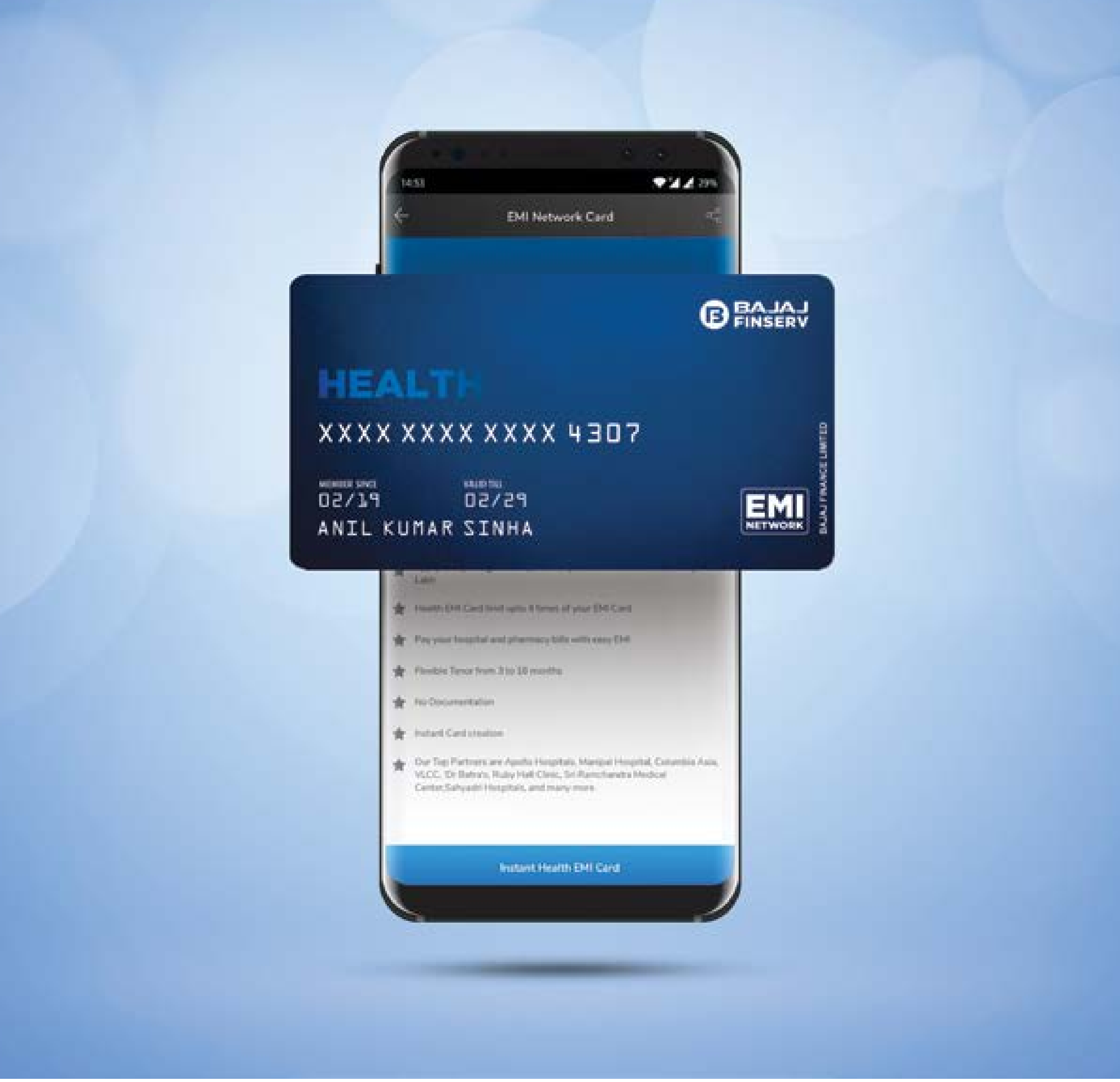
More details regarding the Audit Committee including composition, attendance at the meetings and brief terms of reference are given in the annexed 'Corporate Governance Report'.

Directors' responsibility statement

In compliance of section 134(5) of the Act, 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 FY2020;



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

5,500+ partner hospitals

(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.

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'. The said policy is placed on the Company's website at https://www.bajajfinserv.in/media/finance/downloads/remuneration-policy.pdf

Particulars of loans, guarantees and investments

The Company, being a non-banking financial company registered with the RBI and engaged in the business of giving loans, is exempt from complying with the provisions of section 186 of the Act w.r.t. loans. Accordingly, the disclosures of the loans given as required under the aforesaid section have not been made in this Report.

During FY2020, the Company made the following significant investments:

1. Investment in subsidiaries

BHFL–an amount of approximately ₹ 1,500 crore by subscribing to 1,333,333,329 equity shares at a price of ₹ 11.25 for equity share of face value of ₹ 10, on rights basis. The total investment in BHFL as on 31 March 2020 is approximately ₹ 5,050 crore.

BFinsec–an amount of ₹ 100 crore by subscribing to 100,000,000 equity shares of the face value of ₹ 10 issued at par, on rights basis. The total investment in BFinsec as on 31 March 2020 is approximately ₹ 120.38 crore.

2. Investment in One MobiKwik Systems Pvt. Ltd. (MobiKwik)

BFL was allotted 45,325 Series E compulsorily convertible cumulative preference shares, in tranches, against the receivables of the Company, pursuant to commercial agreement with MobiKwik, amounting to ₹ 37.32 crore. The total investment in MobiKwik as on 31 March 2020 is approximately ₹ 262.32 crore.

3. Investment in RBL Bank

BFL participated in qualified institutions placement of RBL Bank and was allotted 4,273,504 equity shares at a price of ₹ 351 per equity share aggregating to approximately ₹ 150 crore.

Information regarding investments covered under the provisions of section 186 of the Act is detailed in the financial statements.

Related party transactions

All contracts/arrangement/transactions entered by the Company during FY2020 with related parties were in compliance with the applicable provisions of the Act and SEBI Listing Regulations. Requisite approval of the Audit Committee was obtained for all related party transactions.

All related party transactions entered during FY2020 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.

During FY2020, there were no related party transactions requiring disclosure under section 134 of the Act. Hence, the prescribed Form AOC–2 does not form a part of this report. However, the details of transactions with related parties are provided in the Company's financial statements in accordance with the Indian Accounting Standards.

The Company's policy on materiality of and dealing with related party transactions, as approved by the Board, is uploaded on the website of the Company and can be accessed at https://www.bajajfinserv.in/media/finance/downloads/policy-on-materiality-of-related-party-transactions.pdf and is also included in the annexed '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 of the Company and the date of this Report.

Conservation of energy

The operations of the Company are not energy intensive. However, the Company has taken various measures for conservation of energy, these include:

- Switching from conventional lighting systems to LED lights at most of the branches in metro areas.
- Selecting and designing offices to facilitate maximum natural light utilisation.
- Use of cloud based virtual servers to increase energy efficiency and data security.
- Commencement of installation of solar panels at Nashik and Baroda branches.

Further details of initiatives taken by the Company are included 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 FY2020, the Company did not have any foreign exchange earnings and the foreign exchange outgo amounted to ₹ 203.67 crore (FY2019-₹ 35.39 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 Management identifies and controls risks through a defined framework in terms of the aforesaid policy. A detailed discussion on the Company's risk management and portfolio quality is covered in the 'Management Discussion and Analysis'.

Corporate social responsibility

During FY2020, the Company spent ₹ 82.19 crore on corporate social responsibility (CSR) activities as against mandatory expenditure of ₹ 81.92 crore. Detailed information on the CSR policy, its salient features and CSR initiatives taken during FY2020 and composition of the Committee is given in the annexed 'Annual Report on CSR activities'.

The CSR policy of the Company has been hosted on the website of the Company and can be accessed at https://www.bajajfinserv.in/finance-investor-relations-policies-and-documents.

Formal annual evaluation

Information on the manner in which formal annual evaluation has been 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 FY2020, no significant and material orders were passed by any regulator or court or tribunal impacting the going concern status and Company's operations in future.

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, 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.

Internal financial controls

The internal financial controls of the Company are commensurate with its size, scale and complexity of operations. The Company has robust policies and procedures which, *inter alia,* ensure integrity in conducting business, timely preparation of reliable financial information, accuracy and completeness in maintaining accounting records and prevention and detection of frauds and errors.

The internal financial controls with reference to the financial statements were tested and reported adequate and operating effectively.

Employee stock option scheme

During FY2020, there has been no change in the BFL Employee Stock Option Scheme, 2009 (the 'ESOP scheme') of the Company. The ESOP Scheme is in compliance with the SEBI (Share Based Employee Benefits) Regulations, 2014 (the 'SBEB Regulations').

A Statement giving complete details, as at 31 March 2020, pursuant to regulation 14 of the SBEB Regulations 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 FY2020.

Deposits

The Company accepts deposits from retail and corporate clients. As on 31 March 2020, it had a deposits book of ₹ 21,427.10 crore, delivering an annual growth of 62% in FY2020. Deposits contributed to 21% of BFL's standalone borrowings versus 15% as at the end of FY2019. To further facilitate this growth, BFL, in FY2020, as a test launched 31 fixed deposits service branches across three large cities in India.

During FY2020, the Company accepted public deposits of ₹ 8,172.43 crore. Public deposits outstanding as at the end of the year aggregated to ₹ 13,127.33 crore. As on 31 March 2020, there were 6 FDs amounting to ₹ 5.45 lakh which had matured and remained unclaimed and interest on matured deposits amounting to ₹ 0.36 lakh had also remained unclaimed.

Pursuant to provisions of the RBI Act, 1934, the Company has created a charge on statutory liquid assets amounting to ₹ 2,242.09 crore in favour of the trustee for FD holders.

During FY2020, the Company accepted inter corporate deposits (ICDs) of ₹ 7,098.19 crore. ICDs outstanding as on 31 March 2020 were ₹ 5,939.94 crore.

During FY2020, the Company accepted other deposits of ₹ 2,121.39 crore. Other deposit outstanding as on 31 March 2020 were ₹ 2,359.82 crore.

During FY2020, there was no default in repayment of deposits or payment of interest thereon.

External commercial borrowings and medium-term note programme

In January 2019, RBI permitted NBFCs to borrow up to USD 750 million per financial year pursuant to the External Commercial Borrowing (ECB) Framework under the 'Automatic' route. Accordingly, in June 2019, the Company established Secured Euro Medium Term Note Programme for USD 1.5 billion listed on Singapore Exchange Securities Trading Ltd., to be utilised over a period of time.

During FY2020, the Company has availed External Commercial Borrowings to the tune of USD 575 million equivalent to approximately ₹ 4,082.66 crore. The said borrowing is within the overall borrowing limits approved by the shareholders.

Debenture redemption fund

The Ministry of Corporate Affairs (MCA) has amended the Companies (Share Capital and Debenture) Rules, 2014, doing away with creation of debenture redemption reserve by NBFCs with respect to issue of non convertible debentures (NCDs). Vide the said amendment, now NBFCs are required on or before 30 April of each year to invest or deposit in prescribed securities, a sum not less than 15 per cent of the debentures maturing during the year ending on 31 March of the next year.

In view of the COVID-19 pandemic, MCA announced several special measures under the Act. As a part of such special measures, the due date to make investment/deposit for debentures maturing in FY2021 has been extended from 30 April 2020 to 30 June 2020.

Credit rating

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

The whistle blower policy is uploaded on the website of the Company and can be accessed at https://www.bajajfinserv.in/finance-investor-relations-policies-and-documents

RBI guidelines

The Company continues to fulfill all the norms and standards laid down by the 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 25.01% as on 31 March 2020. 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 results of the Company are placed on the Company's website https://www.bajajfinserv.in/finance-investor-relations-financial-information
- 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,* ratio of remuneration of directors and KMP 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) 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.

- During FY2020, the auditors have not reported any matter under section 143(12) of the Act, and therefore, no detail is required to be disclosed under section 134(3)(ca) of the Act.
- The Company being an NBFC, the provision relating to Chapter V, i.e., acceptance of deposit, of the Act, 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.
- Pursuant to RBI Master Direction-Information Technology Framework for the NBFC sector, the Company has constituted an IT Strategy Committee to review the IT strategies in line with its corporate strategies, cyber security arrangements and other matters related to IT governance.
- The provision of section 148 of the Act are not applicable to the Company. Accordingly, there is no requirement of maintenance of cost records as specified under section 148(1) of the Act.
- 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 FY2020 is given in the annexed 'Corporate Governance Report'.
- There is no change in the nature of business of the Company during FY2020.
- 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 BFL's holding or subsidiary companies. 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

Pursuant to the SEBI Listing Regulations, a separate section titled 'Corporate Governance' has been included in this Annual Report, along with the Reports on 'Management Discussion and Analysis' and 'General Shareholder Information'.

All Board members and Senior Management personnel have affirmed compliance with the code of conduct for FY2020. A declaration to this effect signed by the Managing Director of the Company 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

Pursuant to the provisions of the SEBI Listing Regulations, the Company is required to give Business Responsibility Report ('BRR') in the Annual Report. The BRR for FY2020 is uploaded on the website of the Company and can be accessed at https://www.bajajfinserv.in/finance-investor-relation-annual-reports

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).

Statutory auditors

Pursuant to the provisions 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 Audit Report by S R B C & CO LLP, for FY2020 is unmodified, i.e., it does not contain any qualification, reservation or adverse remark.

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. The same does not contain any qualification, reservation or adverse remark.

In addition to the above and pursuant to SEBI circular dated 8 February 2019, a report on secretarial compliance by Shyamprasad D Limaye for FY2020 has been submitted with stock exchanges. There are no observations, reservations or qualifications in the said report.

Acknowledgement

The Board of Directors would like to express its gratitude and its appreciation for the support and co-operation from its members, RBI and other regulators, banks, financial institutions, trustees for debenture holders and FD holders.

The Board of Directors also places on record its sincere appreciation for the commitment and hard work put in by the Management and the employees of the Company and thanks them for yet another excellent year.

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Pune: 19 May 2020

Annual Report on CSR activities

1. Brief outline of Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programmes

Introduction:

The vision and philosophy of late Shri Jamnalal Bajaj, the founder of Bajaj Group, guide 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 the 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, the Bajaj Group addresses the needs of communities residing in the vicinity of its facilities, 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. It is the reason behind the smiles that light up a million faces.

Its goodwill resonates in the two simple words that live in the collective consciousness of Indians–'Hamara Bajaj'.

Guiding Principles

The Bajaj group believes that social investments should:

- **Benefit Generations:** The Company believes in '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:** The Company believes that good health is a prerequisite 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:** The Company believes that activities should be preferably focused around locations where the Company has its presence and hence can effectively guide, monitor and implement specific projects.

- **Target those who need it the most:** Care for the sections of the society that are socially and economically at the lowest rung irrespective of their religion or caste or language or colour.

- **Sustain Natural Resources:** The Company encourages balanced development and ensure least adverse impact on environment-'Growth with Mother Nature's blessings'.

CSR at Bajaj Finance and Bajaj Finserv Group Companies

INTRODUCTION

'Society must profit from profit itself' – That was our founding father – Shri Jamnalal Bajaj's commitment and we continue to live by this commitment. Shri Jamnalal Bajaj embodied these values in our business philosophy, laying the foundation of our Group CSR activities – concentrating on giving back to society.

'Empowering the society' is at the core of our CSR program – Finserv Activate. We concentrate on four major areas – Healthcare, Education, Employability and Protection. We work closely with quality service providers and partners to provide solutions – actively and affordability.

OUR FOCUS AREAS

Healthcare

Healthcare has always been a concern in the country. From the last 4 years, we have partnered with various organizations to provide accessible and affordable to all sections of the society. We have setup grants for hospital equipment, financial support for treatments and medicines – ensuring that people, specially in remote areas get access to good quality healthcare at affordable prices.

Our focus area is 'Children' in the areas of congenital heart disease, cleft, and palate reconstruction surgeries, treatment for childhood cancers, epilepsy, Type II diabetes, vision care, etc.

Protection

There has always been a concern in the country about children, specially from the lower strata and from less privileged backgrounds. They not only have access to protected atmosphere but battle a lot of hardships with include impoverishment, malnutrition, illness, dysfunctional families, and illiteracy. These are creating a roadblock in the child's future, if tackled or removed the children can have to opportunity to better their life's. We support various partners that provide shelter, education, as well as care for street children, abandoned children, and children in vulnerable communities. With the aim of creating an inclusive environment that channelizes the energies of these children towards productive purposes.

Employability

There is always a gap in graduate employability – this is more prominent in first-generation graduates. We believe that there is vast potential in the student population India, but most of them do not get opportunities to live up to that. We run a Certificate Programme in Banking, Finance and Insurance ('CPBFI'), to enhance skills and improve knowledge to graduates in tier 2 and below locations. We have partnered with 102 colleges in 7 states to conduct CPBFI for final year graduation and post-graduation students.

Education

Access to basic education is a challenge for a strata of our society. We work with several partners to support projects like schools for children with special needs, municipal schools, night schools, and open schools for children who could not continue with their education. Through these initiatives, we hope to provide an equal opportunity for all children to access education and shape a better future for themselves.

CSR policy

A detailed CSR policy was framed by the Company with approvals of the CSR Committee and Board on 14 May 2014. The policy, *inter alia*, covers the following:

- Philosophy
- Scope
- List of CSR activities
- Modalities of execution of projects/programmes
- Implementation through CSR cell
- Monitoring assessment of projects/programmes

CSR policy gives an overview of the projects or programmes which are proposed to be undertaken by the Company in the coming years.

The CSR policy is placed on the Company's website
https://www.bajajfinserv.in/finance-investor-relations-policies-and-documents

2. Composition of the CSR Committee

A Committee of the directors, titled 'Corporate Social Responsibility Committee', was constituted by the Board in its meeting held on 27 March 2014 with the following members:

- Rahul Bajaj-Chairman
- Nanoo Pamnani-Member
- Sanjiv Bajaj-Member

Consequent to demise of Nanoo Pamnani, the CSR Committee was re-constituted with induction of Dr. Naushad Forbes as member w.e.f. 17 March 2020.

During FY2020, the Committee met five times on 9 May 2019, 19 August 2019, 14 October 2019, 23 December 2019 and 16 March 2020.

3. Average net profit of the Company for last three financial years prior to FY2020: ₹ 4,095.86 crore

4. Prescribed CSR expenditure (2% of the amount as in item No. 3 above): ₹ 81.92 crore

5. Details of CSR spent during FY2020

Particulars	(₹ In Crore)
a. Total amount to be spent	81.92
b. Amount spent*	82.19
c. Amount unspent, if any (a-b)	Nil
d. Manner in which the amount spent is detailed below:	

*As provided in enclosed Table 1.

In addition to what is stated above, Bajaj Group implements many CSR initiatives of substantial value through its Group Charitable Trusts operating at various locations in the country.

Major initiatives that continued and/or that were taken up by the Bajaj Group through such entities during FY2020 are given in an annexure to this report. This annexure is hosted on the Company's website https://www.bajajfinserv.in/finance/investor-relations/annual-reports.aspx

6. In case the Company fails to spend the 2% of the average net profit of the last 3 financial years, the reasons for not spending the amount shall be stated in the Board Report

Not applicable.

7. Responsibility statement of the CSR Committee that the implementation and monitoring of CSR policy is in compliance with CSR objectives and policy of the Company

The CSR Committee confirms that the implementation and monitoring of CSR policy is in compliance with CSR objectives and policy of the Company.

Rahul Bajaj
Chairman of the Committee

Rajeev Jain
Managing Director

Pune: 19 May 2020

Table 1: Report on manner of expenditure for CSR during the financial year ended 31 March 2020

(₹ In Crore)

Sr. No.	Name of implementing agency	CSR project/activity identified	Sector in which the project is covered	Location of the project/programme (Local area or State/District)	Amount outlay/ approved	Amount spent direct/ overheads	Cumulative expenditure upto FY2020
A	**Through implementing agencies**						
1	Bandhan Konnagar	Healthy Motherhood-healthy Childhood and targeting the hardcore poor	Heathcare (i)	Ajmer, Nagaur, Rajasthan	21.80	20.00	20.00
2	CanKids.. KidsCan	CanKids AAC and CCC Programs with additional components	Heathcare (i)	Mumbai, Pune Maharashtra.,Jaipur, Bikaner, Rajasthan	3.00	1.50	1.50
3	Chief Minister Relief Fund	Flood relief for Maharashtra	Disaster relief (xii)	Maharashtra	2.50	2.50	2.50
4	Chief Minister Relief Fund (Odisha)	Cyclone relief for Odisha	Disaster relief (xii)	Odisha	5.00	5.00	5.00
5	Child Rights and You (CRY)	Addressing issues of Child Protection and Nutrition	Healthcare and promoting gender equality (i) and (iii)	12 Districts, Maharashtra and Rajasthan	9.46	1.50	1.50
6	Indian Software Product Industry Round Table (iSpirt) Foundation	Enabling financial inclusion through development of software product ecosystem	Eradicating poverty (i)	Pan India	1.50	1.50	1.50
7	Indian Institute of Technology	Rahul Bajaj Technology Innovation Centre	Technology Incubators	Mumbai, Maharashtra	12.50	10.00	10.00
8	Poona Blind Men's Association H. V. Desai Eye Hospital	Construction of an OT Complex	Healthcare (i)	Pune, Maharashtra	4.60	3.00	4.60
9	SATHI Pune (Society for assistance to children in difficult situation)	Rescue and restoration of runaway and separated children on railway platforms	Shelter Homes (iii)	Pune, Maharashtra Ajmer and Kota, Rajasthan	1.50	1.40	1.40
10	Seva Mandir	Early Childhood Care in Rural areas	Healthcare (i)	Udaipur, Rajasthan	3.00	1.00	1.00
11	Smile Train India	Free cleft reconstruction surgeries of children from poor families	Healthcare (i)	Maharashtra, Rajasthan and few cities of other states	19.20	6.80	19.20
12	Teach to Lead	Teach for India Fellowship and Alumni Leadership Incubators	Education (ii)	Pune	6.13	1.50	6.00
13	Yugarishi Shriram Sharma Acharya Charitable Trust (Akhand Jyoti Eye Hospital)	Make Ballia District Blindfree	Healthcare (i)	Ballia, Uttar Pradesh	5.00	4.50	4.50
14	Others through implementing agencies, such as Aai Janhit Bahuuddeshiy Sevabhavi Sanstha, Avvai Home Orphanage for Girls, JBGVS, Committed Communities Development Trust(CCDT), SOS Children's Villages of India, Ummeed Child Development Center	For different projects, such as Education, Woman empowerment, Environment, Helathcare, Homes and hostels for orphans and special education, etc	Education (ii), Woman empowerment (iii), Environment (iv), Healthcare (i)	For different locations PAN-India	47.25	16.14	34.42
					Total (A)	**76.34**	
B.	**Direct expenses**						
1	Certificate program in Banking, Finance and Insurance	Certification in in Banking, Finance and Insurance	Education (ii)	Pan India	14.05	3.78	4.20
2	Aranya-Tree Plantation drive (led by HR Team)	Tree Plantation	Environment (iv)	Bhilwara, Rajasthan and Pune, Maharashtra	0.15	0.14	0.13
					Total (B)	**3.92**	
					Overheads restricted to 5% of the CSR amount (C)	**1.93**	
					Total Disbursement(A+B+C)	**82.19**	

Extract of annual return (Form MGT-9)
As on 31 March 2020

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration and other details

Particulars	Details
CIN	L65910MH1987PLC042961
Registration date	25 March 1987
Name of the Company	Bajaj Finance Ltd.
Category/ Sub-category of the Company	Public Company, Limited by shares, NBFC
Address of the registered office and contact details	Akurdi, Pune-411035 Tel: 020-71576403 Fax:020-71576364 Email ID: investor.service@bajajfinserv.in
Whether listed company	Yes (BSE Ltd. and National Stock Exchange of India Ltd.)
Name, Address and Contact details of the Registrar and Transfer Agent, if any	KFin Technologies Pvt. Ltd. (previously known as Karvy Fintech Pvt. Ltd.) Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad–500 032 Contact Persons: M S Madusudhan / Mohd. Mohsinuddin Tel: 040-6716 2222 Fax: 040-23001153 Toll Free No.1800 345 4001 Email ID: mohsin.mohd@kfintech.com / einward.ris@kfintech.com Website: www.kfintech.com

II. Principal business activities of the Company

Sr. No.	Name and description of main products/services	NIC code of the product/service	% to total turnover of the Company
1.	Non-Banking Finance Company engaged in lending and allied activities	65923	100%

III. Particulars of holding, subsidiary and associate companies

Sr. No.	Name and address of the company	CIN/GLN	Holding/ subsidiary/ associate	% of shares held as on 31 March 2020	Applicable section
1	Bajaj Finserv Limited Bajaj Auto Limited Complex, Mumbai-Pune Road, Akurdi-411 035	L65923PN2007PLC130075	Holding	52.82	2(46)
2	Bajaj Housing Finance Limited Bajaj Auto Limited Complex, Mumbai-Pune Road, Akurdi-411 035	U65910PN2008PLC132228	Subsidiary	100.00	2(87)(ii)
3	Bajaj Financial Securities Limited Bajaj Auto Limited Complex, Mumbai-Pune Road, Akurdi-411 035	U67120PN2010PLC136026	Subsidiary	100.00	2(87)(ii)

IV. Shareholding pattern (Equity share capital breakup as percentage of total equity)

i) Category-wise shareholding

Category of shareholders	No. of shares held at the beginning of the year (as on 1 April 2019)				No. of shares held at the end of the year (as on 31 March 2020)				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoters and promoter group									
(1) Indian									
a) Individual/HUF	861,015	0	861,015	0.15	861,015	0	861,015	0.14	(0.01)
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	318,017,070	0	318,017,070	55.02	337,308,030	0	337,308,030	56.06	1.04
e) Banks/FI	0	0	0	0	0	0	0	0	0
f) Any other	0	0	0	0	0	0	0	0	0
sub-total (A)(1)	**318,878,085**	**0**	**318,878,085**	**55.17**	**338,169,045**	**0**	**338,169,045**	**56.20**	**1.03**
(2) Foreign									
a) NRIs-Individuals	0	0	0	0	0	0	0	0	0
b) Other-Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
sub-total (A)(2)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total shareholding of promoters and promoter group (A) = (A)(1) + (A)(2)	**318,878,085**	**0**	**318,878,085**	**55.17**	**338,169,045**	**0**	**338,169,045**	**56.20**	**1.03**

i) Category–wise shareholding (Contd.)

Category of shareholders	No. of shares held at the beginning of the year (as on 1 April 2019) Demat	Physical	Total	% of total shares	No. of shares held at the end of the year (as on 31 March 2020) Demat	Physical	Total	% of total shares	% change during the year
B. Public shareholding									
(1) Institutions									
a) Mutual Funds/AIF	43,697,675	1,000	43,698,675	7.56	52,231,391	1,000	52,232,391	8.68	1.12
b) Banks/FI	844,093	5,000	849,093	0.15	1,554,951	5,000	1,559,951	0.26	0.11
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt(s).	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	4,587,962	0	4,587,962	0.79	10,625,518	0	10,625,518	1.77	0.98
g) FIIs/FPIs	119,437,947	0	119,437,947	20.67	127,317,017	0	127,317,017	21.16	0.49
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others	0	0	0	0	1,108,454	0	1,108,454	0.18	0.18
sub-total (B)(1)	**168,567,677**	**6,000**	**168,573,677**	**29.17**	**192,837,331**	**6,000**	**192,843,331**	**32.05**	**2.88**
(2) Non-Institutions									
a) Bodies Corp.									
i) Indian	29,683,268	35,770	29,719,038	5.14	7,295,160	27,250	7,322,410	1.22	(3.92)
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	37,391,858	1,174,041	38,565,899	6.67	38,978,100	850,236	39,828,336	6.62	(0.05)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	14,020,673	0	14,020,673	2.43	13,518,796	0	13,518,796	2.25	(0.18)
c) Others (specify)									
i) Directors	743,975	0	743,975	0.13	0	0	0	0	(0.13)
ii) Clearing Members	517,599	0	517,599	0.09	3,416,218	0	3,416,218	0.57	0.48
iii) Non Resident Indians	3,236,561	150	3,236,711	0.56	3,009,596	150	3,009,746	0.5	(0.06)
iv) NRI Non-Repatriation	1,690,832	0	1,690,832	0.29	1,708,246	0	1,708,246	0.28	(0.01)
v) Trusts	1,634,149	0	1,634,149	0.28	1,472,196	0	1,472,196	0.25	(0.03)
vi) Foreign Nationals	2,660	0	2,660	0.00	1455	0	1,455	0	0
vii) IEPF	385,090	0	385,090	0.07	399,290	0	399,290	0.07	0
sub-total (B)(2)	**89,306,665**	**1,209,961**	**90,516,626**	**15.66**	**69,799,057**	**877,636**	**70,676,693**	**11.75**	**(3.91)**
Total Public Shareholding (B)=(B)(1) + (B)(2)	**257,874,342**	**1,215,961**	**259,090,303**	**44.83**	**262,636,388**	**883,636**	**263,520,024**	**43.80**	**(1.03)**
C. Shares held by Custodian for GDRs and ADRs	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Grand Total (A+B+C)	**576,752,427**	**1,215,961**	**577,968,388**	**100.00**	**600,805,433**	**8,83,636**	**601,689,069**	**100.00**	**0**

ii) Shareholding of promoters and promoter group

Sr. No.	Name of shareholder	Shareholding at the beginning of the year (as on 1 April 2019) No. of shares	% of total shares of the Company	% of shares pledged/ encumbered to total shares	Shareholding at the end of the year (as on 31 March 2020) No. of shares	% of total shares of the Company	% of shares pledged/ encumbered to total shares	% change in shareholding during the year
1	Bajaj Finserv Ltd.	317,816,130	54.99	0	317,816,130	52.82	0	(2.17)
2	Rahul Bajaj	186,000	0.03	0	10,000	0.00	0	(0.03)
3	Madhur Bajaj	186,000	0.03	0	186,000	0.03	0	0
4	Jamnalal Sons Pvt. Ltd.	940	0.00	0	127,640	0.02	0	0.02
5	Sanjiv Bajaj	292,688	0.05	0	292,688	0.05	0	0
6	Suman Jain	7,015	0.00	0	7,015	0.00	0	0
7	Shefali Bajaj	63,104	0.01	0	63,104	0.01	0	0
8	Sanjali Bajaj	63,104	0.01	0	63,104	0.01	0	0
9	Siddhantnayan Bajaj	63,104	0.01	0	63,104	0.01	0	0
10	Rajivnayan Bajaj	0	0	0	176,000	0.03	0	0.03
11	Bajaj Allianz Life Insurance Company Ltd.	200,000	0.04	0	200,000	0.03	0	0
12	Maharashtra Scooters Ltd.*	0	0	0	18,974,660	3.15	0	3.15
13	Baroda Industries Pvt. Ltd.	0	0	0	117,600	0.02	0	0.02
14	Bachhraj Factories Pvt. Ltd.	0	0	0	72,000	0.01	0	0.01
	Total	**318,878,085**	**55.17**	**0**	**338,169,045**	**56.20**	**0**	**1.03**

* Became a part of the Promoter 17 June 2019. It held 18,974,600 as on 31 March 2019 i.e. before being classified as Promoter Group.

Note-During FY2020, the Company has allotted 21,794,871 equity shares to qualified institutional buyers and 1,925,810 shares to BFL Employee Welfare Trust.
Change in the shareholding is calculated as difference between the percentage shareholding as on 31 March 2019 and 31 March 2020 respectively.

iii) Change in promoters' and promoter group's shareholding

Name of shareholder	Particulars		Shareholding at the beginning of the year (as on 1 April 2019) No. of shares	% of total shares of the Company	Cumulative shareholding during the year No. of shares	% of total shares of the Company
	At the beginning of the year		318,878,085	55.17		
Maharashtra Scooters Ltd.	17 June 2019	Became a part of promoter group by virtue of becoming a subsidiary of Bajaj Holdings & Investment Ltd	18,974,660	3.15	337,852,745	56.15
Rahul Bajaj	07 January 2020	Gift given - inter-se transfer through off market transaction	(176,000)	(0.03)	337,676,745	56.12
Rajivnayan Bajaj	07 January 2020	Gift received - inter-se transfer through off market transaction	176,000	0.03	337,852,745	56.15
Jamnalal Sons Pvt. Ltd.	16 March 2020	Purchase	54, 700	0.01	337,907,445	56.16
Baroda Industries Pvt. Ltd.	16 March 2020	Purchase	63,000	0.01	337,970,445	56.17
Baroda Industries Pvt. Ltd.	17 March 2020	Purchase	19,100	0.00	337,989,545	56.17
Baroda Industries Pvt. Ltd.	19 March 2020	Purchase	35,500	0.01	338,025,045	56.18
Bachhraj Factories Pvt. Ltd.	19 March 2020	Purchase	72,000	0.01	338,097,045	56.19
Jamnalal Sons Pvt. Ltd.	19 March 2020	Purchase	72,000	0.01	338,169,045	56.20
	At the end of the year as at 31 March 2020		338,169,045	56.20		

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iv) Shareholding pattern of top ten shareholders (Other than directors promoters and holders of GDRs and ADRs)

Sr. No.	Name of shareholder	Particulars		Shareholding at the beginning of the year (as on 1 April 2019) No. of shares	% of total shares of the Company	Cumulative shareholding during the year No. of shares	% of total shares of the Company
1	Government of Singapore	At the beginning of the year		21,309,017	3.69		
		05 April 2019	Purchase	121,900	0.02	21,430,917	3.71
		12 April 2019	Purchase	5,534	0.00	21,436,451	3.71
		03 May 2019	Sale	(11,895)	(0.00)	21,424,556	3.71
		10 May 2019	Sale	(22,960)	(0.00)	21,401,596	3.70
		17 May 2019	Sale	(2,399)	(0.00)	21,399,197	3.70
		24 May 2019	Purchase	17,996	0.00	21,417,193	3.69
		31 May 2019	Sale	(38,665)	(0.01)	21,378,528	3.69
		07 June 2019	Purchase	239,384	0.04	21,617,912	3.73
		14 June 2019	Purchase	16,124	0.00	21,634,036	3.73
		21 June 2019	Purchase	92,880	0.02	21,726,916	3.75
		05 July 2019	Purchase	44,149	0.01	21,771,065	3.75
		12 July 2019	Sale	(36,881)	(0.01)	21,734,184	3.75
		19 July 2019	Sale	(6,078)	(0.00)	21,728,106	3.75
		26 July 2019	Sale	(8,813)	(0.00)	21,719,293	3.75
		02 August 2019	Sale	(11,134)	(0.00)	21,708,159	3.74
		09 August 2019	Sale	(15,648)	(0.00)	21,692,511	3.74
		16 August 2019	Sale	(5,255)	(0.00)	21,687,256	3.74
		23 August 2019	Sale	(13,619)	(0.00)	21,673,637	3.74
		30 August 2019	Sale	(23,338)	(0.00)	21,650,299	3.73
		06 September 2019	Sale	(353)	(0.00)	21,649,946	3.73
		13 September 2019	Sale	(85,533)	(0.01)	21,564,413	3.72
		20 September 2019	Sale	(12,664)	(0.00)	21,551,749	3.72
		27 September 2019	Purchase	15,000	0.00	21,566,749	3.72
		30 September 2019	Sale	(1,466)	(0.00)	21,565,283	3.72
		04 October 2019	Purchase	23,588	0.00	21,588,871	3.72
		11 October 2019	Sale	(1,095)	(0.00)	21,587,776	3.72
		18 October 2019	Purchase	10,210	0.00	21,597,986	3.72
		25 October 2019	Sale	(18,868)	(0.00)	21,579,118	3.72
		01 November 2019	Sale	(4,881)	(0.00)	21,574,237	3.72
		08 November 2019	Purchase	6,187,200	1.03	27,761,437	4.61
		15 November 2019	Sale	(909)	(0.00)	27,760,528	4.61
		22 November 2019	Sale	(621)	(0.00)	27,759,907	4.61
		29 November 2019	Sale	(168,157)	(0.03)	27,591,750	4.59
		06 December 2019	Sale	(82,282)	(0.01)	27,509,468	4.57
		13 December 2019	Purchase	484,724	0.08	27,994,192	4.65
		20 December 2019	Purchase	17,191	0.00	28,011,383	4.66
		31 December 2019	Sale	(33,514)	(0.01)	27,977,869	4.65
		10 January 2020	Purchase	68,293	0.01	28,046,162	4.66
		17 January 2020	Sale	(17,119)	(0.00)	28,029,043	4.66
		24 January 2020	Purchase	51,677	0.01	28,080,720	4.67
		31 January 2020	Sale	(56,581)	(0.01)	28,024,139	4.66
		07 February 2020	Sale	(156,679)	(0.03)	27,867,460	4.63
		14 February 2020	Purchase	4,650	0.00	27,872,110	4.63

iv) Shareholding pattern of top ten shareholders (Other than directors promoters and holders of GDRs and ADRs) (Contd.)

Sr. No.	Name of shareholder	Particulars		Shareholding at the beginning of the year (as on 1 April 2019) No. of shares	% of total shares of the Company	Cumulative shareholding during the year No. of shares	% of total shares of the Company
		21 February 2020	Sale	(24,013)	(0.00)	27,848,097	4.63
		28 February 2020	Sale	(1,775)	(0.00)	27,846,322	4.63
		06 March 2020	Sale	(220,207)	(0.04)	27,626,115	4.59
		13 March 2020	Purchase	50,195	0.01	27,676,310	4.60
		13 March 2020	Sale	(293,580)	(0.05)	27,382,730	4.55
		20 March 2020	Purchase	964,530	0.16	28,347,260	4.71
		27 March 2020	Sale	(407,688)	(0.07)	27,939,572	4.64
		31 March 2020	Sale	(793,517)	(0.13)	27,146,055	4.51
		At the end of the year (31 March 2020)				27,146,055	4.51
2	Axis Mutual Fund Trustee Ltd. A/C	At the beginning of the year		11,379,247	1.97		
		05 April 2019	Purchase	4,358	0.00	11,383,605	1.97
		19 April 2019	Sale	(70,000)	(0.01)	11,313,605	1.96
		26 April 2019	Purchase	99,970	0.02	11,413,575	1.97
		03 May 2019	Purchase	19,070	0.00	11,432,645	1.98
		17 May 2019	Sale	(505)	(0.00)	11,432,140	1.98
		24 May 2019	Sale	(229,446)	(0.04)	11,202,694	1.93
		31 May 2019	Purchase	6,344	0.00	11,209,038	1.93
		14 June 2019	Sale	(14,996)	(0.00)	11,194,042	1.93
		21 June 2019	Purchase	35,000	0.01	11,229,042	1.94
		28 June 2019	Purchase	49,130	0.01	11,278,172	1.94
		05 July 2019	Sale	(23,453)	(0.00)	11,254,719	1.94
		12 July 2019	Purchase	235,109	0.04	11,489,828	1.98
		19 July 2019	Sale	(109,035)	(0.02)	11,380,793	1.96
		26 July 2019	Sale	(2,686)	(0.00)	11,378,107	1.96
		02 August 2019	Purchase	101,015	0.02	11,479,122	1.98
		09 August 2019	Purchase	119,999	0.02	11,599,121	2.00
		23 August 2019	Sale	(21,863)	(0.00)	11,577,258	2.00
		30 August 2019	Purchase	45,900	0.01	11,623,158	2.00
		06 September 2019	Sale	(79,568)	(0.01)	11,543,590	1.99
		13 September 2019	Purchase	95,472	0.02	11,639,062	2.01
		20 September 2019	Purchase	29,458	0.01	11,668,520	2.01
		27 September 2019	Purchase	33,581	0.01	11,702,101	2.02
		30 September 2019	Sale	(170,003)	(0.03)	11,532,098	1.99
		04 October 2019	Purchase	180,000	0.03	11,712,098	2.02
		11 October 2019	Purchase	1	0.00	11,712,099	2.02
		18 October 2019	Sale	(2,250)	(0.00)	11,709,849	2.02
		25 October 2019	Sale	(1,089,453)	(0.19)	10,620,396	1.83
		01 November 2019	Sale	(33,311)	(0.01)	10,587,085	1.83
		08 November 2019	Purchase	640,319	0.11	11,227,404	1.87
		15 November 2019	Sale	(84)	(0.00)	11,227,320	1.87
		22 November 2019	Purchase	4,812	0.00	11,232,132	1.87
		29 November 2019	Sale	(44,562)	(0.01)	11,187,570	1.86
		06 December 2019	Sale	(206)	(0.00)	11,187,364	1.86

iv) Shareholding pattern of top ten shareholders (Other than directors promoters and holders of GDRs and ADRs) (Contd.)

				Shareholding at the beginning of the year (as on 1 April 2019)		Cumulative shareholding during the year	
Sr. No.	Name of shareholder	Particulars		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
		13 December 2019	Sale	(1,167)	(0.00)	11,186,197	1.86
		20 December 2019	Purchase	342,572	0.06	11,528,769	1.92
		27 December 2019	Sale	(978)	(0.00)	11,527,791	1.92
		31 December 2019	Purchase	52,674	0.01	11,580,465	1.92
		03 January 2020	Purchase	16,326	0.00	11,596,791	1.93
		10 January 2020	Purchase	6,772	0.00	11,603,563	1.93
		17 January 2020	Purchase	90,823	0.02	11,694,386	1.94
		24 January 2020	Purchase	113,686	0.02	11,808,072	1.96
		31 January 2020	Purchase	123,583	0.02	11,931,655	1.98
		07 February 2020	Sale	(302,181)	(0.05)	11,629,474	1.93
		14 February 2020	Sale	(89,948)	(0.01)	11,539,526	1.92
		21 February 2020	Sale	(59,266)	(0.01)	11,480,260	1.91
		28 February 2020	Sale	(151,201)	(0.03)	11,329,059	1.88
		06 March 2020	Purchase	192,628	0.03	11,521,687	1.91
		13 March 2020	Purchase	377,745	0.06	11,899,432	1.98
		20 March 2020	Purchase	467,527	0.08	12,366,959	2.06
		27 March 2020	Purchase	366,355	0.06	12,733,314	2.12
		31 March 2020	Sale	(84,679)	(0.01)	12,648,635	2.10
		At the end of the year (31 March 2020)				12,648,635	2.10
3	SBI Arbitrage Opportunities Fund	At the beginning of the year		7,882,297	1.36		
		05 April 2019	Purchase	33,838	0.01	7,916,135	1.37
		12 April 2019	Sale	(272)	(0.00)	7,915,863	1.37
		19 April 2019	Purchase	5,865	0.00	7,921,728	1.37
		26 April 2019	Purchase	3,026	0.00	7,924,754	1.37
		03 May 2019	Purchase	24,681	0.00	7,949,435	1.38
		10 May 2019	Purchase	26,340	0.00	7,975,775	1.38
		17 May 2019	Purchase	47,217	0.01	8,022,992	1.39
		24 May 2019	Purchase	14,229	0.00	8,037,221	1.39
		31 May 2019	Sale	(9,818)	(0.00)	8,027,403	1.38
		07 June 2019	Purchase	921	0.00	8,028,324	1.38
		14 June 2019	Purchase	17,048	0.00	8,045,372	1.39
		21 June 2019	Purchase	19,132	0.00	8,064,504	1.39
		28 June 2019	Purchase	14,073	0.00	8,078,577	1.39
		05 July 2019	Purchase	77,260	0.01	8,155,837	1.41
		12 July 2019	Purchase	153,172	0.03	8,309,009	1.43
		19 July 2019	Purchase	47,419	0.01	8,356,428	1.44
		26 July 2019	Purchase	24,687	0.00	8,381,115	1.45
		02 August 2019	Purchase	107,360	0.02	8,488,475	1.46
		09 August 2019	Purchase	39,059	0.01	8,527,534	1.47
		16 August 2019	Purchase	21,104	0.00	8,548,638	1.47
		23 August 2019	Sale	(291,912)	(0.05)	8,256,726	1.42
		30 August 2019	Sale	(83,844)	(0.01)	8,172,882	1.41
		06 September 2019	Purchase	23,465	0.00	8,196,347	1.41

iv) Shareholding pattern of top ten shareholders (Other than directors promoters and holders of GDRs and ADRs) (Contd.)

		Shareholding at the beginning of the year (as on 1 April 2019)				Cumulative shareholding during the year	
Sr. No.	Name of shareholder	Particulars		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
		13 September 2019	Purchase	9,768	0.00	8,206,115	1.42
		20 September 2019	Purchase	14,623	0.00	8,220,738	1.42
		27 September 2019	Sale	(14,633)	(0.00)	8,206,105	1.42
		30 September 2019	Purchase	1,849	0.00	8,207,954	1.42
		04 October 2019	Purchase	11,547	0.00	8,219,501	1.42
		11 October 2019	Sale	(7,183)	(0.00)	8,212,318	1.42
		18 October 2019	Purchase	33,805	0.01	8,246,123	1.42
		25 October 2019	Purchase	83,445	0.01	8,329,568	1.44
		01 November 2019	Purchase	40,463	0.01	8,370,031	1.44
		08 November 2019	Purchase	1,013,868	0.17	9,383,899	1.56
		15 November 2019	Purchase	38,155	0.01	9,422,054	1.57
		22 November 2019	Purchase	24,967	0.00	9,447,021	1.57
		29 November 2019	Purchase	24,755	0.00	9,471,776	1.57
		06 December 2019	Purchase	31,273	0.01	9,503,049	1.58
		13 December 2019	Purchase	27,533	0.00	9,530,582	1.58
		20 December 2019	Purchase	19,175	0.00	9,549,757	1.59
		27 December 2019	Purchase	43,326	0.01	9,593,083	1.59
		31 December 2019	Purchase	294,171	0.05	9,887,254	1.64
		03 January 2020	Purchase	15,045	0.00	9,902,299	1.65
		10 January 2020	Sale	(151,385)	(0.03)	9,750,914	1.62
		17 January 2020	Purchase	6,121	0.00	9,757,035	1.62
		24 January 2020	Purchase	17,414	0.00	9,774,449	1.62
		31 January 2020	Purchase	20,758	0.00	9,795,207	1.63
		07 February 2020	Sale	(10,727)	(0.00)	9,784,480	1.63
		14 February 2020	Purchase	112,353	0.02	9,896,833	1.64
		21 February 2020	Purchase	9,848	0.00	9,906,681	1.65
		28 February 2020	Purchase	86,027	0.01	9,992,708	1.66
		06 March 2020	Purchase	108,590	0.02	10,101,298	1.68
		13 March 2020	Purchase	235,676	0.04	10,336,974	1.72
		20 March 2020	Purchase	428,025	0.07	10,764,999	1.79
		27 March 2020	Purchase	480,751	0.08	11,245,750	1.87
		31 March 2020	Purchase	106,210	0.02	11,351,960	1.89
		At the end of the year (31 March 2020)				11,351,960	1.89
		Closing Balance					
4	Steadview Capital Mauritius Limited	At the beginning of year		7,303,453	1.26		
		16 August 2019	Sale	(425,000)	(0.07)	6,878,453	1.19
		06 September 2019	Sale	(270,000)	(0.05)	6,608,453	1.14
		08 November 2019	Sale	(350,000)	(0.06)	6,258,453	1.04
		22 November 2019	Sale	(200,000)	(0.03)	6,058,453	1.01
		20 December 2019	Sale	(727,654)	(0.12)	5,330,799	0.89
		24 January 2020	Sale	(500,000)	(0.08)	4,830,799	0.80
		31 January 2020	Sale	(100,000)	(0.02)	4,730,799	0.79

iv) Shareholding pattern of top ten shareholders (Other than directors promoters and holders of GDRs and ADRs) (Contd.)

Sr. No.	Name of shareholder	Particulars		Shareholding at the beginning of the year (as on 1 April 2019)		Cumulative shareholding during the year	
				No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
		At the end of the year (31 March 2020)				4,730,799	0.79
5	New Horizon Opportunities Master Fund	At the beginning of year		4,650,000	0.80	4,650,000	0.80
		At the end of the year (31 March 2020)				4,650,000	0.77
6	Uti-Long Term Equity Fund (Tax Saving)	At the beginning of year		4,162,763	0.72		0.72
		05 April 2019	Purchase	13,044	0.00	4,175,807	0.72
		12 April 2019	Sale	(13,131)	(0.00)	4,162,676	0.72
		19 April 2019	Purchase	1,331	0.00	4,164,007	0.72
		26 April 2019	Purchase	1,221	0.00	4,165,228	0.72
		03 May 2019	Purchase	3,378	0.00	4,168,606	0.72
		10 May 2019	Sale	(78,024)	(0.01)	4,090,582	0.71
		17 May 2019	Purchase	12,446	0.00	4,103,028	0.71
		24 May 2019	Sale	(79,356)	(0.01)	4,023,672	0.69
		31 May 2019	Purchase	13,531	0.00	4,037,203	0.70
		07 June 2019	Sale	(20,208)	(0.00)	4,016,995	0.69
		14 June 2019	Sale	(5,602)	(0.00)	4,011,393	0.69
		21 June 2019	Sale	(45,091)	(0.01)	3,966,302	0.68
		28 June 2019	Sale	(13,088)	(0.00)	3,953,214	0.68
		05 July 2019	Purchase	5,170	0.00	3,958,384	0.68
		12 July 2019	Purchase	9,573	0.00	3,967,957	0.68
		19 July 2019	Purchase	16,367	0.00	3,984,324	0.69
		26 July 2019	Purchase	16,365	0.00	4,000,689	0.69
		02 August 2019	Purchase	13,136	0.00	4,013,825	0.69
		09 August 2019	Purchase	12,627	0.00	4,026,452	0.69
		16 August 2019	Purchase	6,782	0.00	4,033,234	0.70
		23 August 2019	Sale	(4,676)	(0.00)	4,028,558	0.69
		30 August 2019	Purchase	5,921	0.00	4,034,479	0.70
		06 September 2019	Purchase	4,105	0.00	4,038,584	0.70
		13 September 2019	Purchase	4,341	0.00	4,042,925	0.70
		20 September 2019	Sale	(4,508)	(0.00)	4,038,417	0.70
		27 September 2019	Sale	(48,230)	(0.01)	3,990,187	0.69
		30 September 2019	Sale	(44,186)	(0.01)	3,946,001	0.68
		04 October 2019	Sale	(78,617)	(0.01)	3,867,384	0.67
		11 October 2019	Sale	(18,514)	(0.00)	3,848,870	0.66
		18 October 2019	Purchase	15,036	0.00	3,863,906	0.67
		25 October 2019	Sale	(1,852)	(0.00)	3,862,054	0.67
		01 November 2019	Sale	(50,266)	(0.01)	3,811,788	0.66
		08 November 2019	Purchase	221,963	0.04	4,033,751	0.67
		15 November 2019	Purchase	24,336	0.00	4,058,087	0.67
		22 November 2019	Purchase	13,880	0.00	4,071,967	0.68
		29 November 2019	Sale	(1,915)	(0.00)	4,070,052	0.68

iv) Shareholding pattern of top ten shareholders (Other than directors promoters and holders of GDRs and ADRs) (Contd.)

Sr. No.	Name of shareholder	Particulars		Shareholding at the beginning of the year (as on 1 April 2019) No. of shares	% of total shares of the Company	Cumulative shareholding during the year No. of shares	% of total shares of the Company
		06 December 2019	Purchase	15,710	0.00	4,085,762	0.68
		13 December 2019	Purchase	8,122	0.00	4,093,884	0.68
		20 December 2019	Sale	(19,198)	(0.00)	4,074,686	0.68
		27 December 2019	Purchase	1,534	0.00	4,076,220	0.68
		31 December 2019	Purchase	76,449	0.01	4,152,669	0.69
		03 January 2020	Purchase	3,536	0.00	4,156,205	0.69
		10 January 2020	Purchase	5,032	0.00	4,161,237	0.69
		17 January 2020	Purchase	3,757	0.00	4,164,994	0.69
		24 January 2020	Sale	(2,631)	(0.00)	4,162,363	0.69
		31 January 2020	Purchase	10,221	0.00	4,172,584	0.69
		07 February 2020	Sale	(31,654)	(0.01)	4,140,930	0.69
		14 February 2020	Sale	(46,479)	(0.01)	4,094,451	0.68
		21 February 2020	Sale	(12,752)	(0.00)	4,081,699	0.68
		28 February 2020	Purchase	16,132	0.00	4,097,831	0.68
		06 March 2020	Purchase	19,067	0.00	4,116,898	0.68
		13 March 2020	Purchase	26,079	0.00	4,142,977	0.69
		20 March 2020	Purchase	111,280	0.02	4,254,257	0.71
		27 March 2020	Purchase	149,270	0.02	4,403,527	0.73
		31 March 2020	Purchase	126,919	0.02	4,530,446	0.75
		At the end of the year (31 March 2020)				4,530,446	0.75
7	Aditya Birla Sun Life Trustee Private Ltd. A/C	At the beginning of year		3,908,852	0.68		
		05 April 2019	Sale	(48,069)	(0.01)	3,860,783	0.67
		12 April 2019	Sale	(25,000)	(0.00)	3,835,783	0.66
		10 May 2019	Purchase	31	0.00	3,835,814	0.66
		24 May 2019	Sale	(285,000)	(0.05)	3,550,814	0.61
		07 June 2019	Sale	(29,000)	(0.01)	3,521,814	0.61
		28 June 2019	Sale	(5,281)	(0.00)	3,516,533	0.61
		05 July 2019	Purchase	31	0.00	3,516,564	0.61
		12 July 2019	Sale	(523)	(0.00)	3,516,041	0.61
		19 July 2019	Sale	(3,099)	(0.00)	3,512,942	0.61
		26 July 2019	Sale	(72,000)	(0.01)	3,440,942	0.59
		02 August 2019	Purchase	100,500	0.02	3,541,442	0.61
		23 August 2019	Sale	(37,500)	(0.01)	3,503,942	0.60
		30 August 2019	Purchase	7,500	0.00	3,511,442	0.61
		13 September 2019	Sale	(19,500)	(0.00)	3,491,942	0.60
		20 September 2019	Sale	(6,000)	(0.00)	3,485,942	0.60
		27 September 2019	Sale	(67,250)	(0.01)	3,418,692	0.59
		04 October 2019	Purchase	57,000	0.01	3,475,692	0.60
		11 October 2019	Sale	(122,750)	(0.02)	3,352,942	0.58
		18 October 2019	Sale	(131,000)	(0.02)	3,221,942	0.56
		25 October 2019	Sale	(42,250)	(0.01)	3,179,692	0.55
		01 November 2019	Sale	(41,000)	(0.01)	3,138,692	0.54

iv) Shareholding pattern of top ten shareholders (Other than directors promoters and holders of GDRs and ADRs) (Contd.)

				Shareholding at the beginning of the year (as on 1 April 2019)		Cumulative shareholding during the year	
Sr. No.	Name of shareholder	Particulars		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
		08 November 2019	Purchase	950,045	0.16	4,088,737	0.68
		06 December 2019	Purchase	52,938	0.01	4,141,675	0.69
		13 December 2019	Purchase	13,518	0.00	4,155,193	0.69
		20 December 2019	Purchase	2,796	0.00	4,157,989	0.69
		27 December 2019	Sale	(4,015)	(0.00)	4,153,974	0.69
		31 December 2019	Purchase	6,762	0.00	4,160,736	0.69
		10 January 2020	Purchase	1,418	0.00	4,162,154	0.69
		31 January 2020	Sale	(16,380)	(0.00)	4,145,774	0.69
		07 February 2020	Sale	(37,750)	(0.01)	4,108,024	0.68
		14 February 2020	Purchase	30,997	0.01	4,139,021	0.69
		21 February 2020	Purchase	26	0.00	4,139,047	0.69
		28 February 2020	Sale	(31,361)	(0.01)	4,107,686	0.68
		06 March 2020	Purchase	144,258	0.02	4,251,944	0.71
		13 March 2020	Sale	(90,663)	(0.02)	4,161,281	0.69
		20 March 2020	Sale	(150,373)	(0.02)	4,010,908	0.67
		27 March 2020	Purchase	7,389	0.00	4,018,297	0.67
		31 March 2020	Purchase	33,474	0.01	4,051,771	0.67
		At the end of year (31 March 2020)				4,051,771	0.67
8	New World Fund Inc	At the beginning of year		3,581,000	0.62		
		14 June 2019	Sale	(193,000)	(0.03)	3,388,000	0.58
		At the end of year (31 March 2020)				3,388,000	0.56
9	Smallcap World Fund INC	At the beginning of year		3,275,000	0.56		
		At the end of year (31 March 2020)				3,275,000	0.54
10	DSP A.C.E. Fund-Series 1	At the beginning of year		2,965,894	0.51		
		05 April 2019	Sale	(6,786)	(0.00)	2,959,108	0.51
		12 April 2019	Purchase	17,485	0.00	2,976,593	0.52
		19 April 2019	Purchase	29,808	0.01	3,006,401	0.52
		26 April 2019	Sale	(10,260)	(0.00)	2,996,141	0.52
		03 May 2019	Purchase	160,065	0.03	3,156,206	0.55
		10 May 2019	Purchase	45,196	0.01	3,201,402	0.55
		17 May 2019	Sale	(3,230)	(0.00)	3,198,172	0.55
		24 May 2019	Sale	(231,138)	(0.04)	2,967,034	0.51
		31 May 2019	Purchase	3,494	0.00	2,970,528	0.51
		07 June 2019	Sale	(275,375)	(0.05)	2,695,153	0.46
		14 June 2019	Purchase	19,031	0.00	2,714,184	0.47
		21 June 2019	Sale	(16,596)	(0.00)	2,697,588	0.47
		28 June 2019	Purchase	5,522	0.00	2,703,110	0.47
		05 July 2019	Purchase	605	0.00	2,703,715	0.47
		12 July 2019	Purchase	72,004	0.01	2,775,719	0.48
		19 July 2019	Purchase	95,913	0.02	2,871,632	0.50

iv) Shareholding pattern of top ten shareholders (Other than directors promoters and holders of GDRs and ADRs) (Contd.)

Sr. No.	Name of shareholder	Particulars		Shareholding at the beginning of the year (as on 1 April 2019) No. of shares	% of total shares of the Company	Cumulative shareholding during the year No. of shares	% of total shares of the Company
		26 July 2019	Purchase	310,332	0.05	3,181,964	0.55
		02 August 2019	Purchase	138,981	0.02	3,320,945	0.57
		09 August 2019	Purchase	54,949	0.01	3,375,894	0.58
		16 August 2019	Purchase	12,814	0.00	3,388,708	0.58
		23 August 2019	Purchase	32,297	0.01	3,421,005	0.59
		30 August 2019	Purchase	6,895	0.00	3,427,900	0.59
		06 September 2019	Purchase	37,626	0.01	3,465,526	0.60
		13 September 2019	Purchase	3,585	0.00	3,469,111	0.60
		20 September 2019	Sale	(84)	(0.00)	3,469,027	0.60
		27 September 2019	Sale	(182,426)	(0.03)	3,286,601	0.57
		30 September 2019	Sale	(25,565)	(0.00)	3,261,036	0.56
		04 October 2019	Sale	(125,323)	(0.02)	3,135,713	0.54
		11 October 2019	Sale	(14,379)	(0.00)	3,121,334	0.54
		18 October 2019	Purchase	45,441	0.01	3,166,775	0.55
		25 October 2019	Purchase	74,259	0.01	3,241,034	0.56
		01 November 2019	Purchase	21,335	0.00	3,262,369	0.56
		08 November 2019	Purchase	8,533	0.00	3,270,902	0.54
		15 November 2019	Purchase	141	0.00	3,271,043	0.54
		22 November 2019	Sale	(15,858)	(0.00)	3,255,185	0.54
		29 November 2019	Purchase	21,179	0.00	3,276,364	0.54
		06 December 2019	Sale	(40,473)	(0.01)	3,235,891	0.54
		13 December 2019	Sale	(309,559)	(0.05)	2,926,332	0.49
		20 December 2019	Purchase	15,935	0.00	2,942,267	0.49
		27 December 2019	Sale	(1,124)	(0.00)	2,941,143	0.49
		31 December 2019	Purchase	6,174	0.00	2,947,317	0.49
		03 January 2020	Purchase	169	0.00	2,947,486	0.49
		10 January 2020	Purchase	28,323	0.00	2,975,809	0.49
		17 January 2020	Purchase	12,081	0.00	2,987,890	0.50
		24 January 2020	Purchase	410	0.00	2,988,300	0.50
		31 January 2020	Purchase	29,537	0.00	3,017,837	0.50
		07 February 2020	Sale	(4,060)	(0.00)	3,013,777	0.50
		14 February 2020	Sale	(71)	(0.00)	3,013,706	0.50
		21 February 2020	Sale	(3,280)	(0.00)	3,010,426	0.50
		28 February 2020	Purchase	645	0.00	3,011,071	0.50
		06 March 2020	Purchase	110,115	0.02	3,121,186	0.52
		13 March 2020	Sale	(38,141)	(0.01)	3,083,045	0.51
		20 March 2020	Purchase	429,558	0.07	3,512,603	0.58
		27 March 2020	Purchase	83,244	0.01	3,595,847	0.60
		31 March 2020	Purchase	(117,772)	(0.02)	3,478,075	0.58
		At the end of year (31 March 2020)				3,478,075	0.58

v) Shareholding of directors and key managerial personnel

Sr. No.	Name of director and key managerial personnel	Shareholding of each director and each key managerial personnel		Shareholding at the beginning of the year (as on 1 April 2019)		Cumulative shareholding during the year	
				No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Rahul Bajaj	At the beginning of the year		186,000	0.03		
		07 January 2020	Gift given. Transfer through off-market transaction.	(176,000)	(0.03)		
		At the end of the year (31 March 2020)				10,000	0.00
2	Madhur Bajaj	At the beginning of the year		186,000	0.03		
		At the end of the year (31 March 2020)				186,000	0.03
3	Sanjiv Bajaj	At the beginning of the year		292,688	0.05		
		At the end of the year (31 March 2020)				292,688	0.05
4	Rajiv Bajaj	At the beginning of the year		Nil			
		07 January 2020	Gift received. Transfer through off-market transaction.	176,000	0.03		
		At the end of the year (31 March 2020)				176,000	0.03
5	Rajeev Jain	At the beginning of the year		Nil			
		24 December 2019	Purchase (ESOPs)	153,750	0.02	153,750	0.02
		24 December 2019	Sale	(150,750)	(0.02)	3,000	0.00
		At the end of the year (31 March 2020)				3,000	0.00
6	Sandeep Jain	At the beginning of the year		20,500	0.00		
		16 April 2019	Purchase (ESOPs)	4,300	0.00	24,800	0.00
		13 May 2019	Purchase (ESOPs)	8,200	0.00	33,000	0.00
		10 June 2019	Sale	(2,800)	(0.00)	30,200	0.00
		21 June 2019	Purchase (ESOPs)	7,250	0.00	37,450	0.01
		At the end of the year (31 March 2020)				37,450	0.01

V. Indebtedness

(Indebtedness of the Company including interest outstanding/accrued but not due for payment)

(Amount in ₹)

Particulars	Secured loans excluding deposits	Unsecured loans	Deposits	Total indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	599,651,200,000.00	114,326,443,735.00	128,334,410,806.89	842,312,054,541.89
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	16,085,400,000.00	2,757,800,000.00	3,987,128,858.69	22,830,328,858.69
iv) Amortisation	(839,100,000.00)	605,756,265.00	(391,649,501.49)	(624,993,236.49)
Total (i+ii+iii+iv)	**614,897,500,000.00**	**117,690,000,000.00**	**131,929,890,164.09**	**864,517,390,164.09**
Change in Indebtedness during the financial year				
· Addition	1,209,954,613,487.28	518,568,994,935.41	176,810,242,170.73	1,905,333,850,593.42
· Reduction	1,090,301,625,356.73	545,473,931,897.95	94,469,189,634.13	1,730,244,746,888.81
Net Change	**119,652,988,130.55**	**(26,904,936,962.54)**	**82,341,052,536.60**	**175,089,103,704.61**
Indebtedness at the end of the financial year				
i) Principal Amount	714,448,627,683.60	87,183,642,675.63	208,212,922,373.81	1,009,845,192,733.04
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	21,116,310,885.19	3,406,270,002.04	6,877,306,674.42	31,399,887,561.65
iv) Amortisation	(1,014,450,438.24)	195,150,359.64	(819,286,347.54)	(1,638,586,426.14)
Total (i+ii+iii+iv)	**734,550,488,130.55**	**90,785,063,037.31**	**214,270,942,700.69**	**1,039,606,493,868.55**

VI. Remuneration of directors and key managerial personnel

A. Remuneration to Managing Director, whole-time directors and/or manager

(Amount in ₹)

Sr. No.	Particulars of remuneration	Name of MD/WTD/ Manager Rajeev Jain (MD)
1.	Gross salary	
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	124,049,099
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	51,615,106
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0
2.	Stock Option#	130,536,444
3.	Sweat Equity	0
4.	Commission	0
	- as % of profit	
	- others, specify	
5.	Others, please specify	0
	Total (A)*	**175,664,205**
	Ceiling as per the Companies Act, 2013	3,417,539,484

#Fair value of ESOPS grants, as per black scholes in the year of vesting
*Does not include fair value of ESOPs grant.

B. Remuneration to other directors:

Sr. No.	Name of director	Fee for attending Board/Committee meetings (₹)	Commission (₹)	Total amount (₹)
I.	**Independent directors**			
1.	Nanoo Pamnani*	1,400,000	20,800,000	22,200,000
2	Dipak Poddar	300,000	600,000	900,000
3	Ranjan Sanghi	1,400,000	2,800,000	4,200,000
4	D J Balaji Rao	700,000	1,400,000	2,100,000
5	Dr. Omkar Goswami	1,200,000	2,400,000	3,600,000
6	Dr. Gita Piramal	900,000	1,800,000	2,700,000
7	Dr. Naushad Forbes	800,000	1,600,000	2,400,000
8	Anami N Roy	700,000	1,400,000	2,100,000
	Total (I)	**7,400,000**	**32,800,000**	**40,200,000**
II.	**Non-independent, non-executive**			
1.	Rahul Bajaj	900,000	1,800,000	2,700,000
2.	Sanjiv Bajaj	1,600,000	3,200,000	4,800,000
3.	Madhur Bajaj	400,000	800,000	1,200,000
4.	Rajiv Bajaj	500,000	1,000,000	1,500,000
	Total (II)	**3,400,000**	**6,800,000**	**10,200,000**
	Total (B)=(I+II)	**10,800,000**	**39,600,000**	**50,400,000**
	Total Managerial Remuneration (A+B)			226,064,205
	Overall ceiling as per the Act			7,518,586,865

*ceased to be a director consequent to his demise on 22 February 2020.

Note: Overall ceiling as per the Act is not applicable to sitting fees.

C. Remuneration to key managerial personnel other than MD/Manager/WTD

(Amount in ₹)

Sr. No.	Particulars of remuneration	Key managerial personnel: Sandeep Jain (Chief Financial Officer)	Key managerial personnel: R. Vijay (Company Secretary)	Total
1.	Gross salary			
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	39,479,086	9,625,888	49,104,974
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	17,738,531	650,000	18,388,531
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	0	0	0
2.	Stock Option#	16,554,940	1,370,187	17,925,127
3.	Sweat Equity	0	0	0
4.	Commission	0	0	0
	-as % of profit			
	-others, specify			
5.	**Others, please specify**	**0**	0	0
	Total*	**57,217,617**	**10,275,888**	**67,493,505**

Fair value of ESOPS grants, as per black scholes in the year of vesting.

*Does not include fair value of ESOPs grant.

VII. Penalties/punishment/compounding of offences

During FY2020, there were no penalties/punishment/compounding of offences under the Companies Act, 2013.

Remuneration details under Rule 5(1) of the Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, as amended for the financial year ended 31 March 2020

Name of director/key managerial personnel	Ratio of remuneration of director to median remuneration of employees	% Increase in remuneration in the financial year
A. Whole time director		
Rajeev Jain–Managing Director	373.22	17.94
B. Non-executive directors		
Rahul Bajaj–Chairman	3.82	100.00
Nanoo Pamnani-Vice Chairman*	44.19	5.58
Sanjiv Bajaj-Vice Chairman	6.80	88.24
Madhur Bajaj	1.70	–
Rajiv Bajaj	2.12	42.86
Dipak Poddar	1.27	(40.00)
Ranjan Sanghi	5.95	115.38
D J Balaji Rao	2.97	75.00
Dr. Omkar Goswami	5.10	100.00
Dr. Gita Piramal	3.82	100.00
Dr. Naushad Forbes	3.40	#Not Comparable
Anami N Roy	2.97	#Not Comparable
C. Key Managerial Personnel		
Rajeev Jain, Managing Director		17.94
Sandeep Jain, Chief Financial Officer		33.33
R. Vijay, Company Secretary		27.08
D. % increase in Median Remuneration of employees other than Managing Director		23.61
E. Number of permanent employees on the rolls of the Company as on 31 March 2020		24,518

*ceased to be a director consequent to his demise on 22 February 2020.
appointed as independent director w.e.f. 1 April 2019.

Notes:

- Remuneration payable to non-executive directors is based on the number of meetings of the Board and/or Committees attended by them during the year.
- Remuneration to directors does not include sitting fee paid to them for attending Board and/or Committee meetings.
- The Board approved payment of ₹ 18,000,000 to late Nanoo Pamnani, Vice-Chairman and non-executive independent director, as further commission for the additional services rendered by him at the request of the Management, during FY2020.

Notes on disclosures under rule 5

1. Average percentage increase in salary of employees other than Managing Director is 11.66%.
2. Percentage increase in remuneration of Managing Director is 17.94%. 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 was as per the remuneration policy of the Company.

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 2020

To,
The Members of
Bajaj Finance Ltd.
(CIN: L65910MH1987PLC042961)
Akurdi, Pune 411035

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, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March 2020, 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 2020, 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 (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 22nd 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.

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. Except for vacation of office by Nanoo Pamnani consequent to his demise on 22 February 2020, there was no change in the composition of the Board of Directors during the year 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 the period the Company has,

1. On 15 March 2020, increased the borrowing powers of the Company from ₹ 130,000 crore to ₹ 160,000 crore under section 180(1)(c) of the Companies Act, 2013 and creation of charge/security on the Company's assets with respect to borrowings upto maximum of ₹ 160,000 crore under section 180(1)(a) of the Companies Act, 2013.
2. On 21 May 2019, the company has allotted 1,925,810 equity shares of ₹ 2 each to BFL Employee Welfare Trust under ESOP Scheme, 2009 and on 07 November 2019, the Company has allotted 21,794,871 equity shares of ₹ 2 each to qualified institutional buyers under qualified institutions placement.
3. Allotted 107,510 secured non-convertible debentures amounting to ₹ 10,751.00 crores on private placement basis from time to time and complied with the rules and regulations under various Acts. The Company has also received ₹ 1,585 crore on unsecured non-convertible debentures during the financial year.

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
F.C.S. 1587 C.P. 572
UDIN: F001587B000254070

Pune: 19 May 2020

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, 2020 as required by the Company for annual submission to the stock exchange.

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 read the Register of Directors as on March 31, 2020 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 committee meetings held from April 1, 2019 to March 31, 2020
(a) Board of Directors;
(b) Audit Committee;
(c) Annual General Meeting;
(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 where in such related party transactions have been pre-approved prior by the audit committee.
viii. Performed necessary inquiries with the Management and also obtained necessary specific 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 and explanations and management representations provided to us, 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, 2020.

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 Arvind Sethi
Partner
Membership number: 089802
UDIN: 20089802AAAAB08065

Pune: 19 May 2020

DECLARATION BY CHIEF EXECUTIVE OFFICER (MD)

[Regulation 34(3) read with Schedule V (Part D) of the SEBI (Listing Obligations & 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 2020.

Rajeev Jain
Managing Director

Pune: 12 May 2020

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 were directors of the Company (during 01/04/2019 to 31/03/2020) 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	Rahulkumar Kamalnayan Bajaj	00014529	Chairman
2	Sanjivnayan Rahulkumar Bajaj	00014615	Vice-Chairman
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	Dr. Omkar Goswami	00004258	Independent Director
10	Dr. Gita Piramal	01080602	Independent Director
11	Dr. Naushad Darius Forbes	00630825	Independent Director
12	Anami Narayan Prema Roy	01361110	Independent Director

Note: Nanoo Gobindram Pamnani, (DIN: 00053673) Vice-Chairman and Independent Director ceased to be director on 22 February 2020 on account of death.

Given on this 19th day of May, 2020.

Place: Pune
UDIN: F001587B000254114

Shyamprasad D Limaye
FCS.1587, C.P. No. 572

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 shall endeavour to maintain a dividend payout (including dividend distribution tax) of around 15% of profits after tax on standalone financials, 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: 27 October 2016 Chairman

STANDALONE FINANCIAL STATEMENTS

Independent Auditors' Report on the Standalone Ind AS Financial Statements

To the Members of **Bajaj Finance Ltd.**

Opinion

We have audited the accompanying standalone Ind AS financial statements of Bajaj Finance Ltd. ('the Company'), which comprise the Balance sheet as at 31 March 2020, 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 Ind AS 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 Ind AS 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 2020, 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 Ind AS 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 Ind AS 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 Ind AS financial statements.

Emphasis of matter

We draw attention to note 2.1 to the standalone Ind AS financial statements, which describes the uncertainty caused by Novel Coronavirus (COVID-19) pandemic with respect to the Company's estimates of impairment of loans to customers and that such estimates may be affected by the severity and duration of the pandemic. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone Ind AS financial statements for the financial year ended 31 March 2020. These matters were addressed in the context of our audit of the standalone Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements.

Independent Auditors' Report on the Standalone Ind AS 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 Ind AS 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 judgment 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** Pursuant to the Reserve Bank of India circular dated 27 March 2020 ('RBI circular') allowing lending institutions to offer moratorium to borrowers on payment of instalments falling due between 1 March 2020 and 31 May 2020, the Company has extended moratorium to its borrowers in accordance with its Board approved policy. In Management's view and considering the guidance provided by the Institute of Chartered Accountants of India, providing moratorium to borrowers at a mass scale, based on RBI directives, by itself is not considered to result in a SICR for such borrowers. The Company has recorded a Management overlay of around ₹ 850 crore as part of its ECL, to reflect among other things an increased risk of deterioration in macro-economic factors caused by COVID-19 pandemic. Given the unique nature and scale of the economic impact of this pandemic, and its timing being close to the year end, the Management overlay is based on various uncertain variables, which could result in actual credit loss being different than that being estimated. In view of the high degree of Management's judgment involved in estimation of ECL, accentuated by the COVID-19 pandemic, 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 moratorium pursuant to the RBI circular 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 stage 2 or 3. • Assessed the additional considerations applied by the Management for staging of loans as SICR or default categories in view of Company's policy on moratorium. • 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 Ind AS 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 authorised. • We tested the Company's periodic review of access rights. We also tested requests of changes to systems for approval and authorisation. • 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 Ind AS Financial Statements (Contd.)

Other information

The other information comprises the information included in the Annual report but does not include the standalone Ind AS 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 Ind AS 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 Ind AS 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 Ind AS 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 Ind AS 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 judgments 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 Ind AS 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 Ind AS 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 Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS 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 Ind AS financial statements.

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

- Identify and assess the risks of material misstatement of the standalone Ind AS 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 Ind AS 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 Ind AS financial statements, including the disclosures, and whether the standalone Ind AS 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 Ind AS financial statements for the financial year ended 31 March 2020 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;

(d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;

Independent Auditors' Report on the Standalone Ind AS Financial Statements (Contd.)

(e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of section 164(2) of the Act;

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS 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 2020 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 Ind AS financial statements – Refer Note 42 to the standalone Ind AS 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 Ind AS 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 Arvind Sethi
Partner
Membership number: 089802
UDIN: 20089802AAAABK4059

Pune: 19 May 2020

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 a party 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 a party 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.

With respect to certain dues of profession tax, we are informed by the Management that, due to the nationwide lock-down imposed by the Central Government on account of COVID-19, the Company has either been unable to deposit the dues with the appropriate authorities or the physical payment challans of the dues deposited are currently not retrievable from the respective locations for examination. Accordingly, we are unable to comment on the regularity of deposit of the profession tax dues by the Company in respect of the months of February and March 2020.

(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 2006-07	Employees State Insurance Court
Employees State Insurance Act, 1948	ESIC contribution	0.68	Nil	FY 1991-92 to 2002-03	Deputy Director Employee State Insurance Corporation
Income Tax Act, 1961	Income Tax	22.84	Nil	FY 2015-16, FY 2015-16	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	8.17	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	1,437.46**	10.00	FY 2010-11 to Sep 2016	Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax	159.20**	4.04	July 2012 to March 2016	Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax	63.96**	Nil	April 2016 to June 2017	Commissioner (Goods & Service Tax)
Finance Act, 1994	Service Tax	2.53	0.19	FY 2007-08 to September 2015	Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax	3.24	0.07	July 2012 to June 2016	Additional Commissioner
Finance Act, 1994	Service Tax	0.32	Nil	October 2016 to March 2017	Assis. Commissioner of Central GST, Pune
Finance Act, 1994	Service Tax	534.20**	Nil	October 2016 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
West Bengal Value Added Tax Act, 2003	Value Added Tax	0.86	Nil	FY 2005-06 to FY 2008-09	Additional Commissioner, Sales Tax
Kerala Value Added Tax Act, 2003	Value Added Tax	0.09	Nil	FY 2005-06	VAT Appellate Tribunal
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.

Annexure 1 to Independent Auditors' Report (Contd.)

(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 utilisation 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.

(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 complied with provisions of section 42 of the Act in respect of the private placement of equity shares during the year. According to the information and explanations given by the Management, we report that the amount raised have been used for the purposes for which those were raised, though idle/surplus funds which were not required for immediate utilisation were gainfully invested in liquid assets payable on demand.

(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 Arvind Sethi
Partner
Membership number: 089802
UDIN: 20089802AAAABK4059

Pune: 19 May 2020

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 over financial reporting of Bajaj Finance Ltd. (the 'Company') as of 31 March 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's responsibility for internal financial controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 Act.

Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone Ind AS 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 and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone Ind AS 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 over financial reporting with reference to these standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone Ind AS 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 judgment, 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 over financial reporting with reference to these standalone Ind AS financial statements.

Meaning of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements

A Company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements includes those policies and procedures that:

Annexure 2 to Independent Auditors' Report (Contd.)

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of Management and Directors of the Company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone Ind AS 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 over financial reporting with reference to these standalone Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone Ind AS 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, an adequate internal financial controls over financial reporting with reference to these standalone Ind AS financial statements and such internal financial controls over financial reporting with reference to these standalone Ind AS financial statements were operating effectively as at 31 March 2020, 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.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Arvind Sethi
Partner
Membership number: 089802
UDIN: 20089802AAAABK4059

Pune: 19 May 2020

Balance Sheet

(₹ In Crore)

Particulars	Note No.	As at 31 March 2020	As at 31 March 2019
ASSETS			
Financial assets			
Cash and cash equivalents	5	674.53	240.00
Bank balances other than cash and cash equivalents	6	4.83	1.69
Derivative financial instruments	7	171.76	-
Trade receivables	8	867.18	805.38
Loans	9	113,417.08	95,181.26
Investments	10	20,138.98	10,370.41
Other financial assets	11	349.51	381.61
		135,623.87	**106,980.35**
Non-financial assets			
Current tax assets (net)		204.57	147.80
Deferred tax assets (net)	12	847.61	660.83
Property, plant and equipment	13	1,016.16	495.84
Intangible assets	13	211.98	158.49
Other non-financial assets	14	99.38	56.56
		2,379.70	**1,519.52**
Total assets		**138,003.57**	**108,499.87**
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities			
Payables	15		
Trade payables			
Total outstanding dues of micro enterprises and small enterprises		0.30	0.44
Total outstanding dues of creditors other than micro enterprises and small enterprises		636.76	547.25
Other payables			
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		179.46	218.64
Debt securities	16	41,713.77	39,048.97
Borrowings (other than debt securities)	17	36,923.32	29,970.67
Deposits	18	21,427.10	13,193.01
Subordinated debts	19	4,141.75	4,139.07
Other financial liabilities	20	669.90	1,411.81
		105,692.36	**88,529.86**

Balance Sheet (Contd.)

(₹ In Crore)

Particulars	Note No.	As at 31 March 2020	As at 31 March 2019
Non-financial liabilities			
Current tax liabilities (net)		52.10	22.37
Provisions	21	78.87	68.88
Other non-financial liabilities	22	367.03	315.13
		498.00	**406.38**
Equity			
Equity share capital	23	119.99	115.37
Other equity	24	31,693.22	19,448.26
		31,813.21	**19,563.63**
Total liabilities and equity		**138,003.57**	**108,499.87**
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 Arvind Sethi
Partner
Membership number: 089802

Pune: 19 May 2020

Sandeep Jain
Chief Financial Officer

R Vijay
Company Secretary

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Sanjiv Bajaj
Vice Chairman

Rajeev Jain
Managing Director

Statement of Profit and Loss

(₹ In Crore)

Particulars	Note No.	For the year ended 31 March 2020	2019
Revenue from operations			
Interest income	26	20,668.15	15,345.64
Fees and commission income	27	2,489.89	1,630.90
Net gain on fair value changes	28	460.47	256.73
Sale of services	29	53.32	62.90
Other operating income	30	150.70	89.85
Total revenue from operations		**23,822.53**	**17,386.02**
Other income	31	11.62	13.25
Total income		**23,834.15**	**17,399.27**
Expenses			
Finance costs	32	7,857.55	5,938.85
Fees and commission expense	33	1,104.79	761.12
Impairment on financial instruments	34	3,805.15	1,476.29
Employee benefits expense	35	2,294.56	1,719.60
Depreciation and amortisation expenses	13	270.70	137.37
Other expenses	36	1,693.27	1,330.74
Total expenses		**17,026.02**	**11,363.97**
Profit before tax		**6,808.13**	**6,035.30**
Tax expense			
Current tax		2,079.96	2,043.73
Deferred tax (credit)/charge		(152.95)	101.23
Total tax expense	12	**1,927.01**	**2,144.96**
Profit after tax		**4,881.12**	**3,890.34**
Other comprehensive income (OCI)			
Items that will not be reclassified to profit or loss:			
Remeasurement losses on defined benefit plans		(29.53)	(13.64)
Tax impact on above		4.02	4.77
Changes in fair value of fair value through OCI (FVOCI) equity instruments		(92.10)	-
Tax impact on above		23.18	-
Items that will be reclassified to profit or loss in subsequent periods:			
Changes in fair value of FVOCI debt securities		49.82	16.27
Tax impact on above		(12.42)	(5.69)
Cash flow hedge reserve		(75.68)	-
Tax impact on above		19.05	-
Total other comprehensive income for the year (net of tax)		**(113.66)**	**1.71**
Total comprehensive income for the year		**4,767.46**	**3,892.05**

Statement of Profit and Loss (Contd.)

Particulars	Note No.	For the year ended 31 March 2020	2019
Earnings per share:	37		
(Nominal value per share ₹ 2)			
Basic (₹)		83.25	67.52
Diluted (₹)		82.60	66.95
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 Arvind Sethi
Partner
Membership number: 089802

Pune: 19 May 2020

Sandeep Jain
Chief Financial Officer

R Vijay
Company Secretary

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Sanjiv Bajaj
Vice Chairman

Rajeev Jain
Managing Director

Statement of Changes in Equity

Equity share capital

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Balance at the beginning of the year	115.37	115.03
Changes in equity share capital during the year [refer note no. 23(a)]	4.62	0.34
Balance at the end of the year	**119.99**	**115.37**

Other equity

For the year ended 31 March 2020

(₹ In Crore)

		Reserves and surplus						Other comprehensive income on			
Particulars	**Note No.**	**Securities premium**	**Retained earnings**	**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**	**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		-	(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**

Statement of Changes in Equity (Contd.)

Other equity (Contd.)

For the year ended 31 March 2019

(₹ In Crore)

Particulars	Note No.	Reserves and surplus					Share options outstanding account	Other comprehensive income on debt securities through OCI	Total other equity
		Securities premium	Retained earnings	Reserve fund as per RBI Act	General reserve	Infra-structure reserve			
Balance as at 31 March 2018	24	8,223.73	4,787.63	1,823.75	785.65	9.25	82.01	(9.84)	15,702.18
Profit after tax		-	3,890.34	-	-	-	-	-	3,890.34
Other comprehensive income (net of tax)		-	(8.87)	-	-	-	-	10.58	1.71
		8,223.73	**8,669.10**	**1,823.75**	**785.65**	**9.25**	**82.01**	**0.74**	**19,594.23**
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		-	(779.00)	779.00	-	-	-	-	-
Dividend including tax thereon		-	(277.88)	-	-	-	-	-	(277.88)
Share based payment to employees - for the year		-	-	-	-	-	74.80	-	74.80
Transfer on allotment of shares to employees pursuant to ESOP scheme		17.97	-	-	-	-	(17.97)	-	-
Transfer on cancellation of stock options		-	-	-	0.99	-	(0.99)	-	-
		8,241.70	**7,612.22**	**2,602.75**	**786.64**	**9.25**	**137.85**	**0.74**	**19,391.15**
Add: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2018		91.79	-	-	-	-	-	-	91.79
Less: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2019		34.68	-	-	-	-	-	-	34.68
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**

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 Arvind Sethi
Partner
Membership number: 089802

Pune: 19 May 2020

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Vice Chairman

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Statement of Cash Flows

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
(I) Operating activities		
Profit before tax	6,808.13	6,035.30
Adjustments for:		
Interest income	(20,668.15)	(15,345.64)
Depreciation and amortisation	270.70	137.37
Impairment on financial instruments	3,805.15	1,476.29
Net (gain)/loss on disposal of property, plant and equipment	1.80	(3.65)
Finance costs	7,857.55	5,938.85
Share based payment to employees	93.71	74.79
Net gain on fair value changes	(460.47)	(256.73)
Service fees for management of assigned portfolio of loans	(53.32)	(62.90)
Dividend income (Previous year ₹ 12,000)	(0.64)	
	(2,345.54)	(2,006.32)
Cash inflow from interest on loans	20,617.76	15,200.71
Cash inflow from service asset	53.53	68.54
Cash outflow towards finance costs	(7,122.24)	(5,780.59)
Cash generated from operation before working capital changes	**11,203.51**	**7,482.34**
Working capital changes		
(Increase)/decrease in trade receivables	(99.33)	(225.81)
(Increase)/decrease in loans	(22,133.46)	(21,110.43)
(Increase)/decrease in other financial assets	28.96	(73.38)
(Increase)/decrease in other non-financial assets	(46.31)	(0.91)
Increase/(decrease) in trade payables	89.37	108.37
Increase/(decrease) in other payables	(39.18)	48.70
Increase/(decrease) in other financial liabilities	(1,055.79)	162.22
Increase/(decrease) in provisions	(19.54)	(6.47)
Increase/(decrease) in other non-financial liabilities	51.90	91.46
	(23,223.38)	(21,006.25)
Income tax paid (net of refunds)	(2,107.00)	(2,169.75)
Net cash used in operating activities (I)	**(14,126.87)**	**(15,693.66)**
Carried forward	(14,126.87)	(15,693.66)

Statement of Cash Flows (Contd.)

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Brought forward	(14,126.87)	(15,693.66)
(II) Investing activities		
Purchase of property, plant and equipment	(369.22)	(263.78)
Proceeds from sale of property, plant and equipment	6.09	30.45
Purchase of intangible assets	(106.90)	(91.00)
Purchase of investments measured under amortised cost	-	(44.89)
Proceeds from sale of investments measured under amortised cost	33.39	33.60
Purchase of investments measured under FVOCI	(2,246.45)	(646.56)
Proceeds from sale of investments measured under FVOCI	826.09	200.07
Purchase of investments measured under fair value through profit or loss (FVTPL)	(387,261.18)	(401,671.20)
Proceeds from sale of investments measured under FVTPL	381,111.79	397,722.00
Purchase of equity investments designated under FVOCI	(150.00)	-
Dividend received (Previous year ₹ 12,000)	0.64	
Interest received on investments measured under FVTPL and FVOCI	123.21	114.11
Investment in subsidiaries	(1,600.00)	(2,020.38)
Net cash used in investing activities (II)	**(9,632.54)**	**(6,637.58)**
(III) Financing activities		
Issue of equity share capital (including securities premium)	8,568.04	57.45
Share issue expenses	(45.06)	-
Dividends paid	(943.28)	(230.15)
Dividend distribution tax paid	(195.20)	(47.52)
Payment of lease liability	(62.04)	-
Deposits received (net)	7,987.86	5,264.44
Debt securities issued (net)	2,151.76	7,467.90
Borrowings other than debt securities issued (net)	6,731.86	9,831.79
Net cash generated from financing activities (III)	**24,193.94**	**22,343.91**
Net increase in cash and cash equivalents (I+II+III)	**434.53**	**12.67**
Cash and cash equivalents at the beginning of the year	**240.00**	**227.33**
Cash and cash equivalents at the end of the year	**674.53**	**240.00**

- 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 Arvind Sethi
Partner
Membership number: 089802

Pune: 19 May 2020

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Vice Chairman

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Notes to standalone financial statements for the year ended 31 March 2020

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, Viman Nagar, 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. RBI, vide the circular - 'Harmonisation of different categories of NBFCs' issued on 22 February 2019, with a view to provide NBFCs with greater operational flexibility and harmonisation of different categories of NBFCs into fewer categories based on the principle of regulation by activity, merged the three categories of NBFCs viz. Asset Finance Companies (AFC), Loan Companies (LCs) and Investment Companies (ICs) into a new category called NBFC - Investment and Credit Company (NBFC-ICC). Accordingly, the Company has been reclassified as NBFC-Investment and Credit Company (NBFC-ICC).

The audited financial statements were subject to review and recommendation of Audit Committee and approval of Board of Directors. On 19 May 2020, 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.

The standalone financial statements are presented in Indian Rupee (INR) which is also the functional currency of the Company.

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 specifically unless they are material in nature.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

Critical accounting estimates and judgments

The preparation of the Company's financial statements requires Management to make use of estimates and judgments. 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 based on Management's estimates. Accounting estimates and judgments 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]

Estimation of impairment allowance on financial assets amidst COVID-19 pandemic

Estimates and associated assumptions, especially for determining the impairment allowance for Company's financial assets, are based on historical experience and other emerging factors on account of the pandemic which may also have an effect on the expected credit loss. The Company believes that the factors considered are reasonable under the current circumstances. The Company has used early indicators of moratorium and delayed repayment metrics observed along with an estimation of potential stress on probability of default and exposure at default due to COVID-19 situation in developing the estimates and assumptions to assess the expected credit losses on loans. Given the dynamic nature of the pandemic situation, these estimates are subject to uncertainty and may be affected by the severity and duration of the pandemic.

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) 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 2020 (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.

(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 2020 (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.

(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 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 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

(a) Debt instruments at amortised cost

The Company measures its financial assets 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 judgment and considers relevant factors such as the nature of portfolio, and the period for which the interest rate is set.

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/or 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 financial assets 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 financial assets 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 receive the same has been established. Gain 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.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

(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 recognised 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/or infrequent transaction of sale of portfolio 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).

Impairment of financial assets

ECL are recognised for 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.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

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').

Financial assets (and the related impairment allowances) are written off in full, when there is no realistic prospect of recovery.

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 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.

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.

Notes to standalone financial statements for the year ended 31 March 2020 (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 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 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.

(ii) Financial liabilities

Financial liabilities include liabilities that represent a contractual obligation to deliver cash or another financial assets to another entity, or a contract that may or will be settled in the entity'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.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

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 and a proportionate recognition of the fair vale of shares granted to employees of subsidiary under a group share based payment arrangement.

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.

(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, consistent with the criteria specified in Ind AS 16 'Property, plant and equipment'.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

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, except buildings which is determined on written down value method.

(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) Tangible assets which are depreciated over a useful life that is different than those indicated in Schedule II are as under:

Nature of assets	Useful life as per Schedule II	Useful life adopted by the Company
Motor vehicles	8 years	4 years

(f) Assets having unit value up to ₹ 5,000 is depreciated fully in the financial year of purchase of asset.

(g) 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 in the Statement of Profit and Loss when the asset is derecognised.

(h) 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 amortisation and accumulated impairment. 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.

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. 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 2020 (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.

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) 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.

Remeasurements, 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.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

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 in employee benefits expenses/investment in subsidiary 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/investment in subsidiary 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. Non-market performance conditions are reflected within the grant date fair value.

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 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 remeasurement 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 for low value assets and short term leases has been adopted by Company.

Notes to standalone financial statements for the year ended 31 March 2020 (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

During the year ended 31 March 2020, 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. During the year ended 31 March 2020, 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 on-going 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 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

During the year ended 31 March 2020, 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.

4 Change in accounting estimates

During the year ended 31 March 2020, 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 ₹ 20.64 crore.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

5 Cash and cash equivalents

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Cash on hand	27.12	79.23
Balance with banks:		
In current accounts	71.48	160.77
In fixed deposits (with original maturity less than 3 months)	575.93	-
	674.53	240.00

6 Bank balances other than cash and cash equivalents

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Earmarked balance with banks		
against matured fixed deposits	0.01	0.01
against unclaimed dividend	4.82	1.68
	4.83	1.69

7 Derivative financial instruments

(₹ In Crore)

Particulars	As at 31 March 2020	
	Notional amounts	Fair value assets
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 2020	2019
Considered good - unsecured		
Interest subsidy	536.58	572.35
Fees, commission and others	237.86	140.08
Service asset	92.74	92.95
	867.18	805.38

- 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 2020 (Contd.)

9 Loans

(₹ In Crore)

Particulars	As at 31 March 2020 At amortised cost	As at 31 March 2020 At fair value through OCI*	As at 31 March 2020 Total	As at 31 March 2019 At amortised cost	As at 31 March 2019 At fair value through OCI	As at 31 March 2019 Total
(A) Term loans	117,020.82	-	117,020.82	92,177.62	5,032.01	97,209.63
Less: Impairment loss allowance	3,603.74	-	3,603.74	1,957.91	70.46	2,028.37
Total (A)	113,417.08	-	113,417.08	90,219.71	4,961.55	95,181.26
(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.	54,944.46	-	54,944.46	45,383.56	5,032.01	50,415.57
Less: Impairment loss allowance	1,595.46	-	1,595.46	944.87	70.46	1,015.33
Total (I)	53,349.00	-	53,349.00	44,438.69	4,961.55	49,400.24
(II) Unsecured	62,076.36	-	62,076.36	46,794.06	-	46,794.06
Less: Impairment loss allowance	2,008.28	-	2,008.28	1,013.04	-	1,013.04
Total (II)	60,068.08	-	60,068.08	45,781.02	-	45,781.02
Total (B) = (I+II)	113,417.08	-	113,417.08	90,219.71	4,961.55	95,181.26
(C) Out of above						
(I) Loans in India						
(i) Public sector	-	-	-	-	-	-
Less: Impairment loss allowance	-	-	-	-	-	-
Sub-total (i)	-	-	-	-	-	-
(ii) Others	117,020.82	-	117,020.82	92,177.62	5,032.01	97,209.63
Less: Impairment loss allowance	3,603.74	-	3,603.74	1,957.91	70.46	2,028.37
Sub-total (ii)	113,417.08	-	113,417.08	90,219.71	4,961.55	95,181.26
Total (I) = (i +ii)	113,417.08	-	113,417.08	90,219.71	4,961.55	95,181.26
(II) Loans outside India	-	-	-	-	-	-
Total (C) = (I+II)	113,417.08	-	113,417.08	90,219.71	4,961.55	95,181.26

Summary of loans by stage distribution

(₹ In Crore)

Particulars	As at 31 March 2020 Stage 1	As at 31 March 2020 Stage 2	As at 31 March 2020 Stage 3	As at 31 March 2020 Total	As at 31 March 2019 Stage 1	As at 31 March 2019 Stage 2	As at 31 March 2019 Stage 3	As at 31 March 2019 Total
Gross carrying amount	111,827.03	2,854.48	2,339.31	117,020.82	93,456.34	1,950.92	1,802.37	97,209.63
Less: Impairment loss allowance	1,623.32	564.20	1,416.22	3,603.74	595.91	359.03	1,073.43	2,028.37
Net carrying amount	110,203.71	2,290.28	923.09	113,417.08	92,860.43	1,591.89	728.94	95,181.26

Notes to standalone financial statements for the year ended 31 March 2020 (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 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**

(₹ In Crore)

Particulars	For the year ended 31 March 2019							
	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 2018	74,777.25	464.08	1,081.66	251.71	1,200.08	810.32	77,058.99	1,526.11
Transfers during the year								
transfers to stage 1	93.82	20.50	(89.95)	(18.28)	(3.87)	(2.22)	-	-
transfers to stage 2	(1,632.30)	(21.31)	1,641.14	25.97	(8.84)	(4.66)	-	-
transfers to stage 3	(1,583.59)	(30.59)	(562.35)	(148.63)	2,145.94	179.22	-	-
	(3,122.07)	(31.40)	988.84	(140.94)	2,133.23	172.34	-	-
Impact of changes in credit risk on account of stage movements	-	(14.68)	-	225.65	-	1,026.52	-	1,237.49
Changes in opening credit exposures (additional disbursement net of repayments)	(35,274.51)	(214.42)	(733.07)	(119.09)	(948.03)	(181.67)	(36,955.61)	(515.18)
New credit exposures during the year, net of repayments	57,075.67	392.33	613.49	141.70	382.14	210.97	58,071.30	745.00
Amounts written off during the year	-	-	-	-	(965.05)	(965.05)	(965.05)	(965.05)
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**

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

9 Loans (Contd.)

Details of impairment on financial instruments disclosed in the Statement of Profit and Loss

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
(i) Net impairment loss allowance charge/(release) for the year	1,575.37	502.26
(ii) Amounts written off during the year	2,215.11	965.05
Impairment on loans	3,790.48	1,467.31
Add: Impairment on other assets	14.67	8.98
Impairment on financial instruments	3,805.15	1,476.29

* 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 for the year ended 31 March 2020 per erstwhile measurement
Fair value through other comprehensive income (FVOCI)	Amortised Cost	4,961.55	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 2020 (Contd.)

10 Investments

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
(A) At amortised cost		
In Pass Through Certificates (PTC) representing securitisation of loan receivables#	20.32	53.71
Total (A)	20.32	53.71
(B) At fair value through other comprehensive income		
(i) In Government securities*	2,713.63	1,255.60
Add: Fair value gain	50.97	1.15
Sub-total (i)	2,764.60	1,256.75
* includes ₹ 2,242.09 crore (Previous year ₹ 1,029.23 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.		
(ii) In equity instruments		
Equity shares	150.01	0.01
Add: Fair value losses	(92.09)	-
	57.92	0.01
Compulsorily Convertible Preference Shares	262.31	224.99
Sub-total (ii)	320.23	225.00
Total (B) = (i+ii)	3,084.83	1,481.75
(C) At fair value through profit or loss		
(i) In mutual funds	10,705.59	3,500.00
Add: Fair value gains	32.66	3.74
Sub-total (i)	10,738.25	3,503.74
(ii) In Government securities#	642.19	425.45
Add: Fair value gains	1.43	0.23
Sub-total (ii)	643.62	425.68
(iii) In certificates of deposit#	98.73	1,357.00
Add: Fair value gains	0.46	0.15
Sub-total (iii)	99.19	1,357.15
(iv) In commercial Paper	396.60	-
Add: Fair value gains	0.74	-
Sub-total (iv)	397.34	-
Total (C) = (i+ii+iii+iv)	11,878.40	5,286.57
(D) At cost		
Investment in subsidiaries	5,155.43	3,548.38
Total (D)	5,155.43	3,548.38
Total (A+B+C+D)	**20,138.98**	**10,370.41**

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Out of above		
In India	20,138.98	10,370.41
Outside India	-	-
	20,138.98	10,370.41

Impairment allowance recognised on these investments is ₹ Nil (Previous year ₹ Nil).

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

11 Other financial assets

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Security deposits	48.82	36.64
Advances to dealers	193.78	253.88
Others	106.91	91.09
	349.51	381.61

- 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 2020	2019
Profit before tax	6,808.13	6,035.30
At corporate tax rate of 25.17% (Previous year 34.944%)	1,713.61	2,108.98
Tax on expenditure not considered for tax provision (net of allowance)	36.78	35.98
Tax on additional deductions	(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 28.305%, Previous year 35.540%)	1,927.01	2,144.96

* Company opted for reduced corporate tax rate of 25.17% as per recently inserted section 115BAA of the Income Tax Act, 1961 during the year ended 31 March 2020.

Deferred tax assets (net) recorded in Balance Sheet

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Deferred tax relates to the following:		
(a) Deferred tax assets		
Disallowance u/s 43B of the Income Tax Act, 1961	20.85	22.00
Impairment of financial instruments	796.46	599.99
EIR impact on financial instruments measured at amortised cost	-	21.02
Cash flow hedge reserve	19.05	-
Changes in fair value of FVOCI equity instruments	23.18	-
Lease liability	4.12	-
Other temporary differences	20.65	32.72
Gross deferred tax assets (a)	884.31	675.73

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

12 Deferred tax assets (net) (Contd.)

Deferred tax assets (net) recorded in Balance Sheet (Contd.)

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
(b) Deferred tax liabilities		
Depreciation and amortisation	2.17	9.82
EIR impact on financial instruments measured at amortised cost	10.49	-
Unrealised net gain on fair value changes	8.88	1.44
Changes in fair value of FVOCI debt securities	12.83	0.41
Other temporary differences	2.33	3.23
Gross deferred tax liabilities (b)	36.70	14.90
Deferred tax assets/(liabilities), net (a - b)	847.61	660.83

Changes in deferred tax recorded in profit or loss

(₹ In Crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Deferred tax relates to the following:		
Disallowance u/s 43B of the Income Tax Act, 1961	5.17	2.11
Impairment on financial instruments	(196.47)	(147.30)
Depreciation and amortisation	(7.65)	(1.86)
EIR impact on financial instruments measured at amortised cost	31.51	255.27
Unrealised net gain on fair value changes	7.44	1.46
Lease liability	(4.12)	-
Other temporary differences	11.17	(8.45)
	(152.95)	101.23

Changes in deferred tax recorded in other comprehensive income

(₹ In Crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Deferred tax relates to the following:		
Changes in fair value of FVOCI debt securities	12.42	5.69
Disallowance u/s 43B of the Income Tax Act, 1961	(4.02)	(4.77)
Cash flow hedge reserve	(19.05)	-
Changes in fair value of FVOCI equity instruments	(23.18)	-
	(33.83)	0.92

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

13 Property, plant and equipment and intangible assets

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)	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.

For the financial year 2018-19

(₹ In Crore)

Particulars	Gross block				Depreciation and amortisation				Net block
	As at 1 April 2018	Additions	Deductions	As at 31 March 2019	As at 1 April 2018	Deductions	For the year	As at 31 March 2019	As at 31 March 2019
Property, plant and equipment (a)									
Freehold land (b)	2.26	-	-	2.26	-	-	-	-	2.26
Buildings (c)	156.46	47.80	0.78	203.48	45.83	0.26	7.05	52.62	150.86
Computers	123.89	45.90	14.47	155.32	69.28	12.13	25.81	82.96	72.36
Office equipment	81.70	52.72	2.79	131.63	38.49	(0.59)	21.19	60.27	71.36
Furniture and fixtures	116.99	54.11	3.06	168.04	32.52	2.85	18.11	47.78	120.26
Vehicles	39.88	17.48	10.25	47.11	15.62	5.22	9.59	19.99	27.12
Leasehold improvements	63.08	44.83	2.02	105.89	38.65	1.65	17.27	54.27	51.62
Sub-total	**584.26**	**262.84**	**33.37**	**813.73**	**240.39**	**21.52**	**99.02**	**317.89**	**495.84**
Intangible assets (d)									
Computer Softwares	198.12	91.00	17.68	271.44	77.33	2.73	38.35	112.95	158.49
Sub-total	**198.12**	**91.00**	**17.68**	**271.44**	**77.33**	**2.73**	**38.35**	**112.95**	**158.49**
Total	**782.38**	**353.84**	**51.05**	**1,085.17**	**317.72**	**24.25**	**137.37**	**430.84**	**654.33**

(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 2020 (Contd.)

14 Other non-financial assets

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Capital advances	0.25	3.74
Indirect tax credits available for utilisation	27.27	19.64
Deposits against appeals	17.14	17.01
Advances to suppliers and others	54.72	16.17
	99.38	56.56

15 Payables

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
(I) Trade payables		
Total outstanding dues of micro enterprises and small enterprises#	0.30	0.44
Total outstanding dues of creditors other than micro enterprises and small enterprises	636.76	547.25
	637.06	547.69
(II) Other payables		
Total outstanding dues of micro enterprises and small enterprises#	–	–
Total outstanding dues of creditors other than micro enterprises and small enterprises	179.46	218.64
	179.46	218.64

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 2020	As at 31 March 2019
Principal amount due to suppliers under MSMED Act, as at the year end (since paid)	0.30	0.44
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	6.09	4.67
Interest paid to suppliers under MSMED Act (other than section 16)	–	–
Interest paid to suppliers under MSMED Act (section 16)	–	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 standalone financial statements for the year ended 31 March 2020 (Contd.)

16 Debt Securities

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
(A) At amortised cost		
(I) Secured*		
Privately placed redeemable non-convertible debentures	36,813.66	31,419.07
Sub-total (I)	36,813.66	31,419.07
(II) Unsecured		
Privately placed partly paid redeemable non-convertible debentures	3,008.64	1,274.81
Borrowings by issue of commercial papers	1,891.47	6,355.09
Sub-total (II)	4,900.11	7,629.90
Total (I + II)	41,713.77	39,048.97
(B) Out of above		
In India	41,713.77	39,048.97
Outside India	–	–
	41,713.77	39,048.97

* secured by pari passu charge created by mortgage of Company's Chennai office, on loan receivables as stated in the respective information memorandum. Until 5 July 2018, the Company had mortgaged its residential property at Pune on pari passu charge against specific debentures.

(C) 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

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

16 Debt securities (Contd.)

Terms of repayment of non-convertible debentures (NCDs) as at 31 March 2019

(₹ 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	1,770.00	-	-	-	1,770.00
1096-1460	2,292.00	7,902.93	425.00	2,209.92	12,829.85
More than 1460	607.50	1,190.20	1,129.20	7,217.28	10,144.18
Issued at discount and redeemable at par					
1090-1460	96.85	-	-	-	96.85
Issued at par and redeemable at premium					
731-1095	328.10	12.00	-	-	340.10
1096-1460	691.60	1,584.10	619.70	2,902.85	5,798.25
More than 1460	85.00	-	18.50	3.80	107.30
Interest accrued and impact of EIR					1,607.35
					32,693.88

- Interest rate ranges from 7.25% to 10% as at 31 March 2019
- As at 31 March 2019, partly called and paid unsecured debentures of ₹ 1,274.81 crore.
- Amount to be called and paid is ₹ 200 crore each in Jun 2019, Jun 2020 and Jun 2021
- Amount to be called and paid is ₹ 445 crore each in Nov 2019, Nov 2020, Nov 2021 and Nov 2022

(D) 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

Terms of repayment of commercial papers as at 31 March 2019

(₹ 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	6,355.71	-	-	-	6,355.71
Interest accrued and impact of EIR					(0.62)
					6,355.09

- Interest rate ranges from 7.55% to 7.65% p.a as at 31 March 2019
- Face value of commercial paper is ₹ 6,400 crore as at 31 March 2019

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

17 Borrowings (other than debt securities)

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
(A) In India		
At amortised cost:		
Term loans from banks	29,070.59	27,003.44
Cash credit/Overdraft facility	620.61	1,755.80
Working capital demand loans	2,082.33	796.59
Collateralised borrowing and lending obligation (CBLO) against Government securities	839.98	414.84
	32,613.51	29,970.67
Outside India		
External commercial borrowing (ECB)*	4,309.81	-
	4,309.81	-
(B) Out of above		
Secured (Against hypothecation of loans, book debts and other receivables)	36,923.32	29,970.67
Unsecured	-	-
	36,923.32	29,970.67

* ECB is denominated in foreign currency and secured against book debts

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

17 Borrowings (other than debt securities) (Contd.)

(C) 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									
366-730	2	517.50	-	-	-	-	-	-	517.50
731-1095	2	220.00	3	713.74	-	-	-	-	933.74
More than 1095	4	125.00	10	857.50	6	980.00	4	511.25	2,473.75
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

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

17 Borrowings (other than debt securities) (Contd.)

Terms of repayment of term loans from bank as at 31 March 2019

	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
Monthly									
More than 1095	-	-	4	500.00	-	-	-	-	500.00
Quarterly									
Up to 365	4	544.44	-	-	-	-	-	-	544.44
366-730	4	447.22	6	816.66	-	-	-	-	1,263.88
731-1095	-	-	6	622.22	6	816.66	-	-	1,438.88
More than 1095	37	1,006.25	34	1,112.50	25	1,172.22	26	3,680.58	6,971.55
Half yearly									
731-1095	-	-	-	-	3	150.00	-	-	150.00
More than 1095	35	1,300.00	31	1,050.00	14	875.00	6	500.00	3,725.00
Yearly									
Up to 365	3	300.00	-	-	-	-	-	-	300.00
366-730	-	-	2	517.50	-	-	-	-	517.50
731-1095	-	-	3	320.00	2	486.25	-	-	806.25
More than 1095	2	50.00	3	125.00	5	457.50	10	1,268.75	1,901.25
On maturity (Bullet)									
731-1095	3	400.00	1	800.00	-	-	-	-	1,200.00
More than 1095	14	1,250.00	11	2,250.00	4	2,000.00	8	2,215.00	7,715.00
Interest accrued and impact of EIR									(30.31)
									27,003.44

- Interest rate ranges from 7.40% p.a to 9.50% p.a as at 31 March 2019

(D) 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	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

Terms of repayment of working capital demand loans from bank as at 31 March 2019

	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	795.00	-	-	-	-	-	-	795.00
Interest accrued and impact of EIR									1.59
									796.59

- Interest rate ranges from 8.35% p.a to 8.40% p.a as at 31 March 2019

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

17 Borrowings (other than debt securities) (Contd.)

(E) Terms of repayment of CBLO as at 31 March 2020

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
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

Terms of repayment of CBLO as at 31 March 2019

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
On maturity (Bullet)									
Up to 365	1	414.69	-	-	-	-	-	-	414.69
Interest accrued and impact of EIR									0.15
									414.84

- Interest rate ranges from 6.50% p.a to 6.85% p.a as at 31 March 2019

(F) Terms of repayment of external commercial borrowing as at 31 March 2020

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
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 2020 (Contd.)

18 Deposits (Unsecured)

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
(A) At amortised cost		
Public deposits*	13,127.33	6,828.35
From others	8,299.77	6,364.66
	21,427.10	13,193.01

* 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 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	1,843.43	9,608.82
Interest accrued and impact of EIR					336.83
					13,127.33

Terms of repayment of public deposits as at 31 March 2019

(₹ 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	1,143.80	42.26	-	-	1,186.06
731-1095	566.08	345.25	3.55	-	914.88
More than 1095	116.19	811.59	2,716.18	910.83	4,554.79
Interest accrued and impact of EIR					172.62
					6,828.35

(C) 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

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

18 Deposits (Unsecured) (Contd.)

Terms of repayment of deposit from others as at 31 March 2019

(₹ 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	1,265.10	-	-	-	1,265.10
366-730	4,224.79	84.46	-	-	4,309.25
731-1095	298.19	38.80	-	-	336.99
More than 1095	11.55	77.66	55.63	121.54	266.38
Interest accrued and impact of EIR					186.94
					6,364.66

- Interest rates range from 7.25% p.a. to 10.00% p.a. as at 31 March 2019

19 Subordinated debts (Unsecured)

(₹ In Crore)

Particulars	As at 31 March 2020	2019
(A) In India		
At amortised cost		
Privately placed subordinated (Tier II) redeemable non-convertible debentures	4,141.75	4,139.07
	4,141.75	4,139.07
(B) Outside India	-	-

(C) 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

Terms of repayment of subordinated debts as at 31 March 2019

(₹ 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	3,659.60	3,938.30
Interest accrued and impact of EIR					200.77
					4,139.07

- Interest rate ranges from 8.05% to 10.21% as at 31 March 2019

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

20 Other financial liabilities

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Unclaimed dividends	4.82	1.68
Book overdraft	4.46	1,085.80
Security deposits	115.11	88.64
Unclaimed matured deposits*	0.05	0.07
Lease liability+	310.74	-
Others	234.72	235.62
	669.90	1,411.81

* There are no amounts that are due and remain unpaid to Investor Education and Protection Fund as at the close of the year.

+ Disclosures as required by Ind AS 116 'Leases' are stated below

(A) Lease liability movement

(₹ In Crore)

Particulars	Amount
Transition adjustment	202.42
Add: Addition during the year	170.36
Interest on lease liability	23.65
Less: Lease rental payments	85.69
Balance as on 31 March 2020	310.74

(B) Lease rentals of ₹ 0.48 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 2020
Not later than one year	94.34
Later than one year but not later than five years	225.90
Later than five years	64.48
	384.72

(D) Maturity analysis of lease liability as at 31 March 2020

(₹ In Crore)

Particulars	Within 12 months	After 12 months
Lease liability	71.36	239.38

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

21 Provisions

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Provision for employee benefits		
Gratuity	50.86	30.85
Compensated absences*	17.22	20.97
Other long term service benefits	10.79	7.18
Provision retained on sale of non performing assets+	-	9.88
	78.87	68.88

* includes amount payable for encashable leaves not permitted to be carried forward of ₹ 5.67 crore as at 31 March 2020 (Previous year ₹ 13.58 crore).

\+ as per RBI circular number DBOD.NO.BP.BC. 16/21.04.048/2005-06

22 Other non-financial liabilities

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Statutory dues	292.27	247.67
Others	74.76	67.46
	367.03	315.13

23 Equity share capital

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Authorised 750,000,000 (750,000,000) equity shares of ₹ 2 each	150.00	150.00
Issued 601,689,069 (577,968,388) equity shares of ₹ 2 each	120.34	115.59
Subscribed and paid up 601,689,069 (577,968,388) equity shares of ₹ 2 each fully called up and paid up	120.34	115.59
Less: 1,742,578 (1,093,723) equity shares of ₹ 2 each held in a trust for employees under ESOP Scheme [See footnote (e) below]	0.35	0.22
	119.99	115.37

Notes to standalone financial statements for the year ended 31 March 2020 (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 2018	577,968,388	115.59
Less: Equity shares held in trust for employees under ESOP scheme	1,093,723	0.22
As at 31 March 2019	**576,874,665**	**115.37**
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**

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 Bombay Stock Exchange (BSE) Ltd. and National Stock Exchange of India Ltd. 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

(i) 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.

(ii) Pursuant to the SEBI (Issue of Capital and Disclosure Requirements) Regulations-2009, 9,250,000 equity shares held by Bajaj Finserv Ltd. were restricted from transfer and pledge up to 11 December 2019.

(c) Shares held by Holding Company (Face value ₹ 2 per share)

	As at 31 March 2020		As at 31 March 2019	
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 2020		As at 31 March 2019	
Particulars	Nos.	% Holding	Nos.	% Holding
Bajaj Finserv Ltd.*	317,816,130	52.82%	317,816,130	54.99%

* An associate of Bajaj Holdings and Investments Ltd.

Notes to standalone financial statements for the year ended 31 March 2020 (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 2020	25,926,216
c. Options cancelled up to 31 March 2020 and added back to pool for future grants	3,695,954
d. Options granted net of cancellation under the scheme up to 31 March 2020 (d=b-c)	22,230,262
e. Balance available under the scheme for future grants (e=a-d)	2,840,898
f. Equity shares allotted to BFL Employee Welfare Trust up to 31 March 2020	17,714,810
g. Stock options exercised up to 31 March 2020	15,972,232
h. Balance stock options available with BFL Employee Welfare trust on 31 March 2020 (h=f-g)	1,742,578

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 ₹ 670,428,124 (As at 31 March 2019 ₹ 346,849,803) 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 2020	As at 31 March 2019
(i) Securities premium		
Balance at the beginning of the year	8,333.49	8,315.52
Add: Received during the year		
On allotment of shares to Trust for employees pursuant to ESOP scheme	100.14	-
On allotment of shares to employees pursuant to ESOP scheme	24.26	17.97
On issue of shares to Qualified Institutional Buyers	8,495.64	-
Less: Share issue expenses as per section 52 of the Companies Act, 2013	45.06	-
	16,908.47	8,333.49
Less: Premium on equity shares held in trust for employees under the ESOP scheme	67.04	34.68
Balance at the end of the year	16,841.43	8,298.81

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

24 Other equity (Contd.)

(₹ In Crore)

Particulars	As at 31 March 2020	2019
(ii) Retained earnings		
Balance at the beginning of the year	7,612.22	4,787.63
Profit for the year	4,881.12	3,890.34
Item of other comprehensive income recognised directly in retained earnings		
On defined benefit plan	(25.51)	(8.87)
	12,467.83	8,669.10
Appropriations:		
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934	(977.00)	(779.00)
Dividend paid	(949.63)	(231.19)
Tax on dividend	(195.20)	(47.52)
Adjustment of dividend to ESOP Trust [refer note no. 23(e)]	3.21	0.83
Total appropriations	(2,118.62)	(1,056.88)
Balance at the end of the year	10,349.21	7,612.22
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	2,602.75	1,823.75
Add: Transferred during the year	977.00	779.00
Balance as at the end of the year	3,579.75	2,602.75
(iv) General reserve		
Balance as at the beginning of the year	786.64	785.65
Add: Transfer on cancellation of stock options	1.18	0.99
Balance as at the end of the year	787.82	786.64
(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	0.74	(9.84)
Addition/(reduction) during the year	(88.15)	10.58
Balance as at the end of the year	(87.41)	0.74

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

24 Other equity (Contd.)

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
(vii) Share options outstanding account		
Balance as at the beginning of the year	137.85	82.01
Add: Share based payments to employees	100.76	74.80
Less: Transfer on allotment of shares to employees pursuant to ESOP scheme	24.26	17.97
Less: Transfer on cancellation of stock options	1.18	0.99
Balance as at the end of the year	213.17	137.85
Total other equity	31,693.22	19,448.26

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.

(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.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

25 Nature and purpose of other equity (Contd.)

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. The table gives details of movement of fair value changes:

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Balance as at the beginning of the year	–	–
Fair value changes during the year*	–	70.46
Impairment loss allowances transferred to profit or loss	–	(70.46)
Balance as at the end of the year	–	–

* Refer note no. 9 for changes in business model.

(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)

Particulars	For the year ended 31 March 2020				For the year ended 31 March 2019			
	On financial assets measured at				On financial assets measured at			
	FVOCI*	Amortised cost*	FVTPL	Total	FVOCI*	Amortised cost*	FVTPL	Total
On loans	–	20,507.72	–	20,507.72	621.19	14,589.94	–	15,211.13
On investments	112.80	3.51	26.59	142.90	58.53	2.97	69.19	130.69
On others	–	17.53	–	17.53	–	3.82	–	3.82
	112.80	**20,528.76**	**26.59**	**20,668.15**	**679.72**	**14,596.73**	**69.19**	**15,345.64**

* As per effective interest rate (EIR). Refer note no. 3.1(i)

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

27 Fees and commission income

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Service and administration charges	883.83	573.06
Fees on value added services and products	396.63	318.91
Foreclosure income	155.16	103.42
Distribution income	1,054.27	635.51
	2,489.89	1,630.90

28 Net gain on fair value changes

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
(A) Net gain on financial instruments at fair value through profit or loss		
On trading portfolio		
Realised gain on investments at FVTPL	415.34	252.27
Unrealised gain on investments at FVTPL	31.20	4.19
(B) Others		
Realised gain on sale of FVOCI debt instruments	13.93	0.27
	460.47	256.73

29 Sale of services

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Service fees for management of assigned portfolio of loans	53.32	62.90
	53.32	62.90

30 Other operating income

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Recoveries against financial assets	140.90	85.16
Net realisation on sale of written off loans	9.80	4.69
	150.70	89.85

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

31 Other income

(₹ In Crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest on income tax refund	1.01	-
Net gain on disposal of property, plant and equipment	-	3.65
Net gain on foreign currency transactions and translation	0.08	0.05
Dividend income (Previous year ₹ 12,000)	0.64	
Miscellaneous income	9.89	9.55
	11.62	13.25

32 Finance costs

(₹ In Crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
On financial liabilities measured at amortised cost:		
On debt securities	3,256.50	2,865.98
On borrowings other than debt securities	2,705.98	1,847.89
On subordinated debts	352.69	352.29
On deposits	1,512.66	868.22
On lease liability	23.65	-
On others	6.07	4.47
	7,857.55	5,938.85

33 Fees and commission expense

(₹ In Crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Commission and incentives	62.30	61.64
Recovery costs	959.39	646.87
Credit guarantee fees	29.70	-
Loan portfolio management service charges	53.40	52.61
	1,104.79	761.12

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

34 Impairment on financial instruments

(₹ In Crore)

Particulars	For the year ended 31 March 2020			For the year ended 31 March 2019		
	At amortised cost	At FVOCI	Total	At amortised cost	At FVOCI	Total
On loans	3,790.48	–	3,790.48	1,414.70	52.61	1,467.31
On others	14.67	–	14.67	8.98	–	8.98
	3,805.15	–	3,805.15	1,423.68	52.61	1,476.29

35 Employee benefits expense

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Employees emoluments	2,062.12	1,536.80
Contribution to provident fund and other funds	102.92	64.17
Share based payment to employees	93.71	74.79
Staff welfare expenses	35.81	43.84
	2,294.56	1,719.60

36 Other expenses

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Insurance	2.98	3.22
Rent, taxes and energy cost	40.64	80.77
Director's fees, commission and expenses	5.48	4.17
Communication expenses	119.98	67.95
Outsourcing/back office expenses	240.85	196.07
Travelling expenses	197.52	186.03
Information technology expenses	202.05	155.05
Bank charges	132.93	98.45
Net loss on disposal of property, plant and equipment	1.80	–
Auditor's fees and expenses*	1.00	0.66
Advertisement, branding and promotion	212.81	182.12
Expenditure towards Corporate Social Responsibility activities**	82.19	56.78
Repairs and maintenance	80.51	49.99
Printing and stationery	16.40	15.22
Legal and professional charges	22.65	15.09
Customer experience	96.15	67.15
Miscellaneous expenses+	237.33	152.02
	1,693.27	1,330.74

+ Miscellaneous expenses includes donation of ₹ 20 crore made to political parties through Electoral Bonds.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

36 Other expenses (Contd.)

* Payment to auditor (net of GST credit availed)

(₹ In Crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Audit fee	0.44	0.44
Tax audit fee	0.06	0.05
Limited review fees	0.09	0.09
In other capacity:		
Other services	0.39	0.06
Reimbursement of expenses	0.02	0.02
	1.00	0.66

Excludes fees of ₹ 0.49 crore incurred in 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 2020	For the year ended 31 March 2019
(a) Gross amount required to be spent by the Company during the year	81.92	56.59
(b) Amount spent in cash during the year on:		
(i) Construction/acquisition of any asset	-	-
(ii) On purpose other than (i) above	82.19	56.78
	82.19	56.78

37 Earnings per share (EPS)

Basic EPS is calculated 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:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
(A) Net profit attributable to equity shareholders (₹ In Crore)	4,881.12	3,890.34
(B) Weighted average number of equity shares for basic earnings per share	586,346,942	576,195,060
Effect of dilution:		
Employee stock options	4,623,187	4,854,887
(C) Weighted average number of equity shares for diluted earnings per share	590,970,129	581,049,948
Earning per share (Basic) (₹) (A/B)	83.25	67.52
Earning per share (Diluted) (₹) (A/C)	82.60	66.95

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

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 but 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.

40 Revenue from contracts with customers

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Type of services		
Service and administration charges	883.83	573.06
Fees on value added services and products	396.63	318.91
Foreclosure charges	155.16	103.42
Distribution income	1,054.27	635.51
Sale of services	53.32	62.90
	2,543.21	1,693.80
Geographical markets		
India	2,543.21	1,693.80
Outside India	–	–
	2,543.21	1,693.80
Timing of revenue recognition		
Services transferred at a point in time	2,543.21	1,693.80
Services transferred over time	–	–
	2,543.21	1,693.80

Contract balances

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Service asset	92.74	92.95
Fees, commission and other receivables	237.86	140.08
	330.60	233.03

– Impairment allowance recognised on contract balances is ₹ Nil (Previous year ₹ Nil)

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

41 Employee benefits plan

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 2020	As at 31 March 2019
Defined benefit obligation as at the beginning of the year	96.21	78.72
Current service cost	19.95	16.56
Interest on defined benefit obligation	7.16	5.89
Remeasurements due to:		
Actuarial loss/(gain) arising from change in financial assumptions	11.68	0.46
Actuarial loss/(gain) arising from change in demographic assumptions	-	0.06
Actuarial loss/(gain) arising on account of experience changes	17.85	11.44
Benefits paid	(3.34)	(3.75)
Liabilities assumed/(settled)*	(0.18)	(13.17)
Defined benefit obligation as at the end of the year	149.33	96.21

* On account of business combination within the Group.

Movement in plan assets

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Fair value of plan asset as at the beginning of the year	65.38	54.34
Employer contributions	30.69	24.86
Interest on plan assets	5.93	4.87
Remeasurements due to:		
Actual return on plan assets less interest on plan assets	(0.01)	(1.77)
Benefits paid	(3.34)	(3.75)
Assets acquired/(settled)*	(0.18)	(13.17)
Fair value of plan asset as at the end of the year	98.47	65.38

* On account of business combination within the Group.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

41 Employee benefits plan (Contd.)

(A) Gratuity (Contd.)

Reconciliation of net liability/asset

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Net defined benefit liability/(asset) as at the beginning of the year	30.85	24.48
Expense charged to Statement of Profit and Loss	21.19	17.59
Amount recognised in other comprehensive income	29.52	13.64
Employers contribution	(30.69)	(24.86)
Net defined benefit liability/(asset) as at the end of the year	50.86	30.85

Expenses charged to the Statement of Profit and Loss

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Current service cost	19.95	16.56
Interest cost	1.24	1.03
	21.19	17.59

Movement in asset ceiling

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Value of asset ceiling as at the beginning of the year	0.02	0.10
Interest on opening balance of asset ceiling	-	0.01
Remeasurements due to change in surplus/deficit	(0.02)	(0.09)
Value of asset ceiling as at the end of the year	-	0.02

Remeasurement losses in other comprehensive income

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Opening amount recognised in other comprehensive income	34.88	21.24
Changes in financial assumptions	11.68	0.46
Changes in demographic assumptions	-	0.06
Experience adjustments	17.85	11.44
Actual return on plan assets less interest on plan assets	0.01	1.77
Adjustment to recognise the effect of asset ceiling	(0.02)	(0.09)
Closing amount recognised outside profit or loss in other comprehensive income	64.40	34.88

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

41 Employee benefits plan (Contd.)

(A) Gratuity (Contd.)

Amount recognised in Balance Sheet

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Present value of funded defined benefit obligation	149.33	96.21
Fair value of plan assets	98.47	65.38
Net funded obligation	50.86	30.83
Amount not recognised due to asset limit	–	0.02
Net defined benefit liability recognised in Balance Sheet	50.86	30.85

Key actuarial assumptions

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Discount rate (p.a.)	6.80%	7.70%
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 2020		As at 31 March 2019	
	Discount rate	Salary Escalation Rate	Discount rate	Salary Escalation Rate
Impact of increase in 50 bps on defined benefit obligation	(4.47%)	4.60%	(4.60%)	4.77%
Impact of decrease in 50 bps on defined benefit obligation	4.81%	(4.33%)	4.94%	(4.48%)

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

41 Employee benefits plan (Contd.)

(A) Gratuity (Contd.)

Projected plan cash flow

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Maturity Profile		
Expected benefits for year 1	10.53	6.48
Expected benefits for year 2	11.99	6.64
Expected benefits for year 3	12.12	7.87
Expected benefits for year 4	12.53	7.86
Expected benefits for year 5	12.90	8.00
Expected benefits for year 6	12.50	8.34
Expected benefits for year 7	13.31	8.29
Expected benefits for year 8	12.56	9.66
Expected benefits for year 9	11.81	8.59
Expected benefits for year 10 and above	209.04	164.47

Expected contribution to fund in the next year

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Expected contribution to fund in the next year	11.50	29.50

(B) Compensated absences

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Maturity Profile		
Present value of unfunded obligations	11.54	7.39
Expense recognised in the Statement of Profit and Loss	7.44	2.77
Discount rate (p.a.)	6.80%	7.70%
Salary escalation rate (p.a.)	11%	11%

(C) Other long term service benefits

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Present value of unfunded obligations	10.79	7.18
Expense recognised in the Statement of Profit and Loss	3.72	1.65
Discount rate (p.a.)	6.80%	7.70%

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

41 Employee benefits plan (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 2020. 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 2020	2019
Defined benefit obligations as the beginning of the year	285.37	240.79
Current service cost	34.85	21.09
Interest on defined benefit obligation	24.04	19.60
Remeasurement due to:		
Actuarial loss/(gain) arising on account of experience changes	23.69	1.83
Employees contribution	75.59	43.54
Benefits paid	(15.94)	(17.99)
Liabilities assumed/(settled)*	1.11	(23.49)
Defined benefit obligation as at the end of the year	428.71	285.37

* On account of business combination within the Group.

Movement in plan assets

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Fair value of plan asset as at the beginning of the year	285.37	240.79
Interest on plan assets	24.04	19.60
Remeasurements due to:		
Actual return on plan assets less interest on plan assets	23.69	1.83
Employer contribution	34.85	21.09
Employees contribution	75.59	43.54
Benefits paid	(15.94)	(17.99)
Assets acquired/(settled)*	1.11	(23.49)
Fair value of plan asset as at the end of the year	428.71	285.37

* On account of business combination within the Group.

Reconciliation of net liability/asset

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Net defined benefit liability/(asset) as at the beginning of the year	-	-
Expense charged to Statement of Profit and Loss	34.85	21.09
Employer contribution	(34.85)	(21.09)
Net defined benefit liability/(asset) as at the end of the year	-	-

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

41 Employee benefits plan (Contd.)

(D) Provident fund (Contd.)

Expenses charged to the Statement of Profit and Loss

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Current service cost	34.85	21.09
	34.85	21.09

Remeasurement gains/(losses) in other comprehensive income

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Opening amount recognised in other comprehensive income	-	-
Experience adjustments	23.69	1.83
Actual return on plan assets less interest on plan assets	(23.69)	(1.83)
Closing amount recognised outside profit or loss in other comprehensive income	-	-

Amount recognised in Balance Sheet

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Present value of funded defined benefit obligation	428.71	285.37
Fair value of plan assets	428.71	285.37
Net defined benefit liability/(asset) recognised in Balance Sheet	-	-

Key actuarial assumptions

Particulars	As at 31 March 2020	2019
Discount rate (p.a.)	6.80%	7.70%
Future derived return on assets (p.a.)	8.54%	8.68%
Discount rate for the remaining term to maturity of the investment (p.a.)	6.45%	7.35%
Average historical yield on the investment portfolio (p.a.)	8.19%	8.33%
Guaranteed rate of return (p.a.)	8.50%	8.65%

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

41 Employee benefits plan (Contd.)

(D) Provident fund (Contd.)

Category of plan assets

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Government debt securities	229.22	148.97
Other debt instruments	162.83	94.81
Others	36.66	41.59
	428.71	285.37

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 2020		As at 31 March 2019	
	0.50% increase	0.50% decrease	0.50% increase	0.50% decrease
Impact on defined benefit obligation	2.25%	-	-	-

42 Contingent liabilities and commitments

(a) Contingent liabilities not provided for in respect of

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Disputed claims against the Company not acknowledged as debts	44.18	28.04
VAT matters under appeal	4.39	4.39
ESI matters under appeal	5.14	5.14
GST/Service tax matters under appeal		
On interest subsidy	1,971.65	1,340.49
On penal interest/charges	223.15	245.19
On others	6.22	5.45
Income tax matters		
Appeals by the Company	0.32	0.32
Appeals by the Income tax department	0.24	0.24

Notes to standalone financial statements for the year ended 31 March 2020 (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 2020 amounted to ₹ 593.86 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 Commissioner, Central Excise and CGST, Pune-I Commissionerate, has issued a periodical show cause notice on 9 September 2019 demanding payment of service tax of ₹ 217.22 crore and penalty thereon of ₹ 217.22 crore on the interest subsidy the Company received from manufacturers and dealers during the period 1 October 2016 to 30 June 2017. The 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 2020, amounted to ₹ 99.76 crore. The Company has filed a reply to the notice, awaiting the hearing. The Company, in line with the opinion obtained from a 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 2017. 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 2020 amounted to ₹ 51.46 crore. In accordance with legal advice, the Company filed an appeal on 26 December 2018 with the CESTAT, 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 Commissioner, Central Excise and CGST, Pune-I Commissionerate, through an order dated 30 December 2019, has confirmed the demand of service tax of ₹ 40.22 crore and reduced penalty thereon to ₹ 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 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 2020, amounted to ₹ 19.70 crore. In accordance with legal advice, the Company is in process of filing of an appeal with the CESTAT, Mumbai disputing the said demand. 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)

Particulars	As at 31 March 2020	As at 31 March 2019
(i) Capital commitments [Estimated amount of contracts remaining to be executed on capital account not provided for (net of advances)]	36.47	32.37
(ii) Other commitments - towards partially disbursed/un-encashed loans	2,594.38	336.31
	2,630.85	368.68

43 Changes in liability 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.

Notes to standalone financial statements for the year ended 31 March 2020 (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	2020 Transaction Value	2020 Outstanding amounts carried in Balance Sheet	2019 Transaction Value	2019 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	-	127.13	-
	Business support charges paid	21.13	-	16.55	-
	Business support charges received	1.10	-	0.34	-
	Secured non-convertible debentures issued	-	(965.69)	-	(785.54)
	Secured non-convertible debentures redemption	141.00	-	10.00	-
	Interest paid on non-convertible debentures	57.73	-	64.01	-
	Asset sale	-	-	0.51	-
	Asset purchase	0.16	-	-	-
	Licences fee paid (Previous year ₹ 505)	-	-		-
	Other receipts	-	-	0.07	-
	Other payments	-	-	0.86	-
2. Bajaj Housing Finance Ltd. (Subsidiary)	Investment in equity shares	1,507.05	5,035.05	2,000.00	3,528.00
	Purchase of equity shares of Bajaj Financial Securities Ltd.	-	-	20.38	-
	Security deposit	-	0.08	-	0.08
	Business support charges paid	1.50	-	1.13	-
	Business support charges received	4.27	4.61	18.69	-
	Lease liability recognised at inception	0.99	(0.90)	-	-
	Payment towards lease obligation	0.09	-	0.17	-
	Interest expenses on lease obligation	0.08	-	-	-
	Fees and commission paid	54.01	(0.50)	54.15	-
	Assignment of loan portfolio	1,454.21	-	393.54	-
	Service asset income	3.22	2.57	0.68	-
	Interest income on service assets	0.03	-	-	-
	Asset purchase	0.33	(0.18)	0.04	-
	Assets sale (outstanding ₹ 23,526)	0.30		4.67	-
	Other receipts	0.12	-	0.38	-
	Other payments	0.02	-	1.81	-
3. Bajaj Financial Securities Ltd. (Subsidiary)	Investment in equity shares	100.00	120.38	-	20.38
	Short term loan given	381.50	15.00	-	-
	Short term loan repaid	366.50	-	-	-
	Asset sale	0.04	0.05	-	-
	Interest received on short term loan	0.10	0.10	-	-
	Pledge charges	0.03	(0.03)	-	-
	Other receipts	0.15	-	-	-

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

		2020		2019	
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 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	-	0.60	-	0.60
	Insurance expenses	2.11	3.43	3.68	-
	Insurance premium adjusted (including cancellation receipts)	103.76	-	223.80	4.61
	Commission income	18.20	1.52	15.72	3.25
	Secured non-convertible debentures issued	-	(228.90)	-	(251.25)
	Unsecured non-convertible debentures issued	-	(1,001.10)	-	(419.81)
	Secured non-convertible debentures redemption	-	-	20.00	-
	Interest paid on non-convertible debentures	65.64	-	12.16	-
	Business support charges received	-	0.05	0.09	0.05
	Lease liability recognised at inception	1.71	(1.05)	-	-
	Payment towards lease obligation	0.66	-	0.78	(0.07)
	Interest expenses on lease obligation	0.11	-	-	-
	Maintenance expense	0.33	(0.20)	0.08	-
	Claim receipts on behalf of customers	100.80	-	32.05	-
5. Bajaj Allianz General Insurance Company Ltd. (Fellow subsidiary)	Insurance expenses	13.13	4.08	18.07	0.30
	Insurance premium adjusted (including cancellation receipts)	619.67	-	452.73	(0.16)
	Commission income	89.08	0.95	65.38	10.94
	Secured non-convertible debentures issued	-	(695.44)	-	(416.35)
	Unsecured non-convertible debentures issued	-	(42.00)	-	(41.98)
	Interest paid on non-convertible debentures	22.56	-	7.44	-
	Business support charges received	1.91	-	-	-
	Interest subsidy received	4.87	-	3.24	-
	Claim receipts for assets	0.49	-	1.31	-
6. Bajaj Finserv Direct Ltd. (Fellow subsidiary)	Business support charges paid	39.38	(0.62)	24.41	(1.04)
	Sourcing commission paid	57.51	(3.03)	37.23	(5.97)
	Asset purchase	-	-	0.13	(0.14)
	Asset sale	0.03	0.01	20.79	-
	Interest subsidy received	0.30	0.03	-	-
	Other payments	3.24	-	0.73	-
	Other receipts	-	-	0.51	0.02
7. Bajaj Finserv Health Ltd. (Fellow subsidiary)	Asset sale	0.02	-	-	-
	Business support charges received	0.11	-	-	-
	Other receipts	0.04	0.01	-	-
	Interest subsidy received	0.03	-	-	-
(B) Key Management personnel (KMP) and their relatives					
1. Rahul Bajaj (Chairman)	Sitting fees	0.09	-	0.05	-
	Commission	0.18	(0.16)	0.09	(0.08)
2. Nanoo Pamnani (Vice Chairman till 22 Feb 2020)	Sitting fees	0.14	-	0.09	-
	Commission	2.08	(2.05)	1.97	(1.95)
3. Sanjiv Bajaj (Vice Chairman)	Sitting fees	0.16	-	0.09	-
	Commission	0.32	(0.29)	0.17	(0.15)
4. Rajeev Jain (Managing Director)	Remuneration (including perquisite)	11.43	-	11.75	(6.36)
	Equity shares issued pursuant to stock option scheme	1.65	-	2.19	-
	Fair value of stock options granted	13.05	-	10.91	-

Notes to standalone financial statements for the year ended 31 March 2020 (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	2020 Transaction Value	2020 Outstanding amounts carried in Balance Sheet	2019 Transaction Value	2019 Outstanding amounts carried in Balance Sheet
5. Madhur Bajaj (Director)	Sitting fees	0.04	-	0.04	-
	Commission	0.08	(0.07)	0.08	(0.07)
6. Rajiv Bajaj (Director)	Sitting fees	0.05	-	0.04	-
	Commission	0.10	(0.09)	0.07	(0.06)
7. Dipak Poddar (Director)	Sitting fees	0.03	-	0.05	-
	Commission	0.06	(0.05)	0.10	(0.09)
8. D.S.Mehta (Director till 31 Mar 2019)	Sitting fees	-	-	0.05	-
	Commission	-	-	0.10	(0.09)
	Fixed deposit accepted	-	-	2.95	(8.28)
	Fixed deposit interest accrued	-	-	0.67	(0.87)
9. Ranjan Sanghi (Director)	Sitting fees	0.14	-	0.07	-
	Commission	0.28	(0.25)	0.13	(0.12)
10. Rajendra Lakhotia (Director till 31 Mar 2019)	Sitting fees	-	-	0.05	-
	Commission	-	-	0.10	(0.08)
11. D J Balaji Rao (Director)	Sitting fees	0.07	-	0.04	-
	Commission	0.14	(0.13)	0.08	(0.07)
12. Dr. Omkar Goswami (Director)	Sitting fees	0.12	-	0.06	-
	Commission	0.24	(0.22)	0.12	(0.11)
13. Dr. Gita Piramal (Director)	Sitting fees	0.09	-	0.05	-
	Commission	0.18	(0.16)	0.09	(0.08)
14. Anami N. Roy (Director w.e.f. 1 Apr 2019)	Sitting fees	0.07	-	-	-
	Commission	0.14	(0.13)	-	-
15. Dr. Naushad Forbes (Director w.e.f. 1 Apr 2019)	Sitting fees	0.08	-	-	-
	Commission	0.16	(0.14)	-	-
16. Radhika Singh (Spouse of Dr. Omkar Goswami, director of the Company)	Fixed deposit accepted	2.00	(2.00)	-	-
	Fixed deposit interest accrued	0.01	(0.01)	-	-
17. Shekher Bajaj	Nil	-	-	-	-
18. 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 (₹ 27,000, Previous year ₹ 9,000)		-		-
	Security deposit	-	0.21	-	0.21
	Interest subsidy received	0.36	0.04	9.85	-
	Business support charges paid	27.65	-	24.57	(0.83)
	Lease liability recognised at inception	2.84	(1.83)	-	-
	Payment towards lease obligation	1.01	-	1.11	-
	Interest expenses on lease obligation	0.19	-	-	-
	Business support charges received	0.23	-	0.23	-
	Fixed deposit accepted	500.00	(500.00)	-	-
	Fixed deposit interest accrued	15.50	(15.50)	-	-

Notes to standalone financial statements for the year ended 31 March 2020 (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	2020 Transaction Value	2020 Outstanding amounts carried in Balance Sheet	2019 Transaction Value	2019 Outstanding amounts carried in Balance Sheet
2. Bajaj Holdings & Investments Ltd.	Investment in equity shares (₹ 19,646, Previous year ₹ 19,646)	-		-	
	Dividend received (₹ 5,438, Previous year ₹ 3,000)		-		-
	Secured non-convertible debentures issued	-	(161.71)	-	-
	Business support charges paid	15.78	-	2.54	-
	Business support charges received	0.51	-	0.34	-
	Other payments (₹ 4,309)		-	0.03	-
	Other receipts	-	-	0.01	-
3. Mukand Ltd.	Loan given	25.00	25.14	-	24.50
	Loan repayment received	24.37	-	18.42	-
	Interest income	4.16	-	4.10	-
4. Hind Musafir Agency Ltd.	Services received	48.52	0.33	39.50	(1.99)
5. Bajaj Electricals Ltd.	Asset purchase	0.45	0.08	0.49	(0.06)
	Interest subsidy received (outstanding ₹ 43,935)	0.03		-	-
6. Jamnalal Sons Pvt. Ltd.	Contribution to equity (127,640 shares of ₹ 2 each, Previous year 940 shares of ₹ 2 each, ₹ 1,880)	-	(0.03)	-	
	Dividend paid (₹ 15,040, Previous year ₹ 3,760)		-		-
	Security deposit	-	0.19	-	0.19
	Lease liability recognised at inception	1.31	(0.97)	-	-
	Payment towards lease obligation	0.34	-	0.45	-
	Interest expenses on lease obligation	0.10	-	-	-
	Other expenses	0.06	-	0.04	-
7. Maharashtra Scooters Ltd.	Contribution to equity (18,974,660 shares of ₹ 2 each)	-	(3.79)	-	(3.79)
	Dividend paid	30.36	-	7.59	-
	Business support charges received	0.14	-	0.12	-
	Secured non-convertible debentures issued	-	(95.56)	-	(144.01)
	Secured non-convertible debentures redemption	-	-	5.00	-
	Interest paid on non-convertible debentures	11.11	-	10.24	-
8. Hercules Hoists Ltd.	Fixed deposit accepted	6.50	(6.50)	-	-
	Fixed deposit interest accrued	0.09	(0.09)	-	-
(D) Post employment benefit plans					
1. Bajaj Auto Ltd. Provident Fund	Unsecured non-convertible debentures issued	-	(54.61)	-	(54.57)
	Interest paid on non-convertible debentures	4.91	-	4.92	-
	Provident fund contribution (Employer's share)	34.52	(10.29)	21.09	(5.82)
2. Bajaj Auto Employees Superannuation Fund	Superannuation contribution	0.49	-	0.49	-
3. Bajaj Auto Employees Group Gratuity Fund	Gratuity contribution	10.50	-	6.00	-
4. Bajaj Auto Senior Staff Group Gratuity Fund	Gratuity contribution	20.50	-	19.00	-

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 Indian Accounting Standard - 24 'Related Party Disclosures' have been identified based on representations made by KMP 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 KMP 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 ₹ 3.34 crore (Previous year ₹ Nil) 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 2020 of ₹ 7.51 crore (Previous year ₹ NIL) 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 dates.

Notes to standalone financial statements for the year ended 31 March 2020 (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, the Board shall endeavour to maintain a dividend payout (including dividend distribution tax) of around 15% of profits after tax on standalone financials, 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 2020	As at 31 March 2019
Tier I capital	28,697.72	17,025.70
Tier II capital	5,043.43	4,587.47
	33,741.15	21,613.17
Risk weighted assets	134,916.74	104,606.38
Tier I CRAR	21.27%	16.27%
Tier II CRAR	3.74%	4.39%
	25.01%	20.66%

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

45 Capital (Contd.)

(iii) Dividend distributions made and proposed

Dividends on equity shares declared and paid during the year

(₹ In Crore)

Particulars	FY2020	FY2019
Dividend paid including dividend distribution tax out of profits of previous year*	419.46	278.71
Profit for the relevant year (FY2019 profit is as per previous GAAP)	4,248.98	2,646.70
Dividend as a percentage of profit for the relevant year	9.87%	10.53%

* Includes amount paid ₹ 3.21 crore (Previous year ₹ 0.83 crore) on unexercised option to Trust which do not accrete to it.

Interim Dividends on equity shares declared and paid during the year

Particulars	(₹ In Crore)
Interim Dividend on equity shares at ₹ 10 per share	601.69
Add: Dividend distribution tax on interim dividend	123.68
Total Interim dividend including dividend distribution tax (a)	725.37
Profit for the year (b)	4,881.12
Dividend as a percentage of profit for the relevant year (a/b)	14.86%

The Board of Directors has not recommended any final dividend for the year ended 31 March 2020. The interim dividend of ₹ 10 per equity share of the face value of ₹ 2 (500%) declared by Board of Directors, at its meeting held on 21 February 2020, shall be considered as the final dividend for the year ended 31 March 2020.

Notes to standalone financial statements for the year ended 31 March 2020 (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 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. Consequent to change in business model, the Company did not have any loans designated under FVOCI for the 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 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 2020 (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 2020

(₹ In Crore)

		Fair value measurement using			
Particulars	**Date of valuation**	**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	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
Loans designated under FVOCI	31-Mar-20	–	–	–	-
Derivative asset	31-Mar-20	–	171.76	–	171.76
		14,700.91	171.76	262.32	15,134.99

* There is no fair value gain/loss on equity instruments designated under FVOCI.

Quantitative disclosures of fair value measurement hierarchy for financial instruments measured at fair value as at 31 March 2019

(₹ In Crore)

		Fair value measurement using			
Particulars	**Date of valuation**	**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-19	5,286.57	–	–	5,286.57
Equity instrument designated under FVOCI (Unquoted)*	31-Mar-19	–	–	225.00	225.00
Other investments designated under FVOCI	31-Mar-19	1,256.75	–	–	1,256.75
Loans designated under FVOCI	31-Mar-19	–	4,961.55	–	4,961.55
		6,543.32	4,961.55	225.00	11,729.87

* There is no fair value gain/loss on equity instruments designated under FVOCI.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

48 Fair value hierarchy (Contd.)

Fair value measurements using significant unobservable inputs (level 3)

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Opening balance	225.00	225.00
Acquisitions during the year	37.32	–
Disposals during the year	–	–
Fair value gains/(losses) recognised in profit or loss	–	–
Gains/(losses) recognised in other comprehensive income	–	–
Closing balance	262.32	225.00

Sensitivity analysis of significant unobservable input on the fair value of equity instrument designated under FVOCI

(₹ 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)

Fair value of financial instruments not measured at fair value as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
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	21,427.10	–	21,502.03	–	21,502.03
Subordinated debts	4,141.75	–	4,350.78	–	4,350.78
Other financial liabilities	669.90	–	–	669.90	669.90
	105,692.36	–	68,185.67	38,409.74	106,595.41

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

48 Fair value hierarchy (Contd.)

Fair value of financial instruments not measured at fair value as at 31 March 2019

(₹ 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	240.00	240.00	-	-	240.00
Bank balances other than cash and cash equivalents	1.69	1.69	-	-	1.69
Trade receivables	805.38	-	-	805.38	805.38
Loans	90,219.71	-	-	90,525.14	90,525.14
Investments	53.71	-	-	54.09	54.09
Other financial assets	381.61	-	-	381.61	381.61
	91,702.10	241.69	-	91,766.22	92,007.91
Financial liabilities					
Trade payables	547.69	-	-	547.69	547.69
Other payables	218.64	-	-	218.64	218.64
Debt Securities	39,048.97	-	38,777.14	-	38,777.14
Borrowings (other than debt securities)	29,970.67	-	-	29,970.67	29,970.67
Deposits	13,193.01	-	13,015.54	-	13,015.54
Subordinated debts	4,139.07	-	4,199.26	-	4,199.26
Other financial liabilities	1,411.81	-	-	1,411.81	1,411.81
	88,529.86	-	55,991.94	32,148.81	88,140.75

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

49 Risk Management objectives and policies

Risk Management Framework

A summary of the major risks faced by the Company, its measurement monitoring and management are described as under:

<table>
<tr><th>Nature of risk</th><th>Arising from</th><th>Executive governance structure</th><th>Measurement, monitoring and management of risk</th></tr>
<tr><td>Liquidity and funding risk</td><td>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</td><td>Board appointed Asset Liability Committee (ALCO)</td><td>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.
• 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 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 the guidance of ALCO 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.'</td></tr>
<tr><td>Market risk</td><td>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.</td><td>Board appointed Asset Liability Committee/ Senior Management</td><td>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'), and 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.</td></tr>
<tr><td>Credit risk</td><td>Credit risk is the risk of financial loss arising out of a customer or counterparty failing to meet their repayment obligations to the Company</td><td>Board appointed Risk Management Committee</td><td>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, collection efficiency, customers non performing loans etc. are used as leading indicators to assess credit risk.
• monitored by Risk Management Committee 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 which continuously align 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 Risk Management Committee.</td></tr>
</table>

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

49 Risk Management objectives and policies (Contd.)

(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 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. As on 31 March 2020, the Company has liquidity buffer of ₹ 12,558.00 crore.

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 has helped the Company maintain a healthy asset liability position and contain interest rate movements during the financial year 2019-20 (FY2020) - the weighted average cost of borrowing moved by 15 bps despite volatile market conditions. The Company continues to evaluate new sources of borrowing by way of new routes of funding like rupee denominated external commercial borrowings (ECB) -masala bonds and foreign currency denominated bonds. During the year, the Company has raised ECB term loans of USD 575 million, equivalent to ₹ 4,082.66 crore.

The Company has also established a Medium Term Note (MTN) Programme for USD 1.5 billion so as to enable the Company to issue bonds as part of ECB from the international capital market, subject to regulatory approval.

The table below summarises the maturity profile of the undiscounted contractual cashflow of the Company's financial liabilities:

(₹ In Crore)

Particulars	As at 31 March 2020			As at 31 March 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Debt securities	14,162.54	27,623.59	41,786.13	14,252.58	30,721.51	44,974.09
Borrowings (other than debt securities)	13,106.79	23,885.77	36,992.56	10,264.87	25,161.61	35,426.48
Deposits	10,385.54	11,123.49	21,509.03	8,341.96	6,484.17	14,826.13
Subordinated debts	448.07	3,709.60	4,157.67	352.15	6,080.56	6,432.71
Trade payables	637.06	–	637.06	547.69	–	547.69
Other payables	179.46	–	179.46	218.64	–	218.64
Other financial liabilities	430.52	239.38	669.90	1,411.81	–	1,411.81
	39,349.98	66,581.83	105,931.81	35,389.70	68,447.85	103,837.55

Notes to standalone financial statements for the year ended 31 March 2020 (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 2020			As at 31 March 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	674.53	-	674.53	240.00	-	240.00
Bank balances other than cash and cash equivalents	4.83	-	4.83	1.69	-	1.69
Derivative financial instruments	171.76	-	171.76	-	-	-
Trade receivables	867.18	-	867.18	805.38	-	805.38
Loans	46,774.62	66,642.46	113,417.08	42,254.19	52,927.07	95,181.26
Investments	12,062.57	8,076.41	20,138.98	5,309.78	5,060.63	10,370.41
Other financial assets	349.51	-	349.51	381.61	-	381.61
Non-financial assets						
Current tax assets (net)	-	204.57	204.57	-	147.80	147.80
Deferred tax assets (net)	-	847.61	847.61	-	660.83	660.83
Property, plant and equipment	-	1,016.16	1,016.16	-	495.84	495.84
Intangible assets	-	211.98	211.98	-	158.49	158.49
Other non-financial assets	82.24	17.14	99.38	39.54	17.02	56.56
	60,987.24	77,016.33	138,003.57	49,032.19	59,467.68	108,499.87
LIABILITIES						
Financial liabilities						
Trade payables	637.06	-	637.06	547.69	-	547.69
Other payables	179.46	-	179.46	218.64	-	218.64
Debt securities	14,154.00	27,559.77	41,713.77	13,891.75	25,157.22	39,048.97
Borrowings (other than debt securities)	13,101.41	23,821.91	36,923.32	8,283.06	21,687.61	29,970.67
Deposits	10,368.15	11,058.95	21,427.10	8,024.43	5,168.58	13,193.01
Subordinated debts	447.80	3,693.95	4,141.75	-	4,139.07	4,139.07
Other financial liabilities	430.52	239.38	669.90	1,411.81	-	1,411.81
Non-financial liabilities						
Current tax liabilities (net)	52.10	-	52.10	22.37	-	22.37
Provisions	17.22	61.65	78.87	20.97	47.91	68.88
Other non-financial liabilities	292.27	74.76	367.03	247.67	67.46	315.13
	39,679.99	66,510.37	106,190.36	32,668.39	56,267.85	88,936.24

Notes to standalone financial statements for the year ended 31 March 2020 (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 shorter 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 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

Sensitivity analysis as at 31 March 2019

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1% increase	1% decrease
Investment at amortised cost	53.71	54.09	(0.59)	0.60
Investment at FVTPL	5,286.57	5,286.57	(11.48)	11.48
Investment at FVOCI (other than equity)	1,256.75	1,256.75	(44.07)	44.07

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 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	21,427.10	21,502.03	(162.25)	169.74
Subordinated debts	4,141.75	4,350.78	(171.50)	182.37

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

49 Risk Management objectives and policies (Contd.)

Sensitivity analysis as at 31 March 2019

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value 1% increase	Sensitivity to fair value 1% decrease
Loans	95,181.26	95,486.69	(833.73)	857.72
Debt securities	39,048.97	38,777.14	(685.37)	720.31
Borrowings (other than debt securities)	29,970.67	29,970.67	–	-
Deposits	13,193.01	13,015.54	(174.79)	179.91
Subordinated debts	4,139.07	4,199.26	(184.46)	197.31

(ii) Price risk

The Company's 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 2020

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value 10% increase	Sensitivity to fair value 10% decrease
Investment in RBL shares	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 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 hedging policy.

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 2020 USD	As at 31 March 2020 JPY	As at 31 March 2019 USD	As at 31 March 2019 JPY
Hedged				
ECB	(2,664.69)	(1,417.97)	–	–
Derivative financial instrument*	2,664.69	1,417.97	–	–
Unhedged	0.49	–	3.41	–

* represents the notional amount of the derivative financial instrument

49 Risk Management objectives and policies (Contd.)

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	Notional amount	Carrying amount of hedging instrument asset	Carrying amount of hedging instrument liability
INR USD CCIRS	2,664.69	115.65	-
INR JPY CCIRS	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.

Computation of impairment on financial instruments

The Company 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 (for a detailed note for methodology of computation of ECL please refer to significant accounting policies note no 3.4(i).

The Company recaliberates components of its ECL model on a periodical basis by using the available incremental and recent information as well as assessing changes to its statistical techniques for a granular estimation of ECL. During the year, the Company recognised an additional impairment on financial instruments of ₹ 123 crore on account of recaliberation of its ECL model.

Financial instruments other than Loans were subjected to simplified ECL approach under Ind AS 109 'Financial instruments'.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

49 Risk Management objectives and policies (Contd.)

The table below summarises the approach adopted by the Company for various components of ECL viz. PD, EAD and LGD across product lines using emperical 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="2">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 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><td rowspan="3">100%</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>

The table below summarises the gross carrying values and the associated allowances for expected credit loss (ECL) stage wise for loan portfolio:

(₹ In Crore)

As at 31 March 2020

	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%

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

49 Risk Management objectives and policies (Contd.)

(₹ In Crore)

As at 31 March 2019

Particulars	Secured			Unsecured		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross Carrying Value	47,737.20	1,560.80	1,117.57	45,719.14	390.12	684.80
Allowance for ECL	242.31	201.61	571.41	353.60	157.42	502.02
ECL Coverage ratio	0.51%	12.92%	51.13%	0.77%	40.35%	73.31%

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.

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.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

49 Risk Management objectives and policies (Contd.)

Methodology

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, exchange rate and policy interest rates. Based on past correlation trends, CPI and unemployement 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.

Given the COVID-19 pandemic, the Company has stressed its central scenario for assessing the downside scenario risk amidst COVID-19 pandemic:

- Downside Scenario: The Company has used stressed central scenario for determining downside scenario. For stressing central scenario, the Company has considered data on unemployment published by a leading business information company engaged in monitoring of Indian economic indicators. As per its latest estimate of unemployment rate has elevated to nearly 23% for March 2020 end till first week of April 2020 - this was significantly higher from 7.66% published for December 2019. Similarly, CPI which hovered between 3.50% to 5.84% for quarter ending September 2019 and December 2019, respectively, has been projected to peak at 6.70% in March 2021 under the stressed central scenario - representing anticipated stress impact due to lockdown and disruption in supply chains and increased prices for food and beverages.

- Further, the Company has considered additional stress impact on unemployment rate forecasted as estimated for COVID-19 scenarios for current expected credit loss (CECL) by a leading global rating agency.

Risk Management amidst COVID-19

The unprecedented health scare caused by COVID-19 which led to a countrywide lockdown will have a varying impact on different sectors of the economy. Salaried individuals may have to contend with a scenario of reduced income and/or job losses. Corporates, SMEs and MSMEs will struggle on account of reduced economic activities and business rhythm that is no longer efficient due to severe disruption in both demand and supply. All these will lead to major cash flow constraints and erosion in the asset value. These developments in turn will severely test 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. 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 need to be monitored closely.

An analysis of the customer segments seeking moratorium and their past repayment behaviour reflects heightened anxiety from customer. Expectations of elevated default on timely payment of instalments and collection related constraints are likely to result in higher credit costs than witnessed hitherto. The Company has committed for making requisite investment to deepen its collections infrastructure to control its credit costs.

Based on early indicators of moratorium and delayed payment metrics observed in April 2020, the Company has made a contingency provision of ₹ 850 crore for the year ended 31 March 2020.

Notes to standalone financial statements for the year ended 31 March 2020 (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 2020	As at 31 March 2019
Gross carrying amount of loans	117,020.82	97,209.63
Reported ECL	3,603.74	2,028.37
Reported ECL coverage	3.08%	2.09%
Assumptions for central scenario		
Base ECL without macro overlay (based on empirical evidences)	2,734.39	2,006.08
Add: Management overlay for COVID-19	705.43	-
Central scenario	3,439.82	2,006.08
ECL amounts for alternate scenario		
Central Scenario (80%)	3,439.82	2,006.08
Downside scenario (10%)	5,294.08	2,249.53
Upside scenario (10%)	3,224.78	1,985.52
Reported ECL	3,603.74	2,028.37
Management overlay for Macro economics factors and COVID-19	869.35	19.35
Additional Management overlay during year ended 31 March 2020, representing COVID-19 stress	850.00	-
ECL Coverage ratios by scenario		
Central scenario (80%)	2.94%	2.06%
Downside scenario (10%)	4.52%	2.31%
Upside scenario (10%)	2.76%	2.04%

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.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

50 Employee stock option plan (Contd.)

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, fourteen grants have been made as of 31 March 2020, details of which, duly adjusted for sub-division of shares and issue of bonus shares thereon, are given as under:

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
Total		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	FY2020	FY2019
Grant date	16-May-19	17-May-18
No. of options granted	1,123,900	1,273,416
Weighted average fair value (₹)	1,257.94	824.14

Following table depicts range of exercise prices and weighted average remaining contractual life:

Total 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	765.37-3,002.75	1,868.80	
Exercised during the year	1,276,955	54.20-1,953.05	532.80	
Outstanding at the end of the year	6,267,030	70.52-3,002.75	1,206.35	3.98
Exercisable at the end of the year	3,569,022	70.52-1,953.05	498.17	4.15

The weighted average market price of equity shares for options exercised during the year is ₹ 3,584.30 (Previous year ₹ 2,440.04).

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

50 Employee stock option plan (Contd.)

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%	87.6.1
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

* Adjusted for sub-division of shares and issue of bonus shares thereon

For the year ended 31 March 2020, the Company has accounted expense of ₹ 93.71 crore as employee benefit expenses (note no.35) on the aforesaid employee stock option plan (Previous year ₹ 74.79 crore). The balance in employee stock option outstanding account is ₹ 213.17 crore as of 31 March 2020 (Previous year ₹ 137.85 crore) including ₹ 7.05 crore for ESOPs for group employees.

Notes to standalone financial statements for the year ended 31 March 2020 (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 2020	As at 31 March 2019
(i) CRAR (%)	25.01%	20.66%
(ii) CRAR Tier I capital (%)	21.27%	16.27%
(iii) CRAR Tier II capital (%)	3.74%	4.39%
(iv) Amount of subordinated debt raised as Tier II capital* (Raised during the year ₹ Nil, previous year ₹ Nil)	4,141.75	3,938.30
(v) Amount raised by issue of perpetual debt instruments	–	–

* Discounted value of ₹ 3,420.11 crore (Previous year ₹ 3,632.50 crore) considered for Tier II capital against the book value of ₹ 4,141.75 crore (Previous year ₹ 3,938.30 crore).

– CRAR as at 31 March 2020 has been computed in line with RBI notification dated 13 March 2020 w.r.t. implementation of Indian Accounting standards, and hence, not comparable with CRAR as at 31 March 2019.

(B) Investments

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
(I) Value of investments		
(i) Gross value of investments		
– In India	20,144.77	10,368.74
– Outside India	–	–
(ii) Provisions for depreciation/amortisations		
– In India	5.80	(1.67)
– Outside India	–	–
(iii) Net value of investments		
– In India	20,138.98	10,370.41
– Outside India	–	–
(II) Movement of provisions held towards depreciation/appreciation/amortisations on investments		
(i) Opening balance	(1.67)	17.54
(ii) Add: Provisions made during the year (Net of appreciation)	8.30	(19.07)
(iii) Less: Writeoff/write back of excess provisions during the year	0.83	0.14
(iv) Closing balance	5.80	(1.67)

Notes to standalone financial statements for the year ended 31 March 2020 (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 2020	2019
(i) The notional principal of swap agreements	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	171.76	-

- The Company has hedged its foreign currency borrowings through cross currency interest rate swaps (CCIRS). For Accounting Policy and Risk Management Policy. (refer note no. 3.16 and 49)

(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 and 49)

Quantitative disclosure

(₹ In Crore)

Particulars	As at 31 March 2020	2019
(i) Derivatives (notional principal amount) for hedging	4,082.66	-
(ii) Marked to market positions		
(a) Asset	171.76	-
(b) Liability	-	-
(iii) Credit exposure	-	-
(iv) Unhedged exposures	-	-

(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.

Notes to standalone financial statements for the year ended 31 March 2020 (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) Details of financial assets sold to securitisation/reconstruction company for asset reconstruction*

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
(i) No. of accounts	314	191
(ii) Aggregate value (net of provisions) of accounts sold to SC/RC	38.02	53.09
(iii) Aggregate consideration	27.55	55.67
(iv) Additional consideration realised in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain/(loss) over net book value	(10.47)	2.58

* Includes 17 written-off accounts (Previous year 10) with aggregate consideration of ₹ 0.17 crore (Previous year ₹ 2.53 crore).

(III) Details of assignment transactions undertaken

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
(i) No. of accounts	-	5,901
(ii) Aggregate value of accounts sold, gross exposure	-	1,381.98
(iii) Aggregate consideration for assigned portion	-	1,381.98
(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 2020	2019
(i) No. of accounts sold	157,216	100,930
(ii) Aggregate outstanding	737.61	281.99
(iii) Aggregate consideration received	29.59	10.30

- Includes 116,343 written-off accounts (Previous year 97,153) with aggregate outstanding of ₹ 426.59 crore (Previous year ₹ 214.64 crore) and consideration received thereon ₹ 9.63 crore (Previous year ₹ 3.73 crore).

Notes to standalone financial statements for the year ended 31 March 2020 (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 day to 7 days	Over 8 day to 14 days	Over 15 day 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 years to 3 Years	Over 3 years to 5 Years	Over 5 Years	Total
Public Deposits	53.06	41.78	159.90	213.69	299.32	704.95	1,826.43	8,075.69	1,752.51	-	13,127.33
Advances (Receivables under financing activity)	4,335.60	1,104.55	1,592.81	3,867.22	6,022.34	13,432.61	19,194.94	42,013.84	14,178.42	7,674.74	113,417.07
Investments	11,885.40	12.16	1.41	12.90	10.88	20.01	119.81	2,148.18	452.57	5,475.66	20,138.98
Borrowings (Other than public deposits)	1,294.60	1,345.87	840.71	3,574.22	7,948.17	7,709.72	12,502.87	31,497.94	11,653.93	8,400.75	86,768.78
Foreign currency assets	-	-	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	3.58	-	8.20	-	-	-	-	4,298.03	-	-	4,309.81

*Amounts disclosed as per the behavouralised pattern after incorporating anticipated moratorium to customers on account of COVID-19 pandemic as per RBI guidelines.

(F) Exposures

(I) Exposure to real estate sector

(₹ In Crore)

Particulars	As at 31 March 2020	2019
(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	7,289.47	8,180.70
(b) Commercial real estate lending secured by mortgages on commercial real estates	4,740.09	3,371.76
(c) Investments in Mortgage Backed Securities (MBS) and other securitised exposures:		
– Residential	17.94	38.57
– Commercial real estate	-	-
(ii) Indirect Exposure		
Fund based and non-fund based exposures on Housing Finance Companies (HFCs)	2,647.24	96.87
Investment in Housing Finance Companies	5,035.05	3,528.00

Notes to standalone financial statements for the year ended 31 March 2020 (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 2020	As at 31 March 2019
(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;	5,475.66	3,773.38
(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;	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;	4,006.41	5,942.86
(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;	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	9,793.98	9,716.24

(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

Total loans and advances includes ₹ 62,076.36 crore which are unsecured advances (Previous year ₹ 46,794.06 crore)

Notes to standalone financial statements for the year ended 31 March 2020 (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.		
Bajaj Allianz General Insurance Company Ltd.		
Max Bupa Health Insurance Company Ltd.		
Future Generali Life Insurance Company Ltd.	CA0101	01-Apr-2016 01-Apr-2019 (Renewed)
The Oriental Insurance Company Ltd		
Aditya Birla Health Insurance Company Ltd.		
HDFC Life Insurance Company Ltd.		
TATA AIG General Insurance Company Ltd.		
AMFI Registered Mutual Fund Advisor (ARMFA)	ARN – 90319	27-Jun-2016 27-Jun-2019 (Renewed)

(H) Details of penalties imposed by RBI and other regulators

No penalties has been levied by the Reserve Bank of India or any other Regulators for the year ended 31 March 2020. (Previous year ₹ 1 Crore)

(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	Investment grade Long term issuer rating of 'BBB-' with stable outlook and a short term rating of 'A-3'	Nil

Notes to standalone financial statements for the year ended 31 March 2020 (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)

	For the year ended 31 March 2020
Rahul Bajaj	0.27
Nanoo Pamnani	2.22
Sanjiv Bajaj	0.48
Madhur Bajaj	0.12
Rajiv Bajaj	0.15
Dipak Poddar	0.09
Ranjan Sanghi	0.42
D J Balaji Rao	0.21
Dr. Omkar Goswami	0.36
Dr. Gita Piramal	0.27
Dr. Naushad Forbes	0.24
Anami N. Roy	0.21

(K) Provisions and Contingencies

(₹ In Crore)

	For the year ended 31 March	
Break up of 'Provisions and Contingencies' shown in the Statement of Profit and Loss	**2020**	**2019**
Provision for non-performing assets	342.82	263.08
Provision for income tax/deferred tax and tax adjustments of earlier years	1,927.01	2,144.96
Provision for standard assets	1,232.55	239.18
Other provision and contingencies	54.70	-

(L) Draw Down from Reserves

During the year, the Company has not drawn down any amount from reserves.

(M) Concentration of deposits, advances, exposures and NPAs

(I) Concentration of deposits*

(₹ In Crore)

Particulars	As at 31 March 2020
Total deposits of twenty largest depositors	955.57
Percentage of deposits to twenty largest depositors to total deposits	7.28%

* Includes only public deposits.

Notes to standalone financial statements for the year ended 31 March 2020 (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) Concentration of advances

(₹ In Crore)

Particulars	As at 31 March 2020
Total advances to twenty largest borrowers	3,863.51
Percentage of advances to twenty largest borrowers to total advances	3.41%

(III) Concentration of exposures (Including Off-Balance Sheet exposure)

(₹ In Crore)

Particulars	As at 31 March 2020
Total exposure to twenty largest borrowers/customers	3,879.51
Percentage of exposures to twenty largest borrowers/customers to total exposure on borrowers/customers	3.34%

(IV) Concentration of NPAs

(₹ In Crore)

Particulars	As at 31 March 2020
Total exposure to top four NPA accounts	38.22

(V) Sector-wise NPAs

Sector	% of NPAs to Total Advances in the sector
(i) Agriculture and allied activities	0.00%
(ii) MSME	0.00%
(iii) Corporate borrowers	0.05%
(iv) Services	0.00%
(v) Unsecured personal loans	1.57%
(vi) Auto loans	6.47%
(vii) Other personal loans	0.94%

Notes to standalone financial statements for the year ended 31 March 2020 (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 2020	For the year ended 31 March 2018
(I) Net NPAs to net advances (%)	0.79%	0.74%
(II) Movement of NPAs (Gross)		
(a) Opening balance	1,794.08	1,163.80
(b) Additions during the year	4,501.14	1,514.00
(c) Reductions during the year (Including loans written-off)	3,955.91	883.72
(d) Closing balance	2,339.31	1,794.08
(III) Movement of net NPAs		
(a) Opening balance	720.68	353.48
(b) Additions during the year	2,574.29	750.65
(c) Reductions during the year	2,371.88	383.45
(d) Closing balance	923.09	720.68
(IV) Movement of provisions for NPAs		
(a) Opening balance	1,073.40	810.32
(b) Provisions made during the year	1,926.85	763.35
(c) Write-off/write-back of excess provisions	1,584.03	500.27
(d) Closing balance	1,416.22	1,073.40

(O) Disclosure of complaints

Customer complaints

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
No. of complaints pending at the beginning of the year	49	225
No. of complaints received during the year	21,761	7,279
No. of complaints redressed during the year	21,753	7,455
No. of complaints pending at the end of the year	57	49

(P) Disclosure of gold loan portfolio

(₹ In Crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Total gold loan portfolio	1,557.49	853.37
Total assets	113,417.07	98,497.88
Gold loan portfolio as % of total assets	1.37%	0.87%

Notes to standalone financial statements for the year ended 31 March 2020 (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

Particulars	For the year ended 31 March 2020	2019
Number of loan accounts	1,144	946
Outstanding amount (₹ In Crore)	6.29	8.37
Value fetched on auctions (₹ In Crore)	6.86	8.27

(R) The disclosures as required by the Master Direction -Monitoring of frauds in NBFCs issued by RBI dated 29 September 2016

There were 2 cases (Previous year 6 cases) of frauds amounting to ₹ 3.81 crore (Previous year ₹ 3.21 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 2020
Number of significant counter parties*	20
Amount (₹ In Crore)	45,629.83
Percentage of funding concentration to total deposits	212.95%
Percentage of funding concentration to total liabiities	42.96%

* 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 2020
Total amount of top 20 deposits	5,727.70
Percentage of amount of top 20 deposits to total deposits	26.73%

(III) Top 10 borrowings

(₹ In Crore)

Particulars	As at 31 March 2020
Total amount of top 10 borrowings	31,942.90
Percentage of amount of top 10 borrowings to total borrowings	30.65%

Notes to standalone financial statements for the year ended 31 March 2020 (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)

Particulas	As at 31 March 2020	Percentage of total liabilities
Non-convertible debentures	39,822.30	37.50%
Loans from bank	31,773.53	29.92%
Deposits	21,427.10	20.18%
External commercial borrowings	4,309.81	4.06%
Sub-ordinated debts	4,141.75	3.90%
Commercial paper	1,891.47	1.78%

* 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 ratio

Particulars	As at 31 March 2020
(i) Commercial paper as a percentage of total public funds*	1.82%
(ii) Commercial paper as a percentage of total liabilities	1.78%
(iii) Commercial paper as a percentage of total assets	1.37%
(iv) Other short term liabilities as a percentage of total public funds	36.26%
(v) Other short term liabilities as a percentage of total liabilities	35.59%
(vi) Other short term liabilities as a percentage of total assets	27.38%
(vii) Non convertible debentures as a percentage of total public funds	N.A.
(viii) Non convertible debentures as a percentage of total liabilities	N.A.
(ix) Non convertible debentures as a percentage of total assets	N.A.

* 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.

(VI) Institutional set-up for liquidity risk Management

Refer note no. 49 of standalone financials statement.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

52 Disclosure of restructured accounts as required by the NBFC Master Directions issued by RBI

(₹ In Crore)

Type of restructuring – Others+		Asset classification: Standard	Sub-standard	Doubtful	Loss	Total
Restructured accounts as on 1 April of the FY (opening figures)	No. of borrowers	134	152	2	-	288
	Amount outstanding	18.18	90.63	5.19	-	114.00
	Provision thereon**	7.41	33.31	0.44	-	41.16
Fresh restructuring during the year*	No. of borrowers	-	303	-	-	303
	Amount outstanding	-	99.25	-	-	99.25
	Provision thereon**	-	32.48	-	-	32.48
Upgradations to restructured standard category during the FY#	No. of borrowers	70	(69)	(1)	-	-
	Amount outstanding	5.09	(4.82)	(0.27)	-	-
	Provision thereon**	0.05	0.10	(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	(81)	-	-	-	(81)
	Amount outstanding	(13.90)	-	-	-	(13.90)
	Provision thereon**	(5.38)	-	-	-	(5.38)
Downgradations of restructured accounts during the FY#	No. of borrowers	(23)	23		-	-
	Amount outstanding	(1.85)	1.85	-	-	-
	Provision thereon**	(0.89)	0.89	-	-	-
Write-offs/Settlements/Recoveries of restructured accounts during the FY*	No. of borrowers	(30)	(66)	(1)	-	(97)
	Amount outstanding	(2.44)	(60.56)	(4.92)	-	(67.92)
	Provision thereon**	(1.14)	(28.46)	(0.29)	-	(29.89)
Restructured accounts as on 31 March of the FY (closing figures)	No. of borrowers	70	343	-	-	413
	Amount outstanding	5.08	126.35	-	-	131.43
	Provision thereon**	0.05	38.32	-	-	38.37

+ 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 2020 (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'

(₹ 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	111,827.03	1,623.32	110,203.71	453.09	1,170.23
	Stage 2	2,854.48	564.20	2,290.28	30.21	533.99
Subtotal (a)		114,681.51	2,187.52	112,493.99	483.30	1,704.22
(b) Non-Performing Assets (NPA)						
(i) Substandard	Stage 3	2,322.56	1,405.13	917.43	226.06	1,179.07
(ii) Doubtful up to:						
1 year	Stage 3	15.60	10.28	5.32	3.97	6.31
1 to 3 years	Stage 3	1.15	0.81	0.34	0.34	0.47
More than 3 years	Stage 3	-	-	-	-	-
Subtotal (ii)		16.75	11.09	5.66	4.31	6.78
(iii) Loss	Stage 3	-	-	-	-	-
Subtotal (b)		2,339.31	1,416.22	923.09	230.38	1,185.85
(c) Other items	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
	Subtotal	-	-	-	-	-
Total (a+b+c)	Stage 1	111,827.03	1,623.32	110,203.71	453.09	1,170.23
	Stage 2	2,854.48	564.20	2,290.28	30.21	533.99
	Stage 3	2,339.31	1,416.22	923.09	230.38	1,185.85
	Total	117,020.82	3,603.74	1,13,417.08	713.68	2,890.07

* Computed on the value as per the IRACP norms.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

54 Disclosures pursuant to RBI Notification - RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated 17 April 2020

(a) SMA/overdue categories, where the moratorium/deferment was extended

(₹ In Crore)

Asset classification	Total exposure	ECL provision
SMA (SMA - 0)	993.79	4.98
Overdue - Standard	4,816.19	339.64
Overdue - Others	140.33	54.74
	5,950.31	399.36

(b) Asset classification benefit extension

Asset classification benefit has been extended to 61,109 accounts having total outstanding of ₹ 407 crore wherein ₹ 102 crore of provision is being carried as on 31 March 2020.

55 Amounts less than ₹ 50,000 have been shown at actuals against respective line items statutorily required to be disclosed.

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 Arvind Sethi
Partner
Membership number: 089802

Pune: 19 May 2020

Sandeep Jain
Chief Financial Officer

R Vijay
Company Secretary

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Sanjiv Bajaj
Vice Chairman

Rajeev Jain
Managing Director

Annexure (Forming part of the financial statements)

I Schedule to Balance Sheet

As required by RBI Master Direction – Non-Banking Financial Company – Systemically Important Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('the NBFC Master Directions')

(₹ In Crore)

Particulars	Amount outstanding as on 31 March 2020	Amount overdue
Liabilities side		
(1) Loans and advances availed by the Company inclusive of interest accrued thereon but not paid		
(a) Debentures		
Secured	36,813.66	-
Unsecured (Other than falling within the meaning of public deposit*)	7,150.39	-
(b) Deferred credits	-	-
(c) Term loans	33,380.40	-
(d) Inter-corporate loans and borrowings	8,299.77	-
(e) Commercial paper	1,891.47	-
(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.)	13,127.33	-
(g) Other Loans (CBLO, cash credit and working capital demand loan)	3,542.92	-
(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	13,127.33	-

(₹ In Crore)

Particulars	Amount outstanding as on 31 March 2020
Asset Side	
(3) Break-up of loans and advances including bills receivables (other than those included in (4) below)	
(a) Secured	53,349.00
(b) Unsecured	61,384.15
(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)

I Schedule to Balance Sheet (Contd.)

(₹ In Crore)

Particulars	Amount outstanding as on 31 March 2020
(5) Break-up of investments	
Current Investments	
(a) Quoted:	
(i) Shares (a) Equity	–
(b) Preference	–
(ii) Debentures and bonds	–
(iii) Units of mutual funds	10,738.25
(iv) Government securities	811.95
(v) Others – Certificate of Deposits and Commercial paper	496.53
(b) Unquoted	
(i) Shares (a) Equity	–
(b) Preference	–
(ii) Debentures and bonds	–
(iii) Units of mutual funds	–
(iv) Government securities	–
(v) Others - Investment in securitised assets	15.84
Long term Investments	
(a) Quoted:	
(i) Shares (a) Equity	57.92
(b) Preference	–
(ii) Debentures and bonds	–
(iii) Units of mutual funds	–
(iv) Government securities	2,596.27
(v) Others	–
(b) Unquoted:	
(i) Shares (a) Equity	5,155.43
(b) Preference	262.31
(ii) Debentures and bonds	
(iii) Units of mutual funds	–
(iv) Government securities	–
(v) Others (Investment in securitised assets)	4.48

Annexure (Forming part of the financial statements) (Contd.)

I 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	–	22.42	22.42
Companies in the same group	–	10.67	10.67
Other related parties	–	26.00	26.00
Other than related parties	53,349.00	61,325.06	114,674.06
	53,349.00	61,384.15	114,733.15

(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	5,155.43	5,155.43
Companies in the same group (₹ 27,331)		
Other related parties	–	–
Other than related parties	14,983.55	14,983.55
	20,138.98	20,138.98

(8) Other information

(₹ In Crore)

Particulars	Amount
Gross non-performing assets*	
Related parties	–
Other than related parties	2,339.31
Net non-performing assets *	
Related parties	–
Other than related parties	923.09
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	01.04.2019 – 31.03.2020	01.04.2019 – 31.03.2020
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	114.00
6	Other equity	701.80	9.10
7	Total assets	31,372.42	241.24
8	Total liabilities	25,787.29	118.14
9	Investments	2,508.02	52.34
10	Turnover	2,646.23	10.56
11	Profit before taxation	567.45	1.27
12	Provision for taxation (net)	146.12	(0.98)
13	Profit after taxation	421.33	2.25
14	Proposed dividend	NA	NA
15	% of shareholding	100%	100%

Part B: Associates and Joint Venture – Not Applicable

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Vice Chairman

Pune: 19 May 2020

R Vijay
Company Secretary

Rajeev Jain
Managing Director

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report on the Consolidated Ind AS Financial Statements

To the Members of **Bajaj Finance Ltd.**

Opinion

We have audited the accompanying consolidated Ind AS 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 2020, 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 Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated Ind AS financial statements').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS 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 2020, 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 Ind AS 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 Ind AS 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 Ind AS financial statements.

Emphasis of matter

We draw attention to note 2.1 to the consolidated Ind AS financial statements, which describes the uncertainty caused by Novel Coronavirus (COVID-19) pandemic with respect to the Group's estimates of impairment of loans to customers and that such estimates may be affected by the severity and duration of the pandemic. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended 31 March 2020. These matters were addressed in the context of our audit of the consolidated Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements.

Independent Auditors' Report on the Consolidated Ind AS 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 Ind AS 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 judgment 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** Pursuant to the Reserve Bank of India circular dated 27 March 2020 ('RBI circular') allowing lending institutions to offer moratorium to borrowers on payment of instalments falling due between 1 March 2020 and 31 May 2020, the Group has extended moratorium to its borrowers in accordance with its Board approved policy. In Management's view and considering the guidance provided by the Institute of Chartered Accountants of India, providing moratorium to borrowers at a mass scale, based on RBI directives, by itself is not considered to result in a SICR for such borrowers. The Group has recorded a Management overlay of around Rs. 900 crore as part of its ECL, to reflect among other things an increased risk of deterioration in macro-economic factors caused by COVID-19 pandemic. Given the unique nature and scale of the economic impact of this pandemic, and its timing being close to the year end, the Management overlay is based on various uncertain variables, which could result in actual credit loss being different than that being estimated. In view of the high degree of Management's judgment involved in estimation of ECL, accentuated by the COVID-19 pandemic, 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 moratorium pursuant to the RBI circular 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 stage 2 or 3. • Assessed the additional considerations applied by the Management for staging of loans as SICR or default categories in view of Group's policy on moratorium. • 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 Ind AS 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 authorised. • We tested the Group's periodic review of access rights. We also tested requests of changes to systems for approval and authorisation. • 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 Ind AS Financial Statements (Contd.)

Other information

The other information comprises the information included in the Annual report, but does not include the consolidated Ind AS 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 Ind AS 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 Ind AS 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 Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS 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 judgments 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 Ind AS 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 Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS 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 respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

Auditor's responsibilities for the audit of the consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS 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 Ind AS financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated Ind AS 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 Ind AS 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 system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Ind AS 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 Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS 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 Ind AS 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 Ind AS 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 Ind AS financial statements for the financial year ended 31 March 2020 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 Ind AS 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 Ind AS financial statements;

Independent Auditors' Report on the Consolidated Ind AS Financial Statements (Contd.)

(d) In our opinion, the aforesaid consolidated Ind AS 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 2020 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, incorporated in India is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act;

(f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS 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 2020 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 Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group in its consolidated Ind AS financial statements – Refer note no. 43 to the consolidated Ind AS financial statements;

   (ii) The Group 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 no. 7 to the consolidated Ind AS financial statements;

   (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 2020.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Arvind Sethi
Partner
Membership number: 089802
UDIN: 20089802AAAABL3895

Pune: 19 May 2020

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 Ind AS financial statements of Bajaj Finance Ltd. as of and for the year ended 31 March 2020, we have audited the internal financial controls over financial reporting of Bajaj Finance Ltd. (hereinafter referred to as the 'Holding Company') and its subsidiary companies, which are companies incorporated in India, as of that date.

Management's responsibility for internal financial controls

The respective Board of Directors of the Holding Company, its subsidiary companies, 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. 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 Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

Meaning of internal financial controls over financial reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated Ind AS 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 1 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 consolidated Ind AS financial statements.

Inherent limitations of internal financial controls over financial reporting

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

Opinion

In our opinion, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2020, 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.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Arvind Sethi
Partner
Membership number: 089802
UDIN: 20089802AAAABL3895

Pune: 19 May 2020

Consolidated Balance Sheet

(₹ In Crore)

Particulars	Note No.	As at 31 March 2020	2019
ASSETS			
Financial Assets			
Cash and cash equivalents	5	1,344.52	347.02
Bank balances other than cash and cash equivalents	6	38.20	1.69
Derivative financial instruments	7	171.76	-
Trade receivables	8	952.49	808.70
Loans	9	141,376.05	112,512.82
Investments	10	17,543.90	8,599.03
Other financial assets	11	470.39	389.95
		161,897.31	**122,659.21**
Non-financial assets			
Current tax assets (net)		216.72	149.82
Deferred tax assets (net)	12	850.13	669.03
Property, plant and equipment	13	1,097.26	526.51
Goodwill		3.27	3.27
Other intangible assets	13	220.46	165.06
Other non-financial assets	14	106.22	59.61
		2,494.06	**1,573.30**
Total assets		**164,391.37**	**124,232.51**
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities			
Payables	15		
Trade payables			
Total outstanding dues of micro enterprises and small enterprises		0.54	0.44
Total outstanding dues of creditors other than micro enterprises and small enterprises		761.43	563.36
Other payables			
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		197.84	247.74
Debt securities	16	49,537.36	46,681.33
Borrowings (other than debt securities)	17	54,700.17	37,574.44
Deposits	18	21,427.10	13,193.01
Subordinated debts	19	4,141.75	4,139.07
Other financial liabilities	20	745.05	1,704.15
		131,511.24	**104,103.54**

Consolidated Balance Sheet (Contd.)

(₹ In Crore)

Particulars	Note No.	As at 31 March 2020	As at 31 March 2019
Non-financial liabilities			
Current tax liabilities (net)		59.17	22.37
Provisions	21	81.24	73.89
Other non-financial liabilities	22	412.09	335.69
		552.50	**431.95**
Equity			
Equity share capital	23	119.99	115.37
Other equity	24	32,207.64	19,581.65
		32,327.63	**19,697.02**
Total liabilities and equity		**164,391.37**	**124,232.51**
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

per Arvind Sethi
Partner
Membership number: 089802

Pune: 19 May 2020

Sandeep Jain
Chief Financial Officer

R Vijay
Company Secretary

Rahul Bajaj
Chairman

Sanjiv Bajaj
Vice Chairman

Rajeev Jain
Managing Director

Consolidated Statement of Profit and Loss

(₹ In Crore)

Particulars	Note No.	For the year ended 31 March 2020	2019
Revenue from operations			
Interest income	26	22,970.39	16,348.75
Fees and commission income	27	2,590.95	1,681.87
Net gain on fair value changes	28	537.49	297.90
Sale of services	29	124.27	68.77
Other operating income	30	150.70	89.85
Total revenue from operations		**26,373.80**	**18,487.14**
Other income	31	11.83	13.04
Total income		**26,385.63**	**18,500.18**
Expenses			
Finance costs	32	9,473.21	6,623.56
Fees and commission expense	33	1,056.37	712.88
Impairment on financial instruments	34	3,929.48	1,501.35
Employee benefits expense	35	2,549.08	1,938.53
Depreciation and amortisation expenses	13	294.63	144.15
Other expenses	36	1,760.74	1,400.55
Total expenses		**19,063.51**	**12,321.02**
Profit before tax		**7,322.12**	**6,179.16**
Tax expense			
Current tax		2,205.25	2,085.89
Deferred tax (credit)/charge		(146.88)	98.28
Total tax expense	12	**2,058.37**	**2,184.17**
Profit after tax		**5,263.75**	**3,994.99**
Other comprehensive income (OCI)			
Items that will not be reclassified to profit or loss:			
Re-measurement losses on defined benefit plans		(31.52)	(16.32)
Tax impact on above		4.41	5.56
Changes in fair value of fair value through OCI (FVOCI) equity instruments		(92.10)	-
Tax impact on above		23.18	-
Items that will be reclassified to profit or loss in subsequent periods:			
Changes in fair value of FVOCI debt securities		49.82	16.27
Tax impact on above		(12.42)	(5.69)
Cash flow hedge reserve		(75.68)	-
Tax impact on above		19.05	-
Total other comprehensive income for the year (net of tax)		**(115.26)**	**(0.18)**
Total comprehensive income for the year		**5,148.49**	**3,994.81**

Consolidated Statement of Profit and Loss

Particulars	Note No.	For the year ended 31 March 2020	2019
Earnings per share:	38		
(Nominal value per share ₹ 2)			
Basic (₹)		89.77	69.33
Diluted (₹)		89.07	68.75
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

per Arvind Sethi
Partner
Membership number: 089802

Pune: 19 May 2020

Sandeep Jain
Chief Financial Officer

R Vijay
Company Secretary

Rahul Bajaj
Chairman

Sanjiv Bajaj
Vice Chairman

Rajeev Jain
Managing Director

Consolidated Statement of Changes in Equity

Equity share capital

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Balance at the beginning of the year	115.37	115.03
Changes in equity share capital during the year [refer note no. 23(a)]	4.62	0.34
Balance at the end of the year	**119.99**	**115.37**

Other equity

For the year ended 31 March 2020

(₹ In Crore)

		Reserves and surplus							Other comprehensive income on			
Particulars	Note No.	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	Total other equity
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	-	-	-	-	-	(24.36)	-	-	-	-
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**

Consolidated Statement of Changes in Equity (Contd.)

Other equity (Contd.)

For the year ended 31 March 2019

(₹ 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 2018	24	8,223.73	4,813.77	4.49	1,823.75	785.65	9.25	82.01	(9.84)	-	-	15,732.81
Profit after tax		-	3,994.99	-	-	-	-	-	-	-	-	3,994.99
Other comprehensive income (net of tax)		-	(10.76)	-	-	-	-	-	10.58	-	-	(0.18)
		8,223.73	**8,798.00**	**4.49**	**1,823.75**	**785.65**	**9.25**	**82.01**	**0.74**	**-**	**-**	**19,727.62**
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		-	(779.00)	-	779.00	-	-	-	-	-	-	-
Transfer to reserve fund in terms of section 29C of the National Housing Bank Act, 1987		-	(14.56)	14.56	-	-	-	-	-	-	-	-
Transfer to infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961		-	(7.40)	-	-	-	7.40	-	-	-	-	-
Dividend including tax thereon		-	(277.88)	-	-	-	-	-	-	-	-	(277.88)
Share based payment to employees for the year		-	-	-	-	-	-	74.80	-	-	-	74.80
Transfer on allotment of shares to employees pursuant to ESOP scheme		17.97	-	-	-	-	-	(17.97)	-	-	-	-
Transfer on cancellation of stock options		-	-	-	-	0.99	-	(0.99)	-	-	-	-
		8,241.70	**7,719.16**	**19.05**	**2,602.75**	**786.64**	**16.65**	**137.85**	**0.74**	**-**	**-**	**19,524.54**
Add: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2018		91.79	-	-	-	-	-	-	-	-	-	91.79
Less: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2019		34.68	-	-	-	-	-	-	-	-	-	34.68
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**

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

per Arvind Sethi
Partner
Membership number: 089802

Pune: 19 May 2020

Sandeep Jain
Chief Financial Officer

R Vijay
Company Secretary

Rahul Bajaj
Chairman

Sanjiv Bajaj
Vice Chairman

Rajeev Jain
Managing Director

Consolidated Statement of Cash Flows

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
(I) Operating activities		
Profit before tax	7,322.12	6,179.16
Adjustments for:		
Interest income	(22,970.39)	(16,348.75)
Depreciation and amortisation	294.63	144.15
Impairment on financial instruments	3,929.48	1,501.35
Net (gain)/loss on disposal of property, plant and equipment	2.29	(3.39)
Finance costs	9,473.21	6,623.56
Share based payment to employees	100.76	74.79
Net gain on fair value changes	(537.49)	(297.90)
Service fees for management of assigned portfolio of loans	(124.27)	(63.77)
Dividend income (Previous year ₹ 12,000)	(0.64)	
	(2,510.30)	(2,190.80)
Cash inflow from interest on loans	22,903.15	16,131.36
Cash inflow from service asset	61.70	67.86
Cash outflow towards finance costs	(8,366.49)	(6,262.45)
Cash generated from operation before working capital changes	**12,088.06**	**7,745.97**
Working capital changes		
(Increase)/decrease in trade receivables	(118.55)	(227.57)
(Increase)/decrease in loans	(32,880.54)	(34,827.06)
(Increase)/decrease in other financial assets	(116.97)	(77.75)
(Increase)/decrease in other non-financial assets	(49.84)	(1.84)
Increase/(decrease) in trade payables	198.19	117.84
Increase/(decrease) in other payables	(49.90)	71.71
Increase/(decrease) in other financial liabilities	(1,313.27)	251.93
Increase/(decrease) in provisions	(24.17)	(4.64)
Increase/(decrease) in other non-financial liabilities	76.16	105.20
	(34,278.89)	(34,592.18)
Income tax paid (net of refunds)	(2,235.35)	(2,215.32)
Net cash used in operating activities (I)	**(24,426.18)**	**(29,061.53)**
Carried forward	(24,426.18)	(29,061.53)

Consolidated Statement of Cash Flows (Contd.)

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Brought forward	(24,426.18)	(29,061.53)
(II) Investing activities		
Purchase of property, plant and equipment	(396.76)	(299.71)
Proceeds from sale of property, plant and equipment	7.21	31.23
Purchase of other intangible assets	(110.38)	(97.81)
Purchase of investments measured under amortised cost	-	(44.89)
Proceeds from sale of investments measured under amortised cost	33.39	33.60
Purchase of investments measured under FVOCI	(2,246.45)	(646.56)
Proceeds from sale of investments measured under FVOCI	826.09	200.07
Purchase of investments measured under fair value through profit or loss (FVTPL)	(442,958.18)	(475,229.48)
Proceeds from sale of investments measured under FVTPL	436,102.25	470,558.03
Purchase of equity investments designated under FVOCI	(150.00)	-
Dividend received (Previous year ₹ 12,000)	0.64	
Interest received on investment measured under FVTPL and FVOCI	135.31	116.59
Net cash used in investing activities (II)	**(8,756.88)**	**(5,378.93)**
(III) Financing activities		
Issue of equity share capital (including securities premium)	8,568.04	57.45
Share issue expenses	(45.06)	-
Dividends paid	(943.28)	(230.15)
Dividend distribution tax	(195.20)	(47.52)
Payment of lease liability	(71.12)	-
Deposits received (net)	7,987.86	5,264.44
Debt securities issued (net)	1,972.98	12,840.90
Borrowings other than debt securities issued (net)	16,906.34	16,564.19
Net cash generated from financing activities (III)	**34,180.56**	**34,449.31**
Net increase in cash and cash equivalents (I+II+III)	**997.50**	**8.85**
Cash and cash equivalents at the beginning of the year	**347.02**	**338.17**
Cash and cash equivalents at the end of the year	**1,344.52**	**347.02**

- 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

Rahul Bajaj
Chairman

per Arvind Sethi
Partner
Membership number: 089802

Sanjiv Bajaj
Vice Chairman

Pune: 19 May 2020

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Notes to consolidated financial statements for the year ended 31 March 2020

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, Viman Nagar, 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. RBI, vide the circular - 'Harmonisation of different categories of NBFCs' issued on 22 February 2019, with a view to provide NBFCs with greater operational flexibility and harmonisation of different categories of NBFCs into fewer categories based on the principle of regulation by activity, merged the three categories of NBFCs viz. Asset Finance Companies (AFC), Loan Companies (LCs) and Investment Companies (ICs) into a new category called NBFC - Investment and Credit Company (NBFC-ICC). Accordingly, the Parent Company has been reclassified as NBFC-Investment and Credit Company (NBFC-ICC).

The audited consolidated financial statements were subject to review and recommendation of Audit Committee and approval of Board of Directors. On 19 May 2020, 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.

The consolidated financial statements are presented in Indian Rupee(INR) which is also the functional currency of the Group.

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 specifically unless they are material in nature.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

Critical accounting estimates and judgments

The preparation of the Group's financial statements requires Management to make use of estimates and judgments. 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 based on management's estimates. Accounting estimates and judgments 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, 48 and 49]
- Effective interest rate (EIR) [Refer note no. 3.1(i)]
- Impairment of financial assets [Refer note no. 3.4(i), 9 and 50]
- Provisions and 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, especially for determining the impairment allowance for the Group's financial assets, are based on historical experience and other emerging factors on account of the pandemic which may also have an effect on the expected credit loss. The Group believes that the factors considered are reasonable under the current circumstances. The Group has used early indicators of moratorium and delayed repayment metrics observed along with an estimation of potential stress on probability of default and exposure at default due to COVID-19 situation in developing the estimates and assumptions to assess the expected credit losses on loans. Given the dynamic nature of the pandemic situation, these estimates are subject to uncertainty and may be affected by the severity and duration of the pandemic.

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. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group 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 2020 (Contd.)

(iii) Disclosure in terms of Schedule III of the Companies Act, 2013

Name of the entities in the Group	Net Assets (i.e. total assets minus total liabilities)		Share in Profit or (Loss)		Share in other comprehensive income		Share in total comprehensive income	
	As a % of consolidated net assets	₹ In Crore	As a % of consolidated profit or loss	₹ In Crore	As a % of consolidated other comprehensive income	₹ In Crore	As a % of consolidated total comprehensive income	₹ In Crore
Parent								
Bajaj Finance Ltd.	82.39%	26,636.14	93.61%	4,927.13	98.61%	(113.66)	93.49%	4,813.47
Subsidiaries								
Bajaj Housing Finance Ltd.	17.18%	5,553.27	6.35%	334.40	1.39%	(1.60)	6.47%	332.80
Bajaj Financial Securities Ltd.	0.43%	138.22	0.04%	2.22	0.00%	-	0.04%	2.22
	100.00%	32,327.63	100.00%	5,263.75	100.00%	(115.26)	100.00%	5,148.49

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) 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 2020 (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.

(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 2020 (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 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) Debt instruments at amortised cost

The Group measures its financial assets 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 judgment and considers relevant factors such as the nature of portfolio, and the period for which the interest rate is set.

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 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

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

on the books of the Group, it may enter into immaterial and/or 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. 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 financial assets 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 year ended 31 March 2020).

On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

(c) Debt instruments at FVTPL

The Group classifies financial assets 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. Gain 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 recognised 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 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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

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/or infrequent transaction of sale of portfolio which doesn't affect the business model of the Group.

Reclassification of financial assets

When, and only when, the Group changes its business model for managing financial assets, it reclassifies all the affected financial assets prospectively as per the principles laid down in Ind AS 109 'Financial Instruments' (also refer note no. 9 for change in business model during the year ended 31 March 2020).

Impairment of financial assets

ECL are recognised for financial assets held under amortised cost, debt instruments measured at FVOCI, and certain loan commitments as per the Board approved policy and internal policies for business model.

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').

Financial assets (and the related impairment allowances) are written off in full, when there is no realistic prospect of recovery.

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

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

Restructured loans 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 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.

(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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

The Group recaliberates above components of its ECL model on a periodical basis by using the available incremental and recent information 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. 50.

(ii) Financial liabilities

Financial liabilities include liabilities that represent a contractual obligation to deliver cash or another financial assets to another entity, or a contract that may or will be settled in the entity'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.

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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

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.

3.6 Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition less accumulated depreciation and impairment losses, consistent with the criteria specified in Ind AS 16 'Property, plant and equipment'.

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, except buildings which is determined on written down value method.

(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) Tangible assets which are depreciated over a useful life that is different than those indicated in Schedule II are as under:

Nature of assets	Useful life as per Schedule II	Useful life adopted by the Group
Motor vehicles	8 years	4 years

(f) Assets having unit value up to ₹ 5,000 is depreciated fully in the financial year of purchase of asset.

(g) 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 in the Statement of Profit and Loss when the asset is derecognised.

(h) 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 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.7 Intangible assets and amortisation thereof

Intangible assets, representing softwares are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment. 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 life of intangible assets are reviewed at each financial year end and adjusted prospectively, if appropriate.

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. 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.

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 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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

(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 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) 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 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 in employee benefits expenses 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 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.

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. Non-market performance conditions are reflected within the grant date fair value.

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 for all applicable leases on the date of adoption.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

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. 48 and 49.

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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

3 Summary of significant accounting policies (Contd.)

(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

During the year ended 31 March 2020, 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.

During the year ended 31 March 2020, hedges that meet the criteria for hedge accounting and qualify as cash flow hedges are accounted as follows:

Cash Flow Hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability 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.

4 Change in accounting estimates

During the year ended 31 March 2020, 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 ₹ 20.64 crore.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

5 Cash and cash equivalents

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Cash on hand	27.12	79.23
Balance with banks:		
In current accounts	89.99	267.79
In fixed deposits (with original maturity less than 3 months)	1,227.41	-
	1,344.52	347.02

6 Bank balances other than cash and cash equivalents

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Fixed deposits*	33.37	-
Earmarked balance with banks:		
against matured fixed deposits	0.01	0.01
against unclaimed dividend	4.82	1.68
	38.20	1.69

* Fixed deposit under lien with stock exchanges for margin requirement ₹ 30.69 crore (Previous year ₹ Nil) and deposits with exchange for trade ₹ 2.68 crore (Previous year ₹ Nil)

7 Derivative financial instruments

(₹ In Crore)

Particulars	As at 31 March 2020 Notional amounts	As at 31 March 2020 Fair value assets
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 2020	2019
Considered good - unsecured		
Interest subsidy	536.58	572.35
Fees, commission and others	258.84	141.85
Service asset	157.07	94.50
	952.49	808.70

- Impairment allowance recognised on trade receivables is ₹ Nil (Previous year ₹ Nil).
- No trade receivables are due from directors or other officers of the Group 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 2020 (Contd.)

9 Loans

(₹ In Crore)

Particulars	As at 31 March 2020 At amortised cost	As at 31 March 2020 At fair value through OCI*	As at 31 March 2020 Total	As at 31 March 2019 At amortised cost	As at 31 March 2019 At fair value through OCI	As at 31 March 2019 Total
(A) Term loans	123,357.96	21,742.45	145,100.41	96,487.70	18,082.70	1,14,570.40
Less: Impairment loss allowance	3,641.44	82.92	3,724.36	1,967.17	90.41	2,057.58
Total (A)	119,716.52	21,659.53	141,376.05	94,520.53	17,992.29	112,512.82
(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.	60,358.63	21,742.45	82,101.08	49,160.77	18,082.70	67,243.47
Less: Impairment loss allowance	1,626.07	82.92	1,708.99	952.88	90.41	1,043.29
Total (I)	58,732.56	21,659.53	80,392.09	48,207.89	17,992.29	66,200.18
(II) Unsecured	62,999.33	-	62,999.33	47,326.93	-	47,326.93
Less: Impairment loss allowance	2,015.37	-	2,015.37	1,014.29	-	1,014.29
Total (II)	60,983.96	-	60,983.96	46,312.64	-	46,312.64
Total (B) = (I+II)	119,716.52	21,659.53	141,376.05	94,520.53	17,992.29	112,512.82
(C) Out of above						
(I) Loans in India						
(i) Public sector	-	-	-	-	-	-
Less: Impairment loss allowance	-	-	-	-	-	-
Sub-total (i)	-	-	-	-	-	-
(ii) Others	123,357.96	21,742.45	145,100.41	96,487.70	18,082.70	114,570.40
Less: Impairment loss allowance	3,641.44	82.92	3,724.36	1,967.17	90.41	2,057.58
Sub-total (ii)	119,716.52	21,659.53	141,376.05	94,520.53	17,992.29	112,512.82
Total (I) = (i)+(ii)	119,716.52	21,659.53	141,376.05	94,520.53	17,992.29	112,512.82
(II) Loans outside India	-	-	-	-	-	-
Total (C) = (I+II)	119,716.52	21,659.53	141,376.05	94,520.53	17,992.29	112,512.82

Summary of loans by stage distribution

(₹ In Crore)

Particulars	As at 31 March 2020 Stage 1	As at 31 March 2020 Stage 2	As at 31 March 2020 Stage 3	As at 31 March 2020 Total	As at 31 March 2019 Stage 1	As at 31 March 2019 Stage 2	As at 31 March 2019 Stage 3	As at 31 March 2019 Total
Gross carrying amount	139,589.01	3,148.40	2,363.00	145,100.41	110,747.99	2,010.56	1,811.85	114,570.40
Less: Impairment loss allowance	1,712.34	586.80	1,425.22	3,724.36	618.50	362.32	1,076.76	2,057.58
Net carrying amount	137,876.67	2,561.60	937.78	141,376.05	110,129.49	1,648.24	735.09	112,512.82

Notes to consolidated financial statements for the year ended 31 March 2020 (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 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 year								
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**

(₹ In Crore)

Particulars	For the year ended 31 March 2019							
	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 2018	78,350.76	468.48	1,082.24	251.78	1,200.08	810.32	80,633.08	1,530.58
Transfers during the year								
transfers to stage 1	93.82	20.50	(89.95)	(18.28)	(3.87)	(2.22)	-	-
transfers to stage 2	(1,662.54)	(21.38)	1,671.38	26.04	(8.84)	(4.66)	-	-
transfers to stage 3	(1,592.83)	(30.63)	(562.35)	(148.63)	2,155.18	179.26	-	-
	(3,161.55)	(31.51)	1,019.08	(140.87)	2,142.47	172.38	-	-
Impact of changes in credit risk on account of stage movements	-	(14.68)	-	226.89	-	1,028.88	-	1,241.09
Changes in opening credit exposures (additional disbursement net of repayments)	(35,314.11)	(214.93)	(732.59)	(119.13)	(950.90)	(181.61)	(36,997.60)	(515.67)
New credit exposures during the year, net of repayments	70,872.89	411.14	641.83	143.65	385.57	212.16	71,900.29	766.95
Amounts written off during the year	-	-	-	-	(965.37)	(965.37)	(965.37)	(965.37)
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**

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

9 Loans (Contd.)

Details of impairment on financial instruments disclosed in the Statement of Profit and Loss

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
(i) Net impairment loss allowance charge for the year	1,666.78	527.00
(ii) Amounts written off during the year	2,248.03	965.37
Impairment on loans	3,914.81	1,492.37
Add: Impairment on other assets	14.67	8.98
Impairment on financial instruments	3,929.48	1,501.35

* 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 solely 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 for the year ended 31 March 2020 per erstwhile measurement
Fair value through other comprehensive income (FVOCI)	Amortised Cost	4,961.55	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 2020 (Contd.)

10 Investments

(₹ In Crore)

Particulars	As at 31 March 2020	2019
(A) At amortised cost		
In Pass Through Certificates (PTC) representing securitisation of loan receivables#	20.32	53.71
Total (A)	20.32	53.71
(B) At fair value through other comprehensive income		
(i) In Government securities*	2,713.63	1,255.60
Add: Fair value gain	50.97	1.15
Sub-total (i)	2,764.60	1,256.75
* includes ₹ 2,242.09 crore (Previous year ₹ 1,029.23 crore) pledged towards floating charge in favour of trustees representing the public deposit holders of the Parent Company towards maintenance of liquid assets as prescribed by RBI Act, 1934.		
(ii) In equity instruments		
Equity shares	150.01	0.01
Add: Fair value losses	(92.09)	-
	57.92	0.01
Compulsorily Convertible Preference Shares	262.31	224.99
Sub-total (ii)	320.23	225.00
Total (B) = (i+ii)	3,084.83	1,481.75
(C) At fair value through profit or loss		
(i) In mutual funds	13,256.72	4,869.37
Add: Fair value gains	41.88	6.64
Sub-total (i)	13,298.60	4,876.01
(ii) In Government securities#	642.19	425.45
Add: Fair value gains	1.43	0.23
Sub-total (ii)	643.62	425.68
(iii) In certificates of deposit#	98.73	1,761.62
Add: Fair value gains	0.46	0.26
Sub-total (iii)	99.19	1,761.88
(iv) In commercial Paper	396.60	-
Add: Fair value gains	0.74	-
Sub-total (iv)	397.34	-
Total (C) = (i+ii+iii+iv)	14,438.75	7,063.57
Total (A+B+C)	**17,543.90**	**8,599.03**

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Out of above		
In India	17,543.90	8,599.03
Outside India	-	-
	17,543.90	8,599.03

Impairment allowance recognised on these investments is ₹ Nil (Previous year ₹ Nil).

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

11 Other financial assets

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Security deposits	58.01	40.78
Margin with exchanges	109.00	–
Advances to dealers	193.78	253.88
Others	109.60	95.29
	470.39	389.95

- 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 2020	For the year ended 31 March 2019
Profit before tax	7,322.12	6,179.16
At average corporate tax rate of 25.17% (Previous year 34.836%)	1,843.01	2,152.58
Tax on expenditure not considered for tax provision (net of allowance)	39.53	35.98
Tax on additional deductions	(4.86)	–
Utilisation of previously unrecognised tax losses	(0.32)	(2.54)
Utilisation of MAT credit	(1.37)	–
Tax amount on income not subject to tax	(0.16)	(1.85)
Tax impact due to revaluation of deferred tax due to change in Income tax rate*	182.54	–
Tax expense (Effective tax rate of 28.112%, Previous year 35.347%)	2,058.37	2,184.17

* From the year ended 31 March 2020, 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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

12 Deferred tax assets (net) (Contd.)

Deferred tax assets (net) recorded in Balance Sheet

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Deferred tax relates to the following:		
(a) Deferred tax assets		
Disallowance u/s 43B of the Income Tax Act, 1961	21.40	23.47
Impairment on financial instruments	820.69	606.30
EIR impact on financial instruments measured at amortised cost	-	24.13
Cash flow hedge reserve	19.05	-
Changes in fair value of FVOCI equity instruments	23.18	-
Lease liability	4.60	-
Tax impact on carried forward losses	0.21	-
Other temporary differences	20.65	32.72
Gross deferred tax assets (a)	909.78	686.62
(b) Deferred tax liabilities		
Depreciation and amortisation	1.09	9.92
EIR impact on financial instruments measured at amortised cost	24.42	-
Special reserve as per section 36(1)(viii) of the Income Tax Act, 1961	8.15	2.15
Unrealised net gain on fair value changes	10.83	1.88
Changes in fair value of FVOCI debt securities	12.83	0.41
Other temporary differences	2.33	3.23
Gross deferred tax liabilities (b)	59.65	17.59
Deferred tax assets/(liabilities), net (a-b)	850.13	669.03

Changes in deferred tax recorded in profit or loss

(₹ In Crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Deferred tax relates to the following:		
Disallowance u/s 43B of the Income Tax Act, 1961	6.48	1.56
Impairment on financial instruments	(214.39)	(152.29)
Depreciation and amortisation	(8.83)	(2.16)
EIR impact on financial instruments measured at amortised cost	48.55	255.71
Special reserve as per section 36(1)(viii) of the Income Tax Act, 1961	6.00	2.13
Unrealised net gain on fair value changes	8.95	1.78
Tax impact on carried forward losses	(0.21)	-
Lease liability	(4.60)	-
Other temporary differences	11.17	(8.45)
	(146.88)	98.28

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

12 Deferred tax assets (net) (Contd.)

Changes in deferred tax recorded in other comprehensive income

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Deferred tax relates to the following:		
Changes in fair value of FVOCI debt securities	12.42	5.69
Disallowance u/s 43B of the Income Tax Act, 1961	(4.41)	(5.56)
Cash flow hedge reserve	(19.05)	–
Changes in fair value of FVOCI equity instruments	(23.18)	–
	(34.22)	0.13

13 Property, plant and equipment and intangible assets

For the financial year 2019-20

(₹ In Crore)

	Gross block				Depreciation and amortisation				Net block
Particulars	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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

13 Property, plant and equipment and intangible assets (Contd.)

For the financial year 2018-19

(₹ In Crore)

Particulars	Gross block				Depreciation and amortisation				Net block
	As at 1 April 2018	Additions	Deductions	As at 31 March 2019	As at 1 April 2018	Deductions	For the year	As at 31 March 2019	As at 31 March 2019
Property, plant and equipment (a)									
Freehold land (b)	2.26	–	–	2.26	–	–	–	–	2.26
Buildings (c)	158.68	47.80	0.78	205.70	46.52	0.26	7.14	53.40	152.30
Computers	123.90	56.64	15.52	165.02	69.28	12.31	27.84	84.81	80.21
Office equipment	81.72	60.29	2.83	139.18	38.51	(0.59)	22.81	61.91	77.27
Furniture and fixtures	116.99	57.35	3.22	171.12	32.52	2.86	18.84	48.50	122.62
Vehicles	40.63	25.03	10.25	55.41	15.63	5.23	10.59	20.99	34.42
Leasehold improvements	63.08	51.67	2.02	112.73	38.65	1.65	18.30	55.30	57.43
Sub-total	**587.26**	**298.78**	**34.62**	**851.42**	**241.11**	**21.72**	**105.52**	**324.91**	**526.51**
Other intangible assets (d)									
Computer softwares	198.46	97.80	17.68	278.58	77.62	2.73	38.63	113.52	165.06
Sub-total	**198.46**	**97.80**	**17.68**	**278.58**	**77.62**	**2.73**	**38.63**	**113.52**	**165.06**
Total	**785.72**	**396.58**	**52.30**	**1,130.00**	**318.73**	**24.45**	**144.15**	**438.43**	**691.57**

(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 ₹ 500 (Previous year ₹ 500)

(d) See note no. 3.7

14 Other non-financial assets

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Capital advances	1.69	4.45
Indirect tax credits available for utilisation	28.25	20.34
Deposits against appeals	17.14	17.01
Advances to suppliers and others	59.14	17.81
	106.22	59.61

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

15 Payables

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
(I) Trade payables		
Total outstanding dues of micro enterprises and small enterprises#	0.54	0.44
Total outstanding dues of creditors other than micro enterprises and small enterprises	761.43	563.36
	761.97	563.80
(II) Other payables		
Total outstanding dues of micro enterprises and small enterprises#	–	–
Total outstanding dues of creditors other than micro enterprises and small enterprises	197.84	247.74
	197.84	247.74

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 2020	As at 31 March 2019
Principal amount due to suppliers under MSMED Act, as at the year end (since paid)	0.54	0.44
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	11.04	5.60
Interest paid to suppliers under MSMED Act (other than section 16)	–	–
Interest paid to suppliers under MSMED Act (section 16)	0.12	0.13
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 (since paid)	–	–

16 Debt Securities

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
(A) At amortised cost		
(I) Secured*		
Privately placed redeemable non-convertible debentures	42,932.98	35,723.96
Sub-total (I)	42,932.98	35,723.96
(II) Unsecured		
Privately placed partly paid redeemable non-convertible debentures	3,262.03	1,274.81
Borrowings by issue of commercial papers	3,342.35	9,682.56
Sub-total (II)	6,604.38	10,957.37
Total (I + II)	49,537.36	46,681.33
(B) Out of above		
In India	49,537.36	46,681.33
Outside India	–	–
	49,537.36	46,681.33

* secured by pari passu charge created by mortgage of Parent Company's Chennai office, on loan receivables as stated in the respective information memorandum. Until 5 July 2018, the Parent Company had mortgaged its residential property at Pune on pari passu charge against specific debentures.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

16 Debt Securities (Contd.)

(C) 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					
1090-1460	–	–	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

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

16 Debt securities (Contd.)

Terms of repayment of non-convertible debentures (NCDs) as on 31 March 2019

(₹ 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	1,770.00	100.00	352.63	–	2,222.63
1096-1460	2,292.00	7,902.93	504.94	2,319.91	13,019.78
More than 1460	607.50	1,190.20	1,129.20	7,217.28	10,144.18
Issued at discount and redeemable at par					
1090-1460	96.85	–	–	–	96.85
Issued at par and redeemable at premium					
366-730	–	320.00	–	–	320.00
731-1095	328.10	12.00	428.29	–	768.39
1096-1460	691.60	1,584.10	2,468.44	3,737.11	8,481.25
More than 1460	85.00	–	18.50	3.80	107.30
Interest accrued and impact of EIR					1,838.39
					36,998.77

- Interest rate ranges from 7.25% to 10.00% as at 31 March 2019
- As at 31 March 2019, partly called and paid unsecured debentures of ₹ 1,274.81 crore.
- Amount to be called and paid is ₹ 200 crore each in Jun 2019, Jun 2020 and Jun 2021
- Amount to be called and paid is ₹ 445 crore each in Nov 2019, Nov 2020, Nov 2021 and Nov 2022

(D) 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	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

Terms of repayment of commercial papers as at 31 March 2019

(₹ 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	9,683.49	–	–	–	9,683.49
Interest accrued and impact of EIR					(0.93)
					9,682.56

- Interest rate ranges from 7.46% to 7.65% p.a as at 31 March 2019
- Face value of commercial paper is ₹ 9,750 crore as at 31 March 2019

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

17 Borrowings (other than debt securities)

(₹ In Crore)

Particulars	As at 31 March 2020	2019
(A) In India		
At amortised cost		
Term loans from banks	46,785.00	34,339.00
Cash credit/Overdraft facility	670.38	2,024.00
Working capital demand loans	2,095.00	796.59
Collateralised borrowing and lending obligation (CBLO) against Government securities	839.98	414.85
	50,390.36	37,574.44
Outside India		
External commercial borrowing (ECB)*	4,309.81	-
	4,309.81	-
(B) Out of above		
Secured (Against hypothecation of loans, book debts and other receivables)	54,700.17	37,574.44
Unsecured	-	-
	54,700.17	37,574.44

* ECB is denominated in foreign currency and secured against book debts

(C) Terms of repayment of term loans from bank as at 31 March 2020

Original maturity (In no. of days)	Due within 1 year No. of instalments	Due within 1 year ₹ In Crore	Due 1 to 2 years No. of instalments	Due 1 to 2 years ₹ In Crore	Due 2 to 3 years No. of instalments	Due 2 to 3 years ₹ In Crore	More than 3 years No. of instalments	More than 3 years ₹ In Crore	Total ₹ 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
Greater 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
Greater 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
Greater than 1095	4	125.00	16	1,180.82	16	1,530.00	27	1,527.21	4,363.03
On maturity (Bullet)									
Up to 365	-	-	-	-	-	-	-	-	-
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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

17 Borrowings (other than debt securities) (Contd.)

Terms of repayment of term loans from bank as at 31 March 2019

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									
Greater than 1095	-	-	4	500.00	-	-	-	-	500.00
Quarterly									
Up to 365	7	602.77	-	-	-	-	-	-	602.77
366-730	4	447.22	45	1,374.99	-	-	-	-	1,822.21
731-1095	-	-	6	622.22	21	1,051.04	-	-	1,673.26
Greater than 1095	37	1,006.25	34	1,112.50	46	1,346.18	82	4,555.58	8,020.51
Half yearly									
Up to 365	4	308.00	-	-	-	-	-	-	308.00
366-730	-	-	4	308.00	-	-	-	-	308.00
731-1095	-	-	-	-	5	304.00	-	-	304.00
Greater than 1095	35	1,300.00	31	1,050.00	16	1,029.00	32	2,376.00	5,755.00
Yearly									
Up to 365	9	553.34	-	-	-	-	-	-	553.34
366-730	-	-	8	770.82	-	-	-	-	770.82
731-1095	-	-	3	320.00	3	516.25	-	-	836.25
Greater than 1095	2	50.00	3	125.00	11	780.82	21	1,808.75	2,764.57
On maturity (Bullet)									
Up to 365	-	-	-	-	-	-	-	-	-
366-730	-	-	2	150.00	-	-	-	-	150.00
731-1095	3	400.00	1	800.00	2	450.00	-	-	1,650.00
Greater than 1095	14	1,250.00	11	2,250.00	4	2,000.00	11	2,865.00	8,365.00
Interest accrued and impact of EIR									(44.73)
									34,339.00

- Interest rate ranges from 7.40% p.a to 9.50% p.a as at 31 March 2019.

(D) Terms of repayment of working capital demand loans from bank as at 31 March 2020

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
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 2020 (Contd.)

17 Borrowings (other than debt securities) (Contd.)

Terms of repayment of working capital demand loans from bank as at 31 March 2019

	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	795.00	-	-	-	-	-	-	795.00
Interest accrued and impact of EIR									1.59
									796.59

- Interest rate ranges from 8.35% p.a to 8.40% p.a as at 31 March 2019.

(E) 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.

Terms of repayment of CBLO as at 31 March 2019

	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	1	414.70	-	-	-	-	-	-	414.70
Interest accrued and impact of EIR									0.15
									414.85

- Interest rate ranges from 6.50% p.a to 6.85% p.a as at 31 March 2019.

(F) Terms of repayment of external commercial borrowing 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 2020 (Contd.)

18 Deposits (Unsecured)

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
(A) At amortised cost		
Public deposits*	13,127.33	6,828.35
From others	8,299.77	6,364.66
	21,427.10	13,193.01

* 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 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 1,095	795.51	2,654.19	4,315.69	1,843.43	9,608.82
Interest accrued and impact of EIR					336.83
					13,127.33

Terms of repayment of public deposits as at 31 March 2019

(₹ 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	1,143.80	42.26	-	-	1,186.06
731-1095	566.08	345.25	3.55	-	914.88
More than 1095	116.19	811.59	2,716.18	910.83	4,554.79
Interest accrued and impact of EIR					172.62
					6,828.35

(C) 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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

18 Deposits (Unsecured) (Contd.)

Terms of repayment of deposit from others as at 31 March 2019

(₹ 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	1,265.10	-	-	-	1,265.10
366-730	4,224.79	84.46	-	-	4,309.25
731-1095	298.19	38.80	-	-	336.99
More than 1095	11.55	77.66	55.62	121.54	266.37
Interest accrued and impact of EIR					186.95
					6,364.66

- Interest rate range from 7.25% p.a. to 10.00% p.a. as at 31 March 2019.

19 Subordinated debts (Unsecured)

(₹ In Crore)

Particulars	As at 31 March 2020	2019
(A) In India		
At amortised cost		
Privately placed subordinated (Tier II) redeemable non-convertible debentures	4,141.75	4,139.07
	4,141.75	4,139.07
(B) Outside India	-	-

(C) 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

Terms of repayment of subordinated debts as at 31 March 2019

(₹ 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	3,659.60	3,938.30
Interest accrued and impact of EIR					200.77
					4,139.07

- Interest rate ranges from 8.05% to 10.21% as at 31 March 2019.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

20 Other financial liabilities

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Unclaimed dividends	4.82	1.68
Book overdraft	4.46	1,334.66
Security deposits	115.11	88.64
Lease liability+	351.02	-
Unclaimed matured deposits*	0.05	0.07
Others	269.59	279.10
	745.05	1,704.15

* There are no amounts that are due and remain unpaid to Investor Education and Protection Fund as at the close of the year.

+ Disclosures as required by Ind AS 116 'Leases' are stated below

(A) Lease liability movement

(₹ In Crore)

Particulars	Amount
Transition adjustment	231.16
Add: Addition during the year	189.14
Interest on lease liability	26.57
Less: Deletion during the year	0.65
Lease rental payments	95.20
Balance as on 31 March 2020	351.02

(B) Lease rentals of ₹ 1.61 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 2020
Not later than one year	105.78
Later than one year but not later than five years	259.20
Later than five years	67.97
	432.95

(D) Maturity analysis of lease liability as at 31 March 2020

(₹ In Crore)

Particulars	Within 12 months	After 12 months
Lease liability	81.09	269.93

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

21 Provisions

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Provision for employee benefits		
Gratuity	50.95	32.97
Compensated absences*	18.38	23.14
Other long term service benefits	11.91	7.90
Provision retained on sale of non performing assets+	–	9.88
	81.24	73.89

* Includes amounts payable for encashable leaves not permitted to be carried forward of ₹ 6.83 crore as at 31 March 2020 (Previous year ₹ 15.75 crore).

\+ as per RBI circular DBOD.NO.BP.BC. 16/21.04.048/2005-06

22 Other non-financial liabilities

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Statutory dues	311.82	262.03
Others	100.27	73.66
	412.09	335.69

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

23 Equity share capital

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Authorised		
750,000,000 (750,000,000) equity shares of ₹ 2 each	150.00	150.00
Issued		
601,689,069 (577,968,388) equity shares of ₹ 2 each	120.34	115.59
Subscribed and paid up		
601,689,069 (577,968,388) equity shares of ₹ 2 each fully called up and paid up	120.34	115.59
Less: 1,742,578 (1,093,723) equity shares of ₹ 2 each held in a trust for employees under ESOP Scheme [See footnote (e) below]	0.35	0.22
	119.99	115.37

(a) Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	Nos.	₹ In Crore
As at 1 April 2018	577,968,388	115.59
Less: Equity shares held in Trust for employees under ESOP scheme	1,093,723	0.22
As at 31 March 2019	**576,874,665**	**115.37**
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**

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 Bombay Stock Exchange (BSE) Ltd. and National Stock Exchange of India Ltd. 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

(i) 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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

23 Equity share capital (Contd.)

(ii) Pursuant to the SEBI (Issue of Capital and Disclosure Requirements) Regulations-2009, 9,250,000 equity shares held by Bajaj Finserv Ltd. were restricted from transfer and pledge up to 11 December 2019.

(c) Shares held by Holding Company (Face value ₹ 2 per share)

Particulars	As at 31 March 2020		As at 31 March 2019	
	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 Parent Company (Face value ₹ 2 per share)

Particulars	As at 31 March 2020		As at 31 March 2019	
	Nos.	% Holding	Nos.	% Holding
Bajaj Finserv Ltd.*	317,816,130	52.82%	317,816,130	54.99%

* 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 Group 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 2020	25,926,216
c. Options cancelled up to 31 March 2020 and added back to pool for future grants	3,695,954
d. Options granted net of cancellation under the scheme up to 31 March 2020 (d=b-c)	22,230,262
e. Balance available under the scheme for future grants (e=a-d)	2,840,898
f. Equity shares allotted to BFL Employee Welfare Trust up to 31 March 2020	17,714,810
g. Stock options exercised up to 31 March 2020	15,972,232
h. Balance stock options available with BFL Employee Welfare trust on 31 March 2020 (h=f-g)	1,742,578

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 ₹ 670,428,124 (As at 31 March 2019 ₹ 346,849,803) 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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

24 Other equity

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
(i) Securities premium		
Balance at the beginning of the year	8,333.49	8,315.52
Add: Received during the year		
On allotment of shares to Trust for employees pursuant to ESOP scheme	100.14	-
On allotment of shares to employees pursuant to ESOP scheme	24.26	17.97
On issue of shares to Qualified Institutional Buyers	8,495.64	-
Less: Share issue expenses as per section 52 of the Companies Act, 2013	45.06	-
	16,908.47	8,333.49
Less: Premium on equity shares held in trust for employees under the ESOP scheme	67.04	34.68
Balance at the end of the year	16,841.43	8,298.81
(ii) Retained earnings		
Balance at the beginning of the year	7,719.16	4,813.77
Profit for the year	5,263.75	3,994.99
Item of other comprehensive income recognised directly in retained earnings		
On defined benefit plan	(27.11)	(10.76)
	12,955.80	8,798.00
Appropriations:		
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934	(977.00)	(779.00)
Transfer to reserve fund in terms of section 29C of the NHB Act, 1987	(59.27)	(14.56)
Transfer to infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961	(25.00)	(7.40)
Dividend paid	(949.63)	(231.19)
Tax on dividend	(195.20)	(47.52)
Adjustment of dividend to ESOP Trust [See note no. 23(e)]	3.21	0.83
Total appropriations	(2,202.89)	(1,078.84)
Balance at the end of the year	10,752.91	7,719.16
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	2,602.75	1,823.75
Add: Transferred during the year	977.00	779.00
Balance as at the end of the year	3,579.75	2,602.75
(iv) Reserve fund in terms of section 29C of the National Housing Bank Act,1987		
Balance as at the beginning of the year	19.05	4.49
Add: transferred during the year	59.27	14.56
Balance as at the end of the year	78.32	19.05

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

24 Other equity (Contd.)

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Other reserves (Contd.)		
(v) General reserve		
Balance as at the beginning of the year	786.64	785.65
Add: Transfer on cancellation of stock options	1.18	0.99
Balance as at the end of the year	787.82	786.64
(vi) Infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961		
Balance as at the beginning of the year	16.65	9.25
Add: Transferred during the year	25.00	7.40
Balance as at the end of the year	41.65	16.65
(vii) Other comprehensive income		
Balance as at the beginning of the year	0.74	(9.84)
Addition/(reduction) during the year	(88.15)	10.58
Balance as at the end of the year	(87.41)	0.74
(viii) Share options outstanding account		
Balance as at the beginning of the year	137.85	82.01
Add: Share based payments to employees	100.76	74.80
Less: Transfer on allotment of shares to employees pursuant to ESOP scheme	24.26	17.97
Less: Transfer on cancellation of stock options	1.18	0.99
Balance as at the end of the year	213.17	137.85
Total other equity	32,207.64	19,581.65

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 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).

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

25 Nature and purpose of other equity (Contd.)

(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.

(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 purpose 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)

	As at 31 March	
Particulars	**2020**	**2019**
Balance as at the beginning of the year	-	-
Fair value changes during the year*	82.92	90.41
Impairment loss allowances transferred to profit or loss	(82.92)	(90.41)
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 2020 (Contd.)

26 Interest income

(₹ In Crore)

Particulars	For the year ended 31 March 2020				For the year ended 31 March 2019			
	On financial assets measured at				On financial assets measured at			
	FVOCI*	Amortised cost*	FVTPL	Total	FVOCI*	Amortised cost*	FVTPL	Total
On loans	1,660.60	21,137.17	–	22,797.77	1,330.71	14,881.44	–	16,212.15
On investments	112.80	14.49	27.42	154.71	58.53	3.56	70.69	132.78
On others	-	17.91	–	17.91	–	3.82	–	3.82
	1,773.40	21,169.57	27.42	22,970.39	1,389.24	14,888.82	70.69	16,348.75

* 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 2020	2019
Service and administration charges	899.61	580.64
Fees on value added services and products	413.68	328.51
Foreclosure income	157.43	105.16
Distribution income	1,115.29	667.56
Brokerage income	4.94	–
	2,590.95	1,681.87

28 Net gain on fair value changes

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
(A) Net gain on financial instruments at fair value through profit or loss		
On trading portfolio		
Realised gain on investments at FVTPL	486.12	290.89
Unrealised gain on investments at FVTPL	37.44	6.74
(B) Others		
Realised gain on sale of FVOCI debt instruments	13.93	0.27
	537.49	297.90

29 Sale of services

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Service fees for management of assigned portfolio of loans	124.27	63.77
Other service fees	–	5.00
	124.27	68.77

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

30 Other operating income

(₹ In Crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Recoveries against financial assets	140.90	85.16
Net realisation on sale of written off loans	9.80	4.69
	150.70	89.85

31 Other income

(₹ In Crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest on income tax refund	1.01	–
Net gain on disposal of property, plant and equipment	–	3.39
Net gain on foreign currency transactions and translation	0.08	0.05
Dividend income (Previous year ₹ 12,000)	0.64	
Miscellaneous income	10.10	9.60
	11.83	13.04

32 Finance costs

(₹ In Crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
On financial liabilities measured at amortised cost:		
On debt securities	3,906.48	3,251.61
On borrowings other than debt securities	3,669.24	2,146.97
On deposits	1,512.16	868.22
On subordinated debts	352.69	352.29
On lease liability	26.57	–
On others	6.07	4.47
	9,473.21	6,623.56

33 Fees and commission expense

(₹ In Crore)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Commission and incentives	62.81	61.64
Recovery costs	959.39	646.87
Credit guarantee fees	29.70	-
Loan portfolio management service charges	4.47	4.37
	1,056.37	712.88

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

34 Impairment on financial instruments

(₹ In Crore)

Particulars	For the year ended 31 March 2020			For the year ended 31 March 2019		
	At amortised cost	At FVOCI	Total	At amortised cost	At FVOCI	Total
On loans	3,879.01	35.80	3,914.81	1,431.61	60.76	1,492.37
On others	14.67	–	14.67	8.98	–	8.98
	3,893.68	35.80	3,929.48	1,440.59	60.76	1,501.35

35 Employee benefits expenses

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Employees emoluments	2,290.90	1,740.84
Contribution to provident fund and other funds	113.60	70.17
Share based payment to employees	100.76	74.79
Staff welfare expenses	43.82	52.73
	2,549.08	1,938.53

36 Other expense

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Insurance	3.15	3.24
Rent, taxes and energy cost	43.31	91.44
Director's fees, commission and expenses	5.66	4.17
Communication expenses	124.05	70.67
Outsourcing/ back office expenses	242.82	209.90
Travelling expenses	212.42	202.56
Information technology expenses	210.89	163.98
Bank charges	134.46	99.10
Net loss on disposal of property, plant and equipment	2.29	–
Auditor's fees and expenses*	1.10	0.71
Advertisement, branding and promotion expenses	221.93	183.23
Expenditure towards Corporate Social Responsibility activities**	82.75	56.78
Repairs and maintenance	85.76	56.49
Printing and stationery	18.14	16.76
Legal and professional charges	24.95	16.92
Customer experience	96.30	67.31
Miscellaneous expenses+	250.76	157.29
	1,760.74	1,400.55

+ Miscellaneous expenses includes donation of ₹ 20 crore made to political parties through Electoral Bonds.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

36 Other expenses (Contd.)

* Payment to auditor (net of GST credit availed)#

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Audit fee	0.46	0.46
Tax audit fee	0.06	0.05
Limited review fees	0.10	0.10
In other capacity:		
Other services	0.43	0.08
Reimbursement of expenses	0.05	0.02
	1.10	0.71

Excludes fees of ₹ 0.49 crore incurred in 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 2020	2019
(a) Gross amount required to be spent by the Group during the year	82.48	39.40
(b) Amount spent in cash during the year on:		
(i) Construction/acquisition of any asset	-	-
(ii) On purpose other than (i) above	82.75	56.78
	82.75	56.78

37 Business combinations under common control

During the financial year 2018-19, the Parent Company acquired 100% equity shares of Bajaj Financial Securities Ltd. (BFinsec), which was under common control. The effective date of business combination on which the Parent Company obtains the control on the entity was 10 August 2018. Bajaj Financial Securities Ltd. was incorporated in the financial year 2009-10, for the purpose of providing services in the securities market and had stock broking and Depository Participant (DP) license. However, due to change in the business environment, the acquiree had discontinued its operations and surrendered the stock broking and DP license.

BFinsec received approval from SEBI to carry on the business as a stock broker on 24 January 2019 and trading membership of BSE Ltd. on 29 January 2019.

Details of acquisition transaction

Particulars	₹ In Crore
Components of consideration paid:	
Cash	20.38
Net market value of asset acquired:	
Net assets acquired	19.91
Tax benefit on unabsorbed losses of ₹ 1.71 crore	0.47
	20.38

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

38 Earnings per share (EPS)

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	**2020**	**2019**
(A) Net profit attributable to equity shareholders (₹ In Crore)	5,263.75	3,994.99
(B) Weighted average number of equity shares for basic earnings per share	586,346,942	576,195,060
Effect of dilution:		
Employee stock options	4,623,187	4,854,887
(C) Weighted average number of equity shares for diluted earnings per share	590,970,128	581,049,948
Earning per share (Basic) (₹) (A/B)	89.77	69.33
Earning per share (Diluted) (₹) (A/C)	89.07	68.75

39 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.

40 Transfer of financial assets that are derecognised in their entirety but 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 2020 (Contd.)

41 Revenue from contract with customers

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Type of services		
Service and administration charges	899.61	580.64
Fees on value added services and products	413.68	328.51
Foreclosure charges	157.43	105.16
Distribution income	1,115.29	667.56
Sale of services	124.27	68.77
Brokerage income	4.94	–
	2,715.22	1,750.64
Geographical markets		
India	2,715.22	1,750.64
Outside India	–	–
	2,715.22	1,750.64
Timing of revenue recognition		
Services transferred at a point in time	2,715.22	1,750.64
Services transferred over time	–	–
	2,715.22	1,750.64

Contract balances

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Service asset	157.07	94.50
Fees, commission and other receivables	258.84	141.85
	415.91	236.35

- Impairment allowance recognised on contract balances is ₹ Nil (Previous year ₹ Nil).

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

42 Employee benefits plan

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	
	2020	**2019**
Defined benefit obligation as at the beginning of the year	108.08	79.32
Current service cost	22.43	16.85
Interest on defined benefit obligation	8.05	5.94
Remeasurement due to:		
Actuarial loss/(gain) arising from change in financial assumptions	13.18	0.52
Actuarial loss/(gain) arising from change in demographic assumptions	-	0.07
Actuarial loss/(gain) arising on account of experience changes	18.48	14.64
Benefits paid	(4.03)	(4.14)
Liabilities assumed/(settled)*	0.36	(5.12)
Defined benefit obligation as at the end of the year	166.55	108.08

* On account of business combination within the Group.

Movement in plan assets

(₹ In Crore)

Particulars	As at 31 March	
	2020	**2019**
Fair value of plan asset as at the beginning of the year	75.14	54.82
Employer contributions	37.62	25.86
Interest on plan assets	6.71	4.91
Administration expenses	-	(0.01)
Remeasurements due to:		
Actual return on plan assets less interest on plan assets	0.13	(1.19)
Benefits paid	(4.03)	(4.14)
Assets acquired/(settled)*	0.27	(5.12)
Fair value of plan asset as at the end of the year	115.84	75.14

* On account of business combination within the Group.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

42 Employee benefits plan (Contd.)

(A) Gratuity (Contd.)

Reconciliation of net liability/asset

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Net defined benefit liability/(asset) as at the beginning of the year	32.97	24.61
Expense charged to Statement of Profit and Loss	23.76	17.88
Amount recognised in other comprehensive income	31.51	16.33
Employers contributions	(37.62)	(25.85)
Impact of liability assumed/(settled)	0.09	-
Net defined benefit liability/(asset) as at the end of the year	50.72	32.97

Expenses charged to the Statement of Profit and Loss

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Current service cost	22.43	16.86
Interest cost	1.33	1.03
	23.76	17.89

Movement in asset ceiling

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Value of asset ceiling as at the beginning of the year	0.02	0.10
Interest on opening balance of asset ceiling	-	0.01
Remeasurements due to change in surplus/deficit	(0.02)	(0.09)
Value of asset ceiling as at the end of the year	-	0.02

Remeasurement losses in other comprehensive income

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Opening amount recognised in other comprehensive income	37.58	21.25
Changes in financial assumptions	13.18	0.52
Changes in demographic assumptions	-	0.07
Experience adjustments	18.48	14.64
Actual return on plan assets less interest on plan assets	(0.13)	1.19
Adjustment to recognise the effect of asset ceiling	(0.02)	(0.09)
Closing amount recognised outside profit or loss in other comprehensive income	69.09	37.58

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

42 Employee benefits plan (Contd.)

(A) Gratuity (Contd.)

Amount recognised in Balance Sheet

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Present value of funded defined benefit obligation	166.46	108.08
Fair value of plan assets	115.84	75.14
Net funded obligation	50.62	32.94
Present value of unfunded defined benefit obligation	0.09	-
Amount not recognised due to asset limit	-	0.02
Net defined benefit liability recognised in Balance Sheet	50.71	32.96

Key actuarial assumptions

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Discount rate	6.80%	7.70%
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 2020 Discount rate	As at 31 March 2020 Salary Escalation Rate	As at 31 March 2019 Discount rate	As at 31 March 2019 Salary Escalation Rate
Impact of increase in 50 bps on defined benefit obligation	(4.53%)	4.66%	(4.63%)	4.81%
Impact of decrease in 50 bps on defined benefit obligation	4.87%	(4.38%)	4.98%	(4.52%)

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

42 Employee benefits plan (Contd.)

(A) Gratuity (Contd.)

Projected plan cash flow

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Maturity Profile		
Expected benefits for year 1	11.39	7.12
Expected benefits for year 2	12.96	7.36
Expected benefits for year 3	13.19	8.65
Expected benefits for year 4	13.76	8.71
Expected benefits for year 5	14.17	8.92
Expected benefits for year 6	13.79	9.27
Expected benefits for year 7	14.61	9.26
Expected benefits for year 8	13.87	10.78
Expected benefits for year 9	13.13	9.58
Expected benefits for year 10 and above	238.32	187.21

Expected contribution to fund in the next year

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Expected contribution to fund in the next year	13.00	30.50

(B) Compensated absences

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Maturity Profile		
Present value of unfunded obligations	11.54	9.56
Expense recognised in the Statement of Profit and Loss	7.44	6.17
Discount rate (p.a.)	6.80%	7.70%
Salary escalation rate (p.a)	11%	11%

(C) Other long term service benefits

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Present value of unfunded obligations	11.91	7.90
Expense recognised in the Statement of Profit and Loss	4.01	2.30
Discount rate (p.a.)	6.80%	7.70%

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

42 Employee benefits plan (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 2020. 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 2020	2019
Defined benefit obligations as the beginning of the year	285.37	240.79
Current service cost	34.85	21.09
Interest on defined benefit obligation	24.04	19.60
Remeasurement due to:		
Actuarial loss/(gain) arising on account of experience changes	23.69	1.83
Employees contribution	75.59	43.54
Benefits paid	(15.94)	(17.99)
Liabilities assumed/(settled)*	1.11	(23.49)
Defined benefit obligation as at the end of the year	428.71	285.37

* On account of business combination within the Group.

Movement in plan assets

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Fair value of plan asset as at the beginning of the year	285.37	240.79
Interest on plan assets	24.04	19.60
Remeasurements due to:		
Actual return on plan assets less interest on plan assets	23.69	1.83
Employer contribution	34.85	21.09
Employees contribution	75.59	43.54
Benefits paid	(15.94)	(17.99)
Assets acquired/(settled)*	1.11	(23.49)
Fair value of plan asset as at the end of the year	428.71	285.37

* On account of business combination within the Group.

Reconciliation of net liability/asset

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Net defined benefit liability/(asset) as at the beginning of the year	–	–
Expense charged to Statement of Profit and Loss	34.85	21.09
Employer contribution	(34.85)	(21.09)
Net defined benefit liability/(asset) as at the end of the year	–	–

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

42 Employee benefits plan (Contd.)

(D) Provident fund (Contd.)

Expenses charged to the Statement of Profit and Loss

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Current service cost	34.85	21.09
	34.85	21.09

Remeasurement losses in other comprehensive income

(₹ In Crore)

Particulars	For the year ended 31 March 2020	2019
Opening amount recognised in OCI	-	-
Experience adjustments	23.69	1.83
Actual return on plan assets less interest on plan assets	(23.69)	(1.83)
Closing amount recognised in other comprehensive income	-	-

Amount recognised in Balance Sheet

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Present value of funded defined benefit obligation	428.71	285.37
Fair value of plan assets	428.71	285.37
Net defined benefit liability/(asset) recognised in Balance Sheet	-	-

Key actuarial assumptions

Particulars	As at 31 March 2020	2019
Discount rate (p.a.)	6.80%	7.70%
Future derived return on assets (p.a.)	8.54%	8.68%
Discount rate for the remaining term to maturity of the investment (p.a.)	6.45%	7.35%
Average historical yield on the investment portfolio (p.a.)	8.19%	8.33%
Guaranteed rate of return (p.a.)	8.50%	8.65%

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

42 Employee benefits plan (Contd.)

(D) Provident fund (Contd.)

Category of plan assets

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Government debt securities	229.22	148.97
Other debt instruments	162.82	94.81
Others	36.66	41.59
	428.71	285.37

A quantitative 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 2020		As at 31 March 2019	
	0.50% increase	0.50% decrease	0.50% increase	0.50% decrease
Impact on defined benefit obligation	2.25%	-	-	-

43 Contingent liabilities and commitments

(a) Contingent liabilities not provided for in respect of

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Disputed claims against the Group not acknowledged as debts	44.97	28.09
VAT matters under appeal	4.39	4.39
ESI matters under appeal	5.14	5.14
GST/Service tax matters under appeal:		
On interest subsidy	1,971.65	1,340.49
On penal interest/charges	223.15	245.19
On others	6.22	5.45
Income tax matters:		
Appeals by the Group	0.32	0.32
Appeals by the Income tax department	0.24	0.24

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

43 Contingent liabilities and commitments (Contd.)

(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 2020 amounted to ₹ 593.86 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 Commissioner, Central Excise and CGST, Pune -I Commissionerate, has issued a periodical show cause notice on 9 September 2019 demanding payment of service tax of ₹ 217.22 crore and penalty thereon of ₹ 217.22 crore on the interest subsidy, the Parent Company received from manufacturers and dealers during the period 1 October 2016 to 30 June 2017. The 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 2020, amounted to ₹ 99.76 crore. The Parent Company has filed a reply to the notice, awaiting the hearing. The Parent Company, in line with the opinion obtained from a 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 2017. 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 2020 amounted to ₹ 51.46 crore.
In accordance with legal advice, the Parent Company filed an appeal on 26 December 2018 with the CESTAT, 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 Commissioner, Central Excise and CGST, Pune-I Commissionerate, through an order dated 30 December 2019, has confirmed the demand of service tax of ₹ 40.22 crore and reduced penalty thereon to ₹ 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 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 2020, amounted to ₹ 19.70 crore. In accordance with legal advice, the Parent Company is in process of filing of an appeal with the CESTAT, Mumbai disputing the said demand. 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)

	As at 31 March	
Particulars	**2020**	**2019**
(i) Capital commitments [Estimated amount of contracts remaining to be executed on capital account not provided for (net of advances)]	37.52	33.27
(ii) Other commitments towards partially disbursed/un-encashed loans	3,110.05	481.31
	3,147.57	514.58

44 Changes in liabilities 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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

45 Disclosure of transactions with related parties as required by Ind AS 24 'Related party disclosure'

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2020 Transaction Value	2020 Outstanding amounts carried in Balance Sheet	2019 Transaction Value	2019 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	-	127.13	-
	Business support charges paid	21.16	-	16.55	-
	Business support charges received	1.10	-	0.34	-
	Secured non-convertible debentures issued	-	(965.69)	-	(785.54)
	Secured non-convertible debentures redemption	141.00	-	10.00	-
	Interest paid on non-convertible debentures	57.73	-	64.01	-
	Asset sale	-	-	0.51	-
	Asset purchase	0.16	-	-	
	Licence fee paid (Previous year ₹ 505)	-	-		-
	Other receipts	-	-	0.07	-
	Other payments	-	-	0.86	-
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	-	0.60	-	0.60
	Insurance expenses	2.63	3.50	4.12	0.04
	Insurance premium adjusted (including cancellation receipts)	302.29	0.46	486.42	(3.99)
	Commission income	18.20	1.52	15.72	3.25
	Secured non-convertible debentures issued	-	(228.90)	-	(251.25)
	Unsecured non-convertible debentures issued	-	(1,219.30)	-	(419.81)
	Secured non-convertible debentures redemption	-	-	20.00	-
	Interest paid on non-convertible debentures	65.64	-	12.16	-
	Business support charges received	-	0.05	0.09	0.05
	Lease liability recognised at inception	1.71	(1.05)	-	-
	Payment towards lease obligation	0.66	-	0.78	(0.07)
	Interest expenses on lease obligation	0.11	-	-	-
	Maintenance expense	0.33	(0.20)	0.08	-
	Claim receipts on behalf of customers	100.80	-	32.05	-
3. Bajaj Allianz General Insurance Company Ltd. (Fellow subsidiary)	Insurance expenses	14.05	4.17	19.98	0.39
	Insurance premium adjusted (including cancellation receipts)	620.75	(0.12)	460.95	(0.89)
	Commission income	89.08	0.95	65.38	10.94
	Secured non-convertible debentures issued	-	(846.39)	-	(416.35)
	Unsecured non-convertible debentures issued	-	(42.00)	-	(41.98)
	Interest paid on non-convertible debentures	22.56	-	7.44	-
	Business support charges received	1.91	-	-	-
	Interest subsidy received	4.87	-	3.24	-
	Claim receipts for assets	0.49	-	1.31	-
4. Bajaj Finserv Direct Ltd. (Fellow subsidiary)	Business support charges paid	44.30	(0.75)	36.85	0.59
	Sourcing commission paid	57.51	(3.03)	37.23	(5.97)
	Asset purchase	0.11	-	0.13	(0.14)
	Asset sale	0.22	0.06	20.79	-
	Interest subsidy received	0.30	0.03	-	-
	Other payments	3.24	-	0.73	-
	Other receipts	0.13	-	0.51	0.02
5. Bajaj Finserv Health Ltd. (Fellow subsidiary)	Asset sale	0.02	-	-	-
	Business support charges received	0.11	-	-	-
	Other receipts	0.04	0.01	-	-
	Interest subsidy received	0.03	-	-	-

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

45 Disclosure of transactions with related parties as required by Ind AS 24 'Related party disclosure'(Contd.)

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2020 Transaction Value	2020 Outstanding amounts carried in Balance Sheet	2019 Transaction Value	2019 Outstanding amounts carried in Balance Sheet
(B) Key Management personnel (KMP) and their relatives					
1. Rahul Bajaj (Chairman)	Sitting fees	0.09	-	0.05	-
	Commission	0.18	(0.16)	0.09	(0.08)
2. Nanoo Pamnani (Vice Chairman till 22 Feb 2020)	Sitting fees	0.20	-	0.09	-
	Commission	2.08	(2.05)	1.97	(1.95)
3. Sanjiv Bajaj (Vice Chairman)	Sitting fees	0.22	-	0.09	-
	Commission	0.32	(0.29)	0.17	(0.15)
4. Rajeev Jain (Managing Director)	Remuneration (including perquisite)	11.43	-	11.75	(6.36)
	Equity shares issued pursuant to stock option scheme	1.65	-	2.19	-
	Fair value of stock options granted	13.05	-	10.91	-
	Brokerage and service charges received	0.03	-	-	-
5. Madhur Bajaj (Director)	Sitting fees	0.04	-	0.04	-
	Commission	0.08	(0.07)	0.08	(0.07)
6. Rajiv Bajaj (Director)	Sitting fees	0.05	-	0.04	-
	Commission	0.10	(0.09)	0.07	(0.06)
7. Dipak Poddar (Director)	Sitting fees	0.03	-	0.05	-
	Commission	0.06	(0.05)	0.10	(0.09)
8. D.S.Mehta (Director till 31 Mar 2019)	Sitting fees	-	-	0.05	-
	Commission	-	-	0.10	(0.09)
	Fixed deposit accepted	-	-	2.95	(8.28)
	Fixed deposit interest accrued	-	-	0.67	(0.87)
9. Ranjan Sanghi (Director)	Sitting fees	0.14	-	0.07	-
	Commission	0.28	(0.25)	0.13	(0.12)
10. Rajendra Lakhotia (Director till 31 Mar 2019)	Sitting fees	-	-	0.05	-
	Commission	-	-	0.10	(0.08)
11. D J Balaji Rao (Director)	Sitting fees	0.07	-	0.04	-
	Commission	0.14	(0.13)	0.08	(0.07)
12. Dr. Omkar Goswami (Director)	Sitting fees	0.12	-	0.06	-
	Commission	0.24	(0.22)	0.12	(0.11)
13. Dr. Gita Piramal (Director)	Sitting fees	0.09	-	0.05	-
	Commission	0.18	(0.16)	0.09	(0.08)
14. Anami N. Roy (Director w.e.f. 1 Apr 2019)	Sitting fees	0.07	-	-	-
	Commission	0.14	(0.13)	-	-
15. Dr. Naushad Forbes (Director w.e.f. 1 Apr 2019)	Sitting fees	0.08	-	-	-
	Commission	0.16	(0.14)	-	-
16. Radhika Singh (Spouse of Dr. Omkar Goswami, director of the Parent Company)	Fixed deposit accepted	2.00	(2.00)	-	-
	Fixed deposit interest accrued	0.01	(0.01)	-	-
17. Shekher Bajaj	Nil	-	-	-	-
18. 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 (₹ 27,000 Previous year ₹ 9,000)		-		-
	Security deposit	-	0.23	0.02	0.23
	Interest subsidy received	0.36	0.04	9.85	-
	Business support charges paid	26.77	-	25.68	(0.83)
	Lease liability recognised at inception	2.97	(1.91)	-	-
	Payment towards lease obligation	1.06	-	1.11	-
	Interest expenses on lease obligation	0.20	-	-	-
	Business support charges received	0.23	-	0.23	-
	Fixed deposit accepted	500.00	(500.00)	-	-
	Fixed deposit interest accrued	15.50	(15.50)	-	-

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

45 Disclosure of transactions with related parties as required by Ind AS 24 'Related party disclosure'(Contd.)

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2020 Transaction Value	2020 Outstanding amounts carried in Balance Sheet	2019 Transaction Value	2019 Outstanding amounts carried in Balance Sheet
2. Bajaj Holdings & Investments Ltd.	Investment in equity shares (₹ 19,646, previous year ₹ 19,646)	-		-	
	Dividend received (₹ 5,438, Previous year ₹ 3,000)		-		-
	Secured non-convertible debentures issued	-	(311.87)	-	-
	Business support charges paid	15.78	-	2.54	-
	Business support charges received	0.51	-	0.34	-
	Other payments (₹ 4,309)		-	0.03	-
	Other receipts	-	-	0.01	-
3. Mukand Ltd.	Loan given	25.00	25.14	-	24.50
	Loan repayment received	24.37	-	18.42	-
	Interest income	4.16	-	4.11	-
4. Hind Musafir Agency Ltd.	Services received	50.95	0.33	41.81	(1.99)
5. Bajaj Electricals Ltd.	Asset purchase	0.45	0.08	0.49	(0.06)
	Interest subsidy received (outstanding ₹ 43,935)	0.03		-	-
6. Jamnalal Sons Pvt. Ltd.	Contribution to equity (127,640 shares of ₹ 2 each, previous year 940 shares of ₹ 2 each, ₹ 1,880)	-	(0.03)	-	
	Dividend paid (₹ 15,040, Previous year ₹ 3,760)		-		-
	Security deposit	-	0.19	-	0.19
	Lease liability recognised at inception	1.31	(0.97)		
	Payment towards lease obligation	0.34	-	0.45	-
	Interest expenses on lease obligation	0.10	-	-	-
	Other expenses	0.06	-	0.04	-
7. Maharashtra Scooters Ltd.	Contribution to equity (18,974,660 shares of ₹ 2 each)	-	(3.79)	-	(3.79)
	Dividend paid	30.36	-	7.59	-
	Business support charges received	0.14	-	0.12	-
	Secured non-convertible debentures issued	-	(95.56)	-	(144.01)
	Secured non-convertible debentures redemption	-	-	5.00	-
	Interest paid on non-convertible debentures	11.11	-	10.24	-
8. Hercules Hoists Ltd.	Fixed deposit accepted	6.50	(6.50)	-	-
	Fixed deposit interest accrued	0.09	(0.09)	-	-
(D) Post Employment Benefit Entity					
1. Bajaj Auto Ltd. Provident Fund	Unsecured non-convertible debentures issued	-	(54.61)	-	(54.57)
	Interest paid on non-convertible debentures	4.91	-	4.92	-
	Provident fund contribution (Employer's share)	34.52	(10.29)	21.09	(5.82)
2. Bajaj Auto Employees Superannuation Fund	Superannuation contribution	0.49	-	0.49	-
3. Bajaj Auto Employees Group Gratuity Fund	Gratuity contribution	13.00	-	6.00	-
4. Bajaj Auto Senior Staff Group Gratuity Fund	Gratuity contribution	25.00	-	19.00	-

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 Indian Accounting Standard 24 'Related Party Disclosures' have been identified based on representations made by KMP and information available with the Group. 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 KMP 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 2020 (Contd.)

46 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 profit, the Board shall endeavour to maintain a dividend payout (including dividend distribution tax) of around 15% of profits after tax on standalone financials, 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. (Standalone)

(₹ In Crore)

	As at 31 March	
Particulars	**2020**	**2019**
Tier I capital	28,697.72	17,025.70
Tier II capital	5,043.43	4,587.47
	33,741.15	21,613.17
Risk weighted assets	134,916.74	104,606.38
Tier I CRAR	21.27%	16.27%
Tier II CRAR	3.74%	4.39%
	25.01%	20.66%

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Capital (Contd.)

Bajaj Housing Finance Ltd. (Standalone)

(₹ In Crore)

Particulars	As at 31 March 2020	As at 31 March 2019
Tier I capital	5,495.58	3,626.71
Tier II capital	151.25	70.75
	5,646.83	3,697.46
Risk weighted assets	22,450.98	14,324.25
Tier I CRAR	24.48%	25.32%
Tier II CRAR	0.67%	0.49%
	25.15%	25.81%

(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 2020 as well.

Dividends on equity shares paid and proposed by Bajaj finance Ltd. during the year

(₹ In Crore)

Particulars	FY2020	FY2019
Dividend paid including dividend distribution tax out of profits of previous year*	419.46	278.71
Profit for the relevant year (FY2019 profit is as per previous GAAP)	4,248.98	2,646.70
Dividend as a percentage of profit for the relevant year	9.87%	10.53%

* includes amount paid ₹ 3.21 crore (Previous year ₹ 0.83 crore) on unexercised option to Trust which do not accrete to it.

Interim dividends on equity shares declared and paid during the year

(₹ In Crore)

Particulars	FY2020
Interim dividend on equity shares at ₹ 10 per share	601.69
Add: dividend distribution tax on interim dividend	123.68
Total interim dividend including dividend distribution tax (a)	725.37
Profit for the year (b)	4,881.12
Dividend as a percentage of profit for the relevant year (a/b)	14.86%

The Board of Directors has not recommended any final dividend for the year ended 31 March 2020. The interim dividend of ₹ 10 per equity share of the face value of ₹ 2 (500%) declared by Board of Directors, at its meeting held on 21 February 2020, shall be considered as the final dividend for the year ended 31 March 2020.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

47 Events after reporting date

There have been no events after the reporting date that require adjustment/disclosure in these financial statements.

48 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 Group'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 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 the 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 2020 (Contd.)

49 Fair value 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 2020

(₹ In Crore)

		Fair value measurement using			
Particulars	Date of valuation	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 asset	31-Mar-20	-	171.76	-	171.76
		17,353.35	21,831.29	262.32	39,446.96

* There is no fair value gain/loss on equity instruments designated under FVOCI.

Quantitative disclosures of fair value measurement hierarchy for financial instruments measured at fair value as at 31 March 2019

(₹ In Crore)

		Fair value measurement using			
Particulars	Date of valuation	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-19	7,063.57	-	-	7,063.57
Equity instrument designated under FVOCI (Unquoted)*	31-Mar-19	-	-	225.00	225.00
Other investments designated under FVOCI	31-Mar-19	1,256.75	-	-	1,256.75
Loans designated under FVOCI	31-Mar-19	-	17,992.29	-	17,992.29
		8,320.32	17,992.29	225.00	26,537.61

* There is no fair value gain/loss on equity instruments designated under FVOCI.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

49 Fair value hierarchy (Contd.)

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial assets for the periods 31 March 2020:

(₹ In Crore)

Particulars	As at 31 March 2020	2019
Opening balance	225.00	225.00
Acquisitions during the year	37.32	-
Disposals during the year	-	-
Fair value gains/(losses) recognised in profit or loss	-	-
Gains/(losses) recognised in other comprehensive income	-	-
Closing balance	262.32	225.00

Sensitivity analysis of significant unobservable input on the fair value of equity instrument designated under FVOCI

(₹ 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)

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 balance other than cash and cash equivalents	38.20	38.20	-	-	38.20
Trade receivables	952.49	-	-	952.49	952.49
Loans	119,716.52	-	-	120,510.83	120,510.83
Investments	20.32	-	-	20.46	20.46
Other financial assets	470.39	-	-	470.39	470.39
	122,542.44	1,382.72	-	121,954.17	123,336.89
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	21,427.10	-	21,502.03	-	21,502.03
Subordinated debts	4,141.75	-	4,350.78	-	4,350.78
Other financial liabilities	745.05	-	-	745.05	745.05
	131,511.24	-	76,111.09	56,405.03	132,516.12

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

49 Fair value hierarchy (Contd.)

Fair value of financial instruments not measured at fair value as at 31 March 2019

(₹ 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	347.02	347.02	-	-	347.02
Bank balance other than cash and cash equivalents	1.69	1.69	-	-	1.69
Trade receivables	808.70	-	-	808.70	808.70
Loans	94,520.53	-	-	94,825.96	94,825.96
Investments	53.71	-	-	54.09	54.09
Other financial assets	389.95	-	-	389.95	389.95
	96,121.60	348.71	-	96,078.70	96,427.41
Financial liabilities					
Trade payables	563.80	-	-	563.80	563.80
Other payables	247.74	-	-	247.74	247.74
Debt securities	46,681.33	-	46,403.77	-	46,403.77
Borrowings (other than debt securities)	37,574.44	-	-	37,574.44	37,574.44
Deposits	13,193.01	-	13,015.54	-	13,015.54
Subordinated debts	4,139.07	-	4,199.26	-	4,199.26
Other financial liabilities	1,704.15	-	-	1,704.15	1,704.15
	104,103.54	-	63,618.57	40,090.13	103,708.70

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

50 Risk Management objectives and policies

Risk Management Framework

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 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. • 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 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 the guidance of ALCO 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.
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 Asset Liability Committee/ Senior Management	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'), and 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
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 Risk Management Committee	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, collection efficiency, customers non performing loans etc. are used as leading indicators to assess credit risk. • monitored by Risk Management Committee 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 which continuously align 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 Risk Management Committee.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

50 Risk Management objectives and policies (Contd.)

(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 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. As on 31 March 2020, the Group has liquidity buffer of ₹ 15,725.00 crore.

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 has helped the Group maintain a healthy asset liability position and contain interest rate movements during the financial year 2019-20 (FY2020) - the weighted average cost of borrowing moved by 15 bps despite volatile market conditions. The Group continues to evaluate new sources of borrowing by way of new routes of funding like rupee denominated external commercial borrowings (ECB) -masala bonds and Foreign currency denominated bonds. During the year, the Parent Company has raised ECB term loans of USD 575 million, equivalent to ₹ 4,082.66 crore.

The Parent Company has also established a Medium Term Note (MTN) Programme for USD 1.5 billion so as to enable the Parent Company to issue bonds as part of ECB from the international capital market, subject to regulatory approval.

The table below summarises the maturity profile of the undiscounted cashflow of the Group's financial liabilities:

(₹ In Crore)

	As at 31 March 2020			As at 31 March 2019		
Particulars	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Debt securities	16,162.23	33,477.56	49,639.79	17,646.60	34,858.35	52,504.95
Borrowings (other than debt securities)	14,835.02	39,950.88	54,785.90	11,771.77	33,279.89	45,051.66
Deposits	10,385.54	11,123.49	21,509.03	8,341.96	6,484.17	14,826.13
Subordinated debts	448.07	3,709.60	4,157.67	352.15	6,080.56	6,432.71
Trade payables	761.97	-	761.97	563.80	-	563.80
Other payables	197.84	-	197.84	280.22	-	280.22
Other financial liabilities	474.00	271.31	745.31	1,671.66	-	1,671.66
	43,264.67	88,532.84	131,797.51	40,628.16	80,702.97	121,331.12

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

50 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 2020			As at 31 March 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	1,344.52	-	1,344.52	347.02	-	347.02
Bank balance other than cash and cash equivalents	38.20	-	38.20	1.69	-	1.69
Derivative financial instruments	171.76	-	171.76	-	-	-
Trade receivables	952.49	-	952.49	808.70	-	808.70
Loans	48,014.69	93,361.36	1,41,376.05	42,956.97	69,555.85	1,12,512.82
Investments	14,622.92	2,920.98	17,543.90	7,086.78	1,512.25	8,599.03
Other financial assets	464.72	5.67	470.39	385.83	4.12	389.95
Non-financial assets						
Current tax assets (net)	-	216.72	216.72	0.02	149.80	149.82
Deferred tax assets (net)	-	850.13	850.13	-	669.03	669.03
Property, plant and equipment	-	1,097.26	1,097.26	-	526.51	526.51
Goodwill	-	3.27	3.27	-	3.27	3.27
Other intangible assets	-	220.46	220.46	-	165.06	165.06
Other non-financial assets	89.08	17.14	106.22	42.59	17.02	59.61
	65,698.38	98,692.99	164,391.37	51,629.60	72,602.91	124,232.51
LIABILITIES						
Financial liabilities						
Trade payables	761.97	-	761.97	563.80	-	563.80
Other payables	197.84	-	197.84	247.74	-	247.74
Debt securities	16,151.22	33,386.14	49,537.36	17,245.99	29,435.34	46,681.33
Borrowings (other than debt securities)	14,826.17	39,874.00	54,700.17	9,158.26	28,416.18	37,574.44
Deposits	10,368.15	11,058.95	21,427.10	8,024.43	5,168.58	13,193.01
Subordinate Liabilities	447.80	3,693.95	4,141.75	-	4,139.07	4,139.07
Other financial liabilities	473.97	271.08	745.05	1,704.15	-	1,704.15
Non-financial liabilities						
Current tax liabilities (net)	59.17	-	59.17	22.37	-	22.37
Provisions	18.47	62.77	81.24	23.16	50.73	73.89
Other non-financial liabilities	337.33	74.76	412.09	268.23	67.46	335.69
	43,642.09	88,421.65	132,063.74	37,258.13	67,277.36	104,535.49

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

50 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 shorter 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 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	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

Sensitivity analysis as at 31 March 2019

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1% increase	1% decrease
Investment at amortised cost	53.71	54.09	(0.59)	0.60
Investment at FVTPL	7,063.57	7,063.57	(13.97)	13.97
Investment at FVOCI (other than equity)	1,256.75	1,256.75	(44.07)	44.07

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 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	(1,043.83)	1,093.82
Borrowings (other than debt securities)	54,700.17	54,700.17	-	-
Deposits	21,427.10	21,502.03	(162.25)	169.74
Subordinated debts	4,141.75	4,350.78	(171.50)	182.37

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

50 Risk Management objectives and policies (Contd.)

Sensitivity analysis as at 31 March 2019

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value 1% increase	Sensitivity to fair value 1% decrease
Loans	112,512.82	112,818.25	(833.73)	857.72
Debt Securities	46,681.33	46,403.77	(773.53)	811.24
Borrowings (other than debt securities)	37,574.44	37,574.44	-	-
Deposits	13,193.01	13,015.54	(174.79)	179.91
Subordinated debts	4,139.07	4,199.26	(184.46)	197.31

(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 2020

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value 10% increase	Sensitivity to fair value 10% decrease
Investment in RBL shares	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 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 hedging policy.

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 2020 USD	As at 31 March 2020 JPY	As at 31 March 2019 USD	As at 31 March 2019 JPY
Hedged				
ECB	(2,664.69)	(1,417.97)	-	-
Derivative financial instrument*	2,664.69	1,417.97	-	-
Unhedged	0.49	-	3.41	-

* represents the notional amount of the derivative financial instrument.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

50 Risk Management objectives and policies (Contd.)

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	Notional amount	Carrying amount of hedging instrument asset	Carrying amount of hedging instrument liability
INR USD CCIRS	2,664.69	115.65	-
INR JPY CCIRS	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.

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 [for a detailed note for methodology of computation of ECL please refer to significant accounting policies note no 3.4(i)].

The Group recaliberates components of its ECL model on a periodical basis by using the available incremental and recent information as well as assessing changes to its statistical techniques for a granular estimation of ECL. During the year, the Group recognised an additional impairment on financial instruments of ₹ 129 crore on account of recaliberation of its ECL model.

Financial instruments other than Loans were subjected to simplified ECL approach under Ind AS 109 'Financial instruments'.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

50 Risk Management objectives and policies (Contd.)

The table below summarises the approach adopted by the Group for various components of ECL viz. PD, EAD and LGD across product lines using emperical 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="2">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 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><td rowspan="3">100%</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>

The table below summarises the gross carrying values and the associated allowances for expected credit loss (ECL) stage wise for loan portfolio:

(₹ In Crore)

As at 31 March 2020

Particulars	Secured			Unsecured		
	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%

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

50 Risk Management objectives and policies (Contd.)

(₹ In Crore)

As at 31 March 2019

Particulars	Secured			Unsecured		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross Carrying Value	64,497.36	1,619.27	1,126.84	46,250.63	391.29	685.01
Allowance for ECL	263.83	204.79	574.67	354.67	157.53	502.09
ECL Coverage ratio	0.41%	12.65%	51.00%	0.77%	40.26%	73.30%

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.

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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

50 Risk Management objectives and policies (Contd.)

Methodology

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, exchange rate 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.

Given the COVID-19 pandemic, the Group has stressed its central scenario for assessing the downside scenario risk amidst COVID-19 pandemic:

- Downside Scenario: The Group has used stressed central scenario for determining downside scenario. For stressing central scenario, the Group has considered data on unemployment published by a leading business information company engaged in monitoring of Indian economic indicators. As per its latest estimate of unemployment rate has elevated to nearly 23% for March 2020 end till first week of April 2020 - this was significantly higher from 7.66% published for December 2019. Similarly, CPI which hovered between 3.50% to 5.84% for quarter ending September 2019 and December 2019, respectively, has been projected to peak at 6.70% in March 2021 under the stressed central scenario - representing anticipated stress impact due to lockdown and disruption in supply chains and increased prices for food and beverages.
- Further, the Group has considered additional stress on unemployment rate forecasted for COVID-19 scenarios for current expected credit loss (CECL) by a leading global rating agency.

Risk Management amidst COVID-19

The unprecedented health scare caused by COVID-19 which led to a countrywide lockdown will have a varying impact on different sectors of the economy. Salaried individuals may have to contend with a scenario of reduced income and/or job losses. Corporates, SMEs and MSMEs will struggle on account of reduced economic activities and business rhythm that is no longer efficient due to severe disruption in both demand and supply. All these will lead to major cash flow constraints and erosion in the asset value. These developments in turn will severely test 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. 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 need to be monitored closely.

An analysis of the customer segments seeking moratorium and their past repayment behaviour reflects heightened anxiety from customer. Expectations of elevated default on timely payment of instalments and collection related constraints are likely to result in higher credit costs than witnessed hitherto. The Group has committed for making requisite investment to deepen its collections infrastructure to control its credit costs.

Based on early indicators of moratorium and delayed payment metrics observed in April 2020, the Group has made a contingency provision of ₹ 900 crore for the year ended 31 March 2020.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

50 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 2020	As at 31 March 2019
Gross carrying amount of loans	145,100.41	114,570.40
Reported ECL	3,724.36	2,057.58
Reported ECL coverage	2.57%	1.80%
Assumptions for central scenario		
Base ECL without macro overlay (based on empirical evidences)	2,802.92	2,036.14
Add: Management overlay for COVID-19	748.39	-
Central scenario	3,551.31	2,036.14
ECL amounts for alternate scenario		
Central Scenario (80%)	3,551.31	2,036.14
Downside Scenario (10%)	5,508.76	2,271.94
Upside scenario (10%)	3,324.39	2,014.73
Reported ECL	3,724.36	2,057.58
Management overlay for Macro economic factors and COVID-19	921.44	21.44
Additional Management overlay during the year ended 31 March 2020, representing COVID-19 stress	900.00	
ECL coverage ratios by scenario		
Central scenario	2.45%	1.78%
Downside scenario	3.80%	1.98%
Upside scenario	2.29%	1.76%

51 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 Parent 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.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

51 Employee stock option plan (Contd.)

The Nomination and Remuneration Committee of the Parent Company has approved the following grants to select senior level executives of the Parent Company in accordance with the Stock Option Scheme. Under the scheme, fourteen grants have been made as of 31 March 2020, details of which, duly adjusted for sub-division of shares and issue of bonus shares thereon, are given as under:

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	-	8,88,650	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	FY2020	FY2019
Grant date	16-May-19	17-May-18
No. of options granted	1,123,900	1,273,416
Weighted average fair value (₹)	1,257.94	824.14

Following table depicts range of exercise prices and weighted average remaining contractual life:

Total 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	765.37-3,002.75	1,868.80	
Exercised during the year	1,276,955	54.20-1,953.05	532.80	
Outstanding at the end of the year	6,267,030	70.52-3,002.75	1,206.35	3.98
Exercisable at the end of the year	3,569,022	70.52-1,953.05	498.17	4.15

The weighted average market price of equity shares for options exercised during the year is ₹ 3,584.30 (Previous year ₹ 2,440.04).

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

51 Employee stock option plan (Contd.)

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

* Adjusted for sub-division of shares and issue of bonus shares thereon

For the year ended 31 March 2020, the Group has accounted expense of ₹ 100.76 crore as employee benefit expenses (note no. 35) on the aforesaid employee stock option plan (Previous year ₹ 74.79 crore). The balance in employee stock option outstanding account is ₹ 213.17 crore as of 31 March 2020 (Previous year ₹ 137.85 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

On behalf of the Board of Directors

For S R B C & CO LLP
Chartered Accountants
ICAI Firm registration number: 324982E/E300003

per Arvind Sethi
Partner
Membership number: 089802

Pune: 19 May 2020

Sandeep Jain
Chief Financial Officer

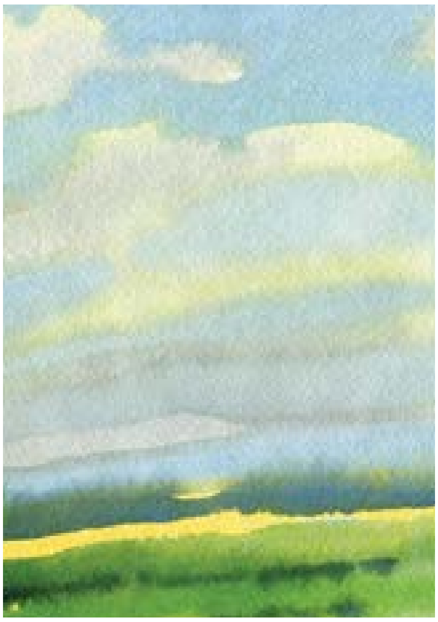
R Vijay
Company Secretary

Rahul Bajaj
Chairman

Sanjiv Bajaj
Vice Chairman

Rajeev Jain
Managing Director

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