Notes to consolidated financial statements for the year ended 31 March 2022

1 Corporate information

Bajaj Finance Ltd. ('the Parent Company') (Corporate ID No.: L65910MH1987PLC042961) is a company limited by shares, incorporated on 25 March 1987 and domiciled in India. The shares of the Parent Company are listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), India. The Parent Company is mainly engaged in the business of lending. The Parent Company together with its subsidiaries (hereinafter collectively referred to as the 'Group') has a diversified lending portfolio across retail, SME and commercial customers with a significant presence in urban and rural India and provider of broking service to its capital market clients. The Parent Company also accepts public and corporate deposits and offers variety of financial services products to its customers. The Parent Company has its registered office at Akurdi, Pune, Maharashtra (India) and its principal place of business at 4th floor, Bajaj Finserv Corporate Office, Pune, Maharashtra (India). The ultimate parent Company of the Group is Bajaj Finserv Ltd.

The Parent Company is a deposit taking non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI) since 5 March 1998, with registration no. A-13.00243 and classified as NBFC-Investment and Credit Company (NBFC-ICC) pursuant to circular DNBR (PD) CC.No.097/03.10.001/2018-19 dated 22 February 2019.

The consolidated financial statements were subject to review and recommendation of Audit Committee and approval of Board of Directors. On 26 April 2022, Board of Directors approved and recommended the 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 prescribed in 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'), notification for Implementation of Indian Accounting Standards issued by RBI 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') and other applicable RBI circulars/notifications. The Group uses accrual basis of accounting except in case of significant uncertainties [Refer note no. 3.1(i) and 3.1(iii)(a)].

The consolidated financial statements are presented in Indian Rupee (₹), which is also the functional currency of the Group, in denomination of crore with rounding off to two decimals as permitted by Schedule III to the Act. The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value.

The financial statements are prepared on a going concern basis, as the Management is satisfied that the Group shall be able to continue its business for the foreseeable future and no material uncertainty exists that may cast significant doubt on the going concern assumption. In making this assessment, the Management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. The 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 Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss and the Consolidated Statement of Changes in Equity in the format prescribed by Division III of Schedule III to the Act. The Consolidated Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 'Statement of Cash Flows'.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

2 Basis of preparation (Contd.)

The Group generally reports financial assets and financial liabilities on a gross basis in the Balance Sheet. They are offset and reported net only where 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 where permitted by Ind AS.

Critical accounting estimates and judgements:

The preparation of the Group's financial statements requires Management to make use of estimates and judgements. In view of the inherent uncertainties and a level of subjectivity involved in measurement of items, it is possible that the outcomes in the subsequent financial years could differ from the Management's estimates and judgements. Accounting estimates and judgements are used in various line items in the financial statements for e.g.

- Business model assessment [Refer note no. 3.4(i)(a) and 9]
- Fair value of financial instruments (Refer note no. 3.14, 47)
- Impairment of financial assets [Refer note no. 3.4(i), 9 and 48]
- Provisions and contingent liabilities (Refer note no. 3.9 and 43)
- Provision for tax expenses (Refer note no. 3.5)

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

Estimates and associated assumptions used for determining the impairment allowance on the Group's financial assets, are based on historical experience and other emerging factors emanating from the COVID-19 pandemic which may also influence the expected credit loss. The Group has used One Time Restructuring (OTR - 1 and 2) and repayment moratorium on loans as early indicators suggesting higher flow rates and loss given default; and accordingly accounted for commensurate expected credit loss. The Group believes that the factors considered are reasonable under the current circumstances and information available. However, the uncertainties caused by resurgence of the COVID-19 pandemic and related events could further influence the estimate of credit losses.

2.2 Principles of consolidation

(i) The consolidated financial statements incorporate the financial statements of the Parent Company and all its subsidiaries (from the date control is gained), being the entities that it controls. Control is evidenced where the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is demonstrated through existing rights that give the ability to direct relevant activities, which significantly affect the entity's returns. The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Where necessary, adjustments are made to the financial statements of subsidiaries to align the accounting policies in line with accounting policies of the Parent Company.

The Parent Company holds the entire shareholding in its subsidiaries and there are no contractual arrangements which rebute the control of the Parent Company over its subsidiaries.

The financial statements of subsidiaries acquired or disposed off during the year are included in the consolidated Statement of Profit and Loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

2 Basis of preparation (Contd.)

(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.

(iii) Disclosure in terms of Schedule III of the Companies Act, 2013

	Net Assets (i.e. Total Assets minus Total Liabilities)		Share in Profit or (Loss)		Share in other comprehensive income		Share in total comprehensive income	
Name of the entities in the Group	As a % of consolidated net assets	Amount (₹ in crore)	As a % of consolidated profit or loss	Amount (₹ in crore)	As a % of consolidated other comprehensive income	Amount (₹ in crore)	As a % of consolidated total comprehensive income	Amount (₹ in crore)
Parent								
Bajaj Finance Ltd.	83.02%	36,290.87	90.73%	6,376.50	101.75%	34.87	90.78%	6,411.37
Subsidiaries								
Bajaj Housing Finance Ltd.	15.27%	6,676.27	9.08%	637.93	(1.40%)	(0.48)	9.03%	637.45
Bajaj Financial Securities Ltd.	1.71%	745.55	0.19%	13.80	(0.35%)	(0.12)	0.19%	13.68
	100.00%	43,712.69	100.00%	7,028.23	100.00%	34.27	100.00%	7,062.50

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.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.1 Income (Contd.)

Delayed payment interest (penal interest and the like) levied on customers for delay in repayments/ non payment of contractual cashflows is recognised on realisation.

Interest on financial assets subsequently measured at fair value through profit or loss (FVTPL) is recognised at the contractual rate of interest.

(ii) Dividend income

Dividend income on equity shares is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

(iii) Other revenue from operations

The Group recognises revenue from contracts with customers (other than financial assets to which Ind AS 109 'Financial instruments' is applicable) based on a comprehensive assessment model as set out in Ind AS 115 'Revenue from contracts with customers'. The Group identifies contract(s) with a customer and its performance obligations under the contract, determines the transaction price and its allocation to the performance obligations in the contract and recognises revenue only on satisfactory completion of performance obligations. Revenue is measured at the fair value of the consideration received or receivable.

(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 and 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 asset is recognised as service income and any decrease is recognised as reversal of income 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'.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.1 Income (Contd.)

(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.

3.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.4 Financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Trade receivables and payables, loan receivables, investments in securities and subsidiaries, debt securities and other borrowings, preferential and equity capital etc. are some examples of financial instruments.

All financial instruments are at amortised cost, unless otherwise specfied.

All the financial instruments are recognised on the date when the Group becomes party to the contractual provisions of the financial instruments. For tradable securities, the Group recognises the financial instruments on settlement date.

(i) Financial assets

Financial assets include cash, or an equity instrument of another entity, or a contractual right to receive cash or another financial asset from another entity. Few examples of financial assets are loan receivables, investment in equity and debt instruments, trade receivables and cash and cash equivalents.

Initial measurement

All financial assets are recognised initially at fair value including transaction costs that are attributable to the acquisition of financial assets except in the case of financial assets recorded at

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

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 debt instruments at amortised cost if both the following conditions are met:

- The asset is held within a business model of collecting contractual cash flows; and
- Contractual terms of the asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the nature of portfolio, the period for which the interest rate is set and other factors which are integral to a lending arrangement.

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, The Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated financial assets going forward.

The business model of the Group for assets subsequently measured at amortised cost category is to hold and collect contractual cash flows. However, considering the economic viability of carrying the delinquent portfolios on the books of the Group, it may enter into immaterial and infrequent transactions to sell these portfolios to banks and/or asset reconstruction companies without affecting the business model of the Group.

After initial measurement, such financial assets are subsequently measured at amortised cost on Effective Interest Rate (EIR). For further details, refer note no. 3.1(i). The expected credit loss (ECL) calculation for debt instruments at amortised cost is explained in subsequent notes in this section.

(b) Debt instruments at FVOCI

The Group subsequently classifies its debt instruments as FVOCI, only if both of the following criteria are met:

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
- Contractual terms of the asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

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.

On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from other comprehensive income to profit or loss.

(c) Debt instruments at FVTPL

The Group classifies its debt instruments which are held for trading under FVTPL category. Held for trading assets are recorded and measured in the Balance Sheet at fair value. Interest and dividend income are recorded in Statement of Profit and Loss according to the terms of the contract, or when the right to receive has been established. Gains and losses on changes in fair value of debt instruments are recognised on net basis through profit or loss.

The Group's investments into mutual funds, Government securities and certificate of deposits for trading and short term cash flow management have been classified under this category.

(d) Equity investments designated under FVOCI

All equity investments in scope of Ind AS 109 'Financial instruments' are measured at fair value. The Group has strategic investments in equity for which it has elected to present subsequent changes in the fair value in other comprehensive income. The classification is made on initial recognition and is irrevocable.

All fair value changes of the equity instruments, excluding dividends, are 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.

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.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

On derecognition of a financial asset in its entirety, the difference between:

- the carrying amount (measured at the date of derecognition) and
- the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Financial assets subsequently measured at amortised cost are generally held for collection of contractual cashflow. The Group on looking at economic viability of certain portfolios measured at amortised cost may enter into immaterial and infrequent transaction for sale of portfolio which doesn't affect the business model of the Group.

Reclassification of financial assets

The Group changes classification of its financial assets only on account of changes in its business model for managing those financial assets. Such reclassifications are given prospective impact as per the principles laid down in Ind AS 109 'Financial Instruments'.

Impairment of financial assets

(I) General approach

Expected credit losses ('ECL') are recognised for applicable financial assets held under amortised cost, debt instruments measured at FVOCI and certain loan commitments as per the Board approved policy.

Financial assets where no significant increase in credit risk has been observed are considered to be in 'stage 1' for which a 12 month ECL is recognised. Financial assets that are considered to have significant increase in credit risk are considered to be in 'stage 2' and those which are in default or for which there is an objective evidence of impairment are considered to be in 'stage 3'. Life time ECL is recognised for stage 2 and stage 3 financial assets.

At initial recognition, allowance (or provision in the case of loan commitments) is required for ECL towards default events that are possible in the next 12 months or less, where the remaining life is less than 12 months.

In the event of a significant increase in credit risk, allowance (or provision) is required for ECL towards all possible default events over the expected life of the financial instrument ('lifetime ECL').

Financial assets (and the related impairment allowances) are written off in full, when there is no realistic prospect of recovery. The Group may apply enforcement activities to certain qualifying financial assets written off.

Treatment of the different stages of financial assets and the methodology of determination of ECL

(a) <u>Credit impaired (stage 3)</u>

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 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

Loan accounts where principal and/or interest are past due for more than 90 days along with all other loans of such customer, continue to be classified as stage 3, till overdue across all loan accounts are cleared.

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, any overdue of more than 1 day past due and up to 90 days past due as on the reporting date is considered as an indication of financial assets to have suffered a significant increase in credit risk.

Additionally, for mortgage loans, the Group recognised stage 2 based on other indicators such as frequent delay in payments beyond due dates.

One time restructuring (OTR) of loan accounts was permitted by RBI vide circulars dated 6 August 2020 'resolution framework for COVID-19 related stress' and 'Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances' and circulars dated 5 May 2021 'Resolution Framework – 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses' and 'Resolution Framework 2.0 – Resolution of COVID-19 related stress of Micro, Small and Medium Enterprises (MSMEs)'. The Group considers OTR as an indicator of significant increase in credit risk and accordingly classifies such loans as stage 2. The Company reclassifies such loans to stage 1 on demonstration of regular payment of 12 instalments of principal and/or interest- post renegotiation subject to no overdues as on the reporting date and no other indicators of significant increase in credit risk.

The measurement of risk of defaults under stage 2 is computed on homogenous portfolios, generally by nature of loans, tenors, underlying collateral, geographies and borrower profiles. The default risk is assessed using PD (probability of default) derived from past behavioural trends of default across the identified homogenous portfolios. These past trends factor in the past customer behavioural trends, credit transition probabilities and macroeconomic conditions. The assessed PDs are then aligned considering future economic conditions that are determined to have a bearing on ECL.

(c) Without significant increase in credit risk since initial recognition (stage 1)

ECL resulting from default events that are possible in the next 12 months are recognised for financial instruments in stage 1. The Group has ascertained default possibilities on past behavioural trends witnessed for each homogenous portfolio using application/behavioural score cards and other performance indicators, determined statistically.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

(d) Measurement of ECL

The assessment of credit risk and estimation of ECL are unbiased and probability weighted. It incorporates all information that is relevant including information about past events, current conditions and reasonable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money. Forward looking economic scenarios determined with reference to external forecasts of economic parameters that have demonstrated a linkage to the performance of our portfolios over a period of time have been applied to determine impact of macro economic factors.

The Group has calculated ECL using three main components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD). ECL is calculated by multiplying the PD, LGD and EAD and adjusted for time value of money using a rate which is a reasonable approximation of EIR.

- Determination of PD is covered above for each stages of ECL.
- EAD represents the expected balance at default, taking into account the repayment of principal and interest from the Balance Sheet date to the date of default together with any expected drawdowns of committed facilities.
- LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The Group recaliberates above components of its ECL model on a periodical basis by using the available incremental and recent information, except where this informations does not represent the future outcome. Further, the Group assesses 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.48.

(II) Simplified Approach

The Group follows ‘simplified approach’ for recognition of impairment loss allowance on trade receivables and other financial assets. The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. The Group uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables and other financial assets. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and other financial assets and is adjusted for forward-looking estimates. At every reporting date, the historically observed default rates are updated for changes in the forward looking estimates.

(ii) Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group’s own equity instruments and is a non derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group’s own equity instruments. Few examples of financial liabilities are trade payables, debt securities and other borrowings and subordinated debts.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.4 Financial instruments (Contd.)

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.

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.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.5 Taxes (Contd.)

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

Property, plant and equipment not ready for the intended use on the date of Balance Sheet are disclosed as 'Capital work-in-progress'.

Recognition and derecognition

Property, plant and equipment is recognised when it is probable that future economic benefits associated with the item is expected to flow to the Group and the cost of the item can be measured reliably.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included under other income/expenses in the Statement of Profit and Loss when the asset is derecognised.

Depreciation on property, plant and equipment

(a) Depreciation is provided on a prorata basis for all tangible assets on straight line method over the useful life of assets.

(b) Useful lives of assets are determined by the Management by an internal technical assessment except where such assessment suggests a life significantly different from those prescribed by Schedule II – Part C of the Companies Act, 2013 where the useful life is as assessed and certified by a technical expert.

(c) Depreciation on leasehold improvements is provided on straight line method over the primary period of lease of premises or 5 years whichever is less.

(d) Depreciation on addition to assets and assets sold during the year is being provided for on a pro rata basis with reference to the month in which such asset is added or sold as the case may be.

(e) Useful life as used by the Group and as indicated in Schedule II are listed below:

Nature of assets	Useful life as per Schedule II	Useful life adopted by the Group
Building	60 years	60 years
Computers		
End user machines	3 years	4 years
Servers and networks	6 years	6 years
Office equipment	5 years	5 years
Furniture and fixture	10 years	10 years
Vehicles	8 years	8 years

(f) The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.7 Intangible assets and amortisation thereof

Intangible assets, representing softwares, licenses etc. are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment, if any. The Group recognises internally generated intangible assets when it is certain that the future economic benefit attributable to the use of such intangible assets are probable to flow to the Group and the expenditure incurred for development of such intangible assets can be measured reliably. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by the Group. The intangible assets including those internally generated are amortised using the straight line method over a period of five years, which is the Management's estimate of its useful life. The useful lives of intangible assets are reviewed at each financial year end and adjusted prospectively, if appropriate. Intangible assets not ready for the intended use on the date of Balance Sheet are disclosed as 'Intangible assets under development'

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the assets are recognised in the Statement of Profit and Loss when the asset is derecognised.

3.8 Impairment of non-financial assets

An assessment is done at each Balance Sheet date to ascertain whether there is any indication that an asset may be impaired. If any such indication exists, an estimate of the recoverable amount of asset is determined. If the carrying value of relevant asset is higher than the recoverable amount, the carrying value is written down accordingly.

3.9 Provisions and contingent liabilities

The Group creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. The Group also discloses present obligations for which a reliable estimate cannot be made as a contingent liability. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

3.10 Foreign currency translation

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are re-translated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

Exchange differences

All exchange differences are accounted in the Statement of Profit and Loss or Other Comprehensive Income as permitted under the relevant Ind AS.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.11 Retirement and other employee benefits

(i) Defined benefit plans

Defined benefit plans may be unfunded, or they may be wholly or partly funded by contributions by the Group, into an entity, or fund from which the employee benefits are paid. The Group is liable to make diffrential payment for any shortfall between defined benefit payments and the contribution made by the Group.

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. (BALIC). However, any deficits in plan assets managed by LIC and BALIC 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) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Group contributes into following schemes under defined contribution plans:

Superannuation

Defined contribution to superannuation fund is made as per the scheme of the Group.

Provident fund

Each eligible employee and the Group make contribution at a percentage of the basic salary specified under the Employee Provident Funds and Miscellaneous Provisions Act, 1952. The Group recognises contributions payable to the Provident fund scheme as an expenditure when the employees render the related service. The Group has no further obligations under the plan beyond its periodic contributions.

Employees' state insurance

The Group contributes to Employees State Insurance Scheme and recognises such contribution as an expense in the Statement of Profit and Loss in the period when services are rendered by the employees.

(iii) 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.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.11 Retirement and other employee benefits (Contd.)

Remeasurements on defined benefit plans, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets, are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

3.12 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 Parent Company carries out fair value cost assesment of employee stock options on grant of such options using an appropriate valuation model.

The cost is recognised as employee benefits expenses/recharge receivables together with a corresponding increase in employee stock option outstanding account in other equity, over the period in which the service conditions are fulfilled. The cumulative expense/recharge recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has not expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for grants that do not ultimately vest because of unfavourable stock performance and/or non fullfillment of service conditions.

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.

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

The Group follows Ind AS 116 'Leases' for all long term and material lease contracts.

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

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.13 Leases (Contd.)

depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease liability specified in Ind AS 116 'Leases'.

Depreciation on 'Right-of-use assets' is provided on straight line basis over the lease period.

The exception permitted in Ind AS 116 'Leases' for low value assets and short term leases has been adopted by the Group.

3.14 Fair value measurement

The Group measures its qualifying financial instruments at fair value on each Balance Sheet date.

Fair value is the price that would be received against sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the accessible principal market or the most advantageous accessible market as applicable.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into level I, level II and Level III based on the lowest level input that is significant to the fair value measurement as a whole. For a detailed information on the fair value hierarchy, refer note no. 47.

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, risks of the asset or liability and the level of the fair value hierarchy.

3.15 Business combinations under common control

Common control business combination means a business combination involving entities or businesses in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The Group accounts for business combinations under common control as per the pooling of interest method.

The pooling of interest method involves the following:

(i) The assets and liabilities of the combining entities are reflected at their carrying amounts.

(ii) No adjustments are made to reflect fair values, or recognise any new assets or liabilities. The only adjustments that are made are to harmonise accounting policies.

(iii) The financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, if business combination had occurred after that date, the prior period information shall be restated only from that date.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.16 Derivative financial instruments

The Parent Company enters 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. For hedging instrument, the timing of the recognition in the Statement of Profit and Loss depends on the nature of the hedge relationship.

The Parent Company designates its CCIRS derivatives as cash flow hedges of a recognised liability. The Parent Company recognises derivatives with a positive fair value as a financial asset and derivatives with a negative fair value 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.

Hedges that meet the criteria for hedge accounting and qualify as cash flow hedges are accounted as follows:

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability and could affect profit or loss.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately as finance cost in the Statement of Profit and Loss.

When the hedged cash flow affects the Statement of Profit and Loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the Statement of Profit and Loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in OCI is subsequently transferred to the Statement of Profit and Loss on ultimate recognition of the underlying hedged forecast transaction. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the Statement of Profit and Loss.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

3 Summary of significant accounting policies (Contd.)

3.17 Statement of cash flows

Cash flows are reported using indirect method as permitted under Ind AS 7, whereby profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. Cash and cash equivalent shown in the financial statement exclude items which are not available for general use as on reporting date.

Cash receipt and payment for borrowings in which the turnover is quick, the amounts are large, and the maturities are short are defined as short term borrowings and shown on net basis in the statement of cash flows. Such items include commercial papers, cash credit, overdraft facility, working capital demand loan and triparty repo dealing and settlement. All other borrowings are termed as long term borrowings. Cash flows from deposits are shown on net basis as permitted under Ind AS 7.

3.18 Dividend on equity shares

The Parent Company recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Parent Company. As per the Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in other equity.

4 Change in accounting estimates

- During the year ended 31 March 2022, the Parent Company has revised its estimate with respect to write off for certain overdue positions based on assessment of recoverability. Had the Parent Company applied the estimates followed in the previous year, the profit before tax for the period would have been higher by ₹ 98.52 crore.
- Pursuant to the RBI circular dated 12 November 2021 - 'Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances - Clarifications', the Group has aligned its definition of default from number of instalments outstanding approach to Days Past Due approach. On 15 February 2022, RBI allowed deferment till 30 September 2022 of Para 10 of this circular pertaining to upgrade of Non performing accounts. However, the Group has not opted for this deferment and such alignment does not have any significant impact on the financial results for the year ended 31 March 2022.

4.1 Recent accounting pronouncements

Ministry of Corporate Affairs ('MCA') notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On 23 March 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from 1 April 2022, as below:

Ind AS 103 – Reference to conceptual framework

The amendments specifiy that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The Group does not expect the amendment to have any significant impact in its financial statements.

Ind AS 16 – Proceeds before intended use

The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the group is preparing the asset for its

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Group does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

Ind AS 37 – Onerous Contracts - Costs of fulfilling a contract

The amendments specify that that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The amendment is essentially a clarification and the Group does not expect the amendment to have any significant impact in its financial statements.

Ind AS 109 – Annual Improvements to Ind AS (2021)

The amendment clarifies which fees an entity includes when it applies the '10 percent' test of Ind AS 109 in assessing whether to derecognise a financial liability. The Group does not expect the amendment to have any significant impact in its financial statements.

Ind AS 116 – Annual Improvements to Ind AS (2021)

The amendments remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives were described in that illustration. The Group does not expect the amendment to have any significant impact in its financial statements.

5 Cash and cash equivalents

(₹ in crore)

	As at 31 March	
Particulars	**2022**	**2021**
Cash on hand	53.72	56.84
Balance with banks:		
In current accounts	844.76	1,242.12
In fixed deposits (with original maturity of 3 months or less)	2,508.69	550.37
	3,407.17	1,849.33

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

6 Bank balances other than cash and cash equivalents

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Fixed deposits (with original maturity more than 3 months)*	271.34	312.90
Earmarked balance with banks:		
Against matured fixed deposits	-	0.01
Against unclaimed dividend	1.79	2.08
	273.13	314.99

* Contains fixed deposit under lien with stock exchnages for margin requirement ₹ 8.78 crore (Previous year ₹ 0.54 crore), deposits with exchange for trade ₹ 0.66 crore (Previous year ₹ 4.81 crore), deposits with bank for Bank Guarantee ₹ 257.76 crore (Previous year ₹ 52.33 crore) and deposits with the Pension Fund Regulatory & Development Authority ₹ 0.21 crore (Previous year ₹ 0.20 crore).

7 Derivative financial instruments (at FVTPL)

(₹ in crore)

Particulars	As at 31 March 2022		
	Notional amounts	Fair value assets	Fair value liabilities
Cross currency interest rate swaps:			
Cash flow hedge	5,382.16	121.90	140.02
	5,382.16	121.90	140.02

(₹ in crore)

Particulars	As at 31 March 2021		
	Notional amounts	Fair value assets	Fair value liabilities
Cross currency interest rate swaps:			
Cash flow hedge	5,382.16	-	137.87
	5,382.16	-	137.87

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. Refer note no. 48(b)(iii) for foreign currency risk.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

8 Trade receivables

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Considered good - unsecured		
Interest subsidy	677.16	440.07
Fees, commission and others	359.07	415.84
Service asset	229.66	240.95
	1,265.89	1,096.86

- 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.

Trade receivables aging as at 31 March 2022

(₹ in crore)

Particulars	Not due	Unbilled due	Outstanding from due date of payment: Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed trade receivables – considered good	841.85	13.03	410.26	0.75	-	-	-	1,265.89

Trade receivables aging as at 31 March 2021

(₹ in crore)

Particulars	Not due	Unbilled due	Outstanding from due date of payment: Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	Total
Undisputed trade receivables – considered good	809.45	0.80	286.57	0.04	-	-	-	1,096.86

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

9 Loans

(₹ in crore)

Particulars	As at 31 March 2022			As at 31 March 2021		
	At amortised Cost	At fair value through OCI	Total	At amortised Cost	At fair value through OCI	Total
(A) Term loans	160,443.29	35,384.75	195,828.04	125,532.41	25,462.46	150,994.87
Less: Impairment loss allowance	4,064.88	339.91	4,404.79	4,024.46	283.54	4,308.00
Total (A)	156,378.41	35,044.84	191,423.25	121,507.95	25,178.92	146,686.87
(B) Out of above						
(I) Secured by tangible assets						
Against hypothecation of automobiles, equipments, durables and plant and machinery, equitable mortgage of immovable property and pledge of securities etc.	73,951.07	35,384.75	109,335.82	61,330.21	25,462.46	86,792.67
Less: Impairment loss allowance	1,771.08	339.91	2,110.99	1,852.13	283.54	2,135.67
Total (I)	72,179.99	35,044.84	107,224.83	59,478.08	25,178.92	84,657.00
(II) Unsecured	86,492.22	-	86,492.22	64,202.20	-	64,202.20
Less: Impairment loss allowance	2,293.80	-	2,293.80	2,172.33	-	2,172.33
Total (II)	84,198.42	-	84,198.42	62,029.87	-	62,029.87
Total (B) = (I+II)	156,378.41	35,044.84	191,423.25	121,507.95	25,178.92	146,686.87
(C) Out of above						
(I) Loans in India						
(i) Public sector	-	-	-	-	-	-
Less: Impairment loss allowance	-	-	-	-	-	-
Sub-total (i)	-	-	-	-	-	-
(ii) Others	160,443.29	35,384.75	195,828.04	125,532.41	25,462.46	150,994.87
Less: Impairment loss allowance	4,064.88	339.91	4,404.79	4,024.46	283.54	4,308.00
Sub-total (ii)	156,378.41	35,044.84	191,423.25	121,507.95	25,178.92	146,686.87
Total (I) = (i+ii)	156,378.41	35,044.84	191,423.25	121,507.95	25,178.92	146,686.87
(II) Loans outside India	-	-	-	-	-	-
Total (C) = (I+II)	156,378.41	35,044.84	191,423.25	121,507.95	25,178.92	146,686.87

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

9 Loans (Contd.)

Summary of loans by stage distribution

(₹ in crore)

Particulars	As at 31 March 2022				As at 31 March 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	188,833.91	3,860.64	3,133.49	195,828.04	141,539.38	6,724.72	2,730.77	150,994.87
Less: Impairment loss allowance	1,506.76	1,079.41	1,818.62	4,404.79	1,146.08	1,567.04	1,594.88	4,308.00
Net carrying amount	187,327.15	2,781.23	1,314.87	191,423.25	140,393.30	5,157.68	1,135.89	146,686.87

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 2022							
	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 2021	141,539.38	1,146.08	6,724.72	1,567.04	2,730.77	1,594.88	150,994.87	4,308.00
Transfers during the year								
transfers to stage 1	1,039.58	175.85	(959.83)	(148.69)	(79.75)	(27.16)	-	-
transfers to stage 2	(2,805.95)	(25.09)	2,851.83	39.34	(45.88)	(14.25)	-	-
transfers to stage 3	(3,923.48)	(81.09)	(3,613.28)	(777.39)	7,536.76	858.48	-	-
	(5,689.85)	69.67	(1,721.28)	(886.74)	7,411.13	817.07	-	-
Impact of changes in credit risk on account of stage movements	-	(224.66)	-	371.67	-	5,242.24	-	5,389.25
Changes in opening credit exposures (repayments net of additional disbursements)	(57,988.42)	(152.16)	(1,640.12)	(117.67)	(2,787.11)	(1,466.73)	(62,415.65)	(1,736.56)
New credit exposures during the year, net of repayments	110,972.80	667.83	497.32	145.11	586.02	438.48	112,056.14	1,251.42
Amounts written off during the year	-	-	-	-	(4,807.32)	(4,807.32)	(4,807.32)	(4,807.32)
As at 31 March 2022	188,833.91	1,506.76	3,860.64	1,079.41	3,133.49	1,818.62	195,828.04	4,404.79

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

9 Loans (Contd.)

(₹ in crore)

Particulars	For the year ended 31 March 2021							
	Stage 1		Stage 2		Stage 3		Total	
	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance
As at 31 March 2020	139,589.01	1,712.34	3,148.40	586.80	2,363.00	1,425.22	145,100.41	3,724.36
Transfers during the year								
transfers to stage 1	279.51	43.54	(233.80)	(28.32)	(45.71)	(15.22)	-	-
transfers to stage 2	(5,118.12)	(64.51)	5,151.23	75.95	(33.11)	(11.44)	-	-
transfers to stage 3	(5,590.18)	(87.90)	(1,568.14)	(325.84)	7,158.32	413.74	-	-
	(10,428.79)	(108.87)	3,349.29	(278.21)	7,079.50	387.08	-	-
Impact of changes in credit risk on account of stage movements	-	(934.34)	-	1,129.56	-	4,785.47	-	4,980.69
Changes in opening credit exposures (repayments net of additional disbursements)	(64,049.58)	(118.01)	(829.44)	(184.14)	(2,101.92)	(188.98)	(66,980.94)	(491.13)
New credit exposures during the year, net of repayments	76,428.74	594.96	1,056.47	313.03	944.64	740.54	78,429.85	1,648.53
Amounts written off during the year	-	-	-	-	(5,554.45)	(5,554.45)	(5,554.45)	(5,554.45)
As at 31 March 2021	141,539.38	1,146.08	6,724.72	1,567.04	2,730.77	1,594.88	150,994.87	4,308.00

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

(₹ in crore)

Particulars	For the year ended 31 March	
	2022	**2021**
(i) Net impairment loss allowance charge/(release) for the year	96.79	583.64
(ii) Amounts written off during the year	4,807.32	5,554.45
Impairment on loans	4,904.11	6,138.09
Less: Claimable amount under CGTMSE and ECLGS scheme	101.55	195.60
Add: Impairment on other assets	0.84	26.09
Impairment on financial instruments	4,803.40	5,968.58

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

10 Investments

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
(A) At amortised cost		
In fixed deposits	-	1,017.60
In Government securities#*	5,125.74	-
Total (A)	5,125.74	1,017.60
* includes ₹ 3,268.03 crore (Previous year ₹ Nil) pledged in favour of Credit Corporation of India Ltd. for tripart repo dealing and settlement (TREPs).		
(B) At fair value through other comprehensive income		
(i) In Government securities*	4,895.53	3,708.39
Add: Fair value gain/(losses)	(15.39)	9.24
Sub-total (i)	4,880.14	3,717.63
* includes ₹ 3,979.59 crore (Previous year ₹ 3,350.48 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 and ₹ Nil (Previous year ₹ 340.12 crore) pledged in favour of Credit Corporation of India Ltd. for tripart repo dealing and settlement (TREPs).		
(ii) In equity instruments		
Equity shares (Quoted)	150.00	150.00
Add: Fair value gain/(losses)	(94.27)	(61.23)
	55.73	88.77
Equity shares (Unquoted)	299.58	0.01
Add: Fair value gain/(losses)	28.68	-
	328.26	0.01
Compulsorily convertible term loan	280.47	-
Compulsorily convertible preference shares	-	281.20
Sub-total (ii)	664.46	369.98
Total (B) = (i+ii)	5,544.60	4,087.61
(C) At fair value through profit or loss		
(i) In mutual funds*	899.04	11,164.99
Add: Fair value gains/(losses)	8.71	29.60
Sub-total (i)	907.75	11,194.59
* includes ₹ 111.85 crore (Previous year ₹ 255.39) under lien with Indian Clearing Corporation for margin requirement.		
(ii) In Government securities#	666.90	2,096.88
Add: Fair value gains/(losses)	0.55	0.23
Sub-total (ii)	667.45	2,097.11
Total (C) = (i+ii)	1,575.20	13,291.70
Total (A+B+C)	12,245.54	18,396.91

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Out of above		
In India	12,245.54	18,396.91
Outside India	-	-
	12,245.54	18,396.91

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

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

11 Other financial assets

(₹ in crore)

Particulars	As at 31 March 2022	2021
Security deposits	76.26	62.37
Margin with exchanges	271.11	14.78
Advances to dealers	113.32	93.08
Receivable from Government guarantee scheme	143.20	220.48
Receivable from collection agencies	89.65	93.82
Others	27.95	52.45
	721.49	536.98

- 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 2022	2021
Profit before tax	9,503.78	5,992.26
At average corporate tax rate of 25.17% (Previous year: 25.17%)	2,392.10	1,508.48
Tax on expenditure not considered for tax provision (net of allowance)	88.52	70.10
Tax benefit on additional deductions	(5.02)	(6.14)
Tax impact due to revaluation of deferred tax due to change in income tax rate	(0.05)	-
Tax expense (Effective tax rate of 26.05%, Previous year 26.24%)	2,475.55	1,572.44

Deferred tax assets (net) recorded in Balance Sheet

(₹ in crore)

Particulars	As at 31 March 2022	2021
Deferred tax relates to the following:		
(a) Deferred tax assets		
Depreciation and amortisation	4.01	0.50
Disallowance u/s 43B of the Income Tax Act, 1961	42.99	34.38
Impairment on financial instruments	974.74	946.15
EIR impact on financial instruments measured at amortised cost	4.40	8.01
Cash flow hedge reserve	3.34	24.40
Changes in fair value of FVOCI equity instruments	4.23	7.01
Lease liability	10.59	8.98
Changes in fair value of FVOCI debt securities	3.53	-
Other temporary differences	0.72	8.08
Gross deferred tax assets (a)	1,048.55	1,037.51

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

12 Deferred tax assets (net) (Contd.)

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
(b) Deferred tax liabilities		
Service fees for management of assigned portfolio of loans	57.80	60.65
Special reserve as per section 36(1)(viii) of the Income Tax Act, 1961	33.82	18.72
Unrealised net gain on fair value changes	2.58	7.58
Changes in fair value of FVOCI debt securities	-	2.33
Other temporary differences	3.24	2.33
Gross deferred tax liabilities (b)	97.44	91.61
Deferred tax assets/(liabilities), net (a-b)	951.11	945.90

Changes in deferred tax recorded in profit or loss

(₹ in crore)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Deferred tax relates to the following:		
Disallowance u/s 43B of the Income Tax Act, 1961	(7.34)	(4.72)
Impairment of financial instruments	(28.59)	(125.46)
Depreciation and amortisation	(3.51)	(1.60)
EIR impact on financial instruments measured at amortised cost	3.61	9.49
Impact on account of service asset	(2.85)	18.75
Special reserve as per section 36(1)(viii) of the Income Tax Act, 1961	15.10	10.57
Unrealised net gain on fair value changes	(4.99)	(3.25)
Tax impact on carried forward losses	-	0.21
Lease liability	(1.60)	(4.38)
Other temporary differences	8.27	12.57
	(21.90)	(87.82)

Changes in deferred tax recorded in other comprehensive income

(₹ in crore)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Deferred tax relates to the following:		
Changes in fair value of FVOCI debt securities	(5.86)	(10.50)
Disallowance u/s 43B of the Income Tax Act, 1961	(1.28)	(8.27)
Cash flow hedge reserve	21.06	(5.35)
Changes in fair value of FVOCI equity instruments	2.78	16.17
	16.70	(7.95)

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

13 (A). Property, plant and equipment and other intangible assets

For the financial year 2021-22

(₹ in crore)

Particulars	Gross block				Depreciation and amortisation				Net block
	As at 1 April 2021	Additions	Deductions / Adjustments	As at 31 March 2022	As at 1 April 2021	Deductions / Adjustments	For the year	As at 31 March 2022	As at 31 March 2022
Property, plant and equipment (a)									
Freehold land (b)	105.47	91.12	-	196.59	-	-	-	-	196.59
Building (c)	213.32	34.71	-	248.03	63.36	-	3.01	66.37	181.66
Computers	249.03	105.63	37.79	316.87	133.79	24.54	54.08	163.33	153.54
Office equipment	210.90	16.08	4.35	222.63	114.94	4.11	35.33	146.16	76.47
Furniture and fixtures	214.87	13.03	31.34	196.56	80.94	2.30	7.09	85.73	110.83
Vehicles	100.25	59.29	16.34	143.20	34.36	8.69	13.17	38.84	104.36
Leasehold improvements	192.00	37.39	1.48	227.91	124.87	1.37	58.29	181.79	46.12
Right-of-use - Premises	444.58	224.58	64.81	604.35	157.09	56.85	111.64	211.88	392.47
Right-of-use - Server	29.27	5.00	4.12	30.15	8.65	4.12	5.08	9.61	20.54
Sub-total	**1,759.69**	**586.83**	**160.23**	**2,186.29**	**718.00**	**101.98**	**287.69**	**903.71**	**1,282.58**
Capital work-in-progress	7.07	6.20	-	13.27	-	-	-	-	13.27
Sub-total	**7.07**	**6.20**	**-**	**13.27**	**-**	**-**	**-**	**-**	**13.27**
Other intangible assets (d)									
Computer softwares	515.13	138.00	123.05	530.08	244.39	97.43	88.12	235.08	295.00
Internally generated software (f)	-	144.21	-	144.21	-	-	8.76	8.76	135.45
Sub-total	**515.13**	**282.21**	**123.05**	**674.29**	**244.39**	**97.43**	**96.88**	**243.84**	**430.45**
Intangible assets under development	43.99	20.87	43.99	20.87	-	-	-	-	20.87
Sub-total	**43.99**	**20.87**	**43.99**	**20.87**	**-**	**-**	**-**	**-**	**20.87**
Total	**2,325.88**	**896.11**	**327.27**	**2,894.72**	**962.39**	**199.41**	**384.57**	**1,147.55**	**1,747.17**

For the financial year 2020-21

(₹ in crore)

Particulars	Gross block				Depreciation and amortisation				Net block
	As at 1 April 2020	Additions	Deductions / Adjustments	As at 31 March 2021	As at 1 April 2020	Deductions / Adjustments	For the year	As at 31 March 2021	As at 31 March 2021
Property, plant and equipment (a)									
Freehold land (b)	100.87	4.60	-	105.47	-	-	-	-	105.47
Building (c)	213.98	-	0.66	213.32	60.87	0.35	2.84	63.36	149.96
Computers	234.92	40.72	26.61	249.03	116.11	18.82	36.50	133.79	115.24
Office equipment	204.15	20.12	13.37	210.90	90.77	11.57	35.74	114.94	95.96
Furniture and fixtures	213.67	18.85	17.65	214.87	72.15	11.45	20.24	80.94	133.93
Vehicles	85.15	25.35	10.25	100.25	33.78	7.53	8.11	34.36	65.89
Leasehold improvements	171.24	22.26	1.50	192.00	85.72	1.35	40.50	124.87	67.13
Right-of-use - Premises	386.40	89.22	31.04	444.58	79.06	22.31	100.34	157.09	287.49
Right-of-use - Server	29.77	-	0.50	29.27	4.43	0.34	4.56	8.65	20.62
Sub-total	**1,640.15**	**221.12**	**101.58**	**1,759.69**	**542.89**	**73.72**	**248.83**	**718.00**	**1,041.69**
Capital work-in-progress	-	7.07	-	7.07	-	-	-	-	7.07
Sub-total	**-**	**7.07**	**-**	**7.07**	**-**	**-**	**-**	**-**	**7.07**
Other intangible assets (d)									
Computer softwares	388.63	126.72	0.22	515.13	168.17	0.22	76.44	244.39	270.74
Sub-total	**388.63**	**126.72**	**0.22**	**515.13**	**168.17**	**0.22**	**76.44**	**244.39**	**270.74**
Intangible assets under development (f)	-	43.99	-	43.99	-	-	-	-	43.99
Sub-total	**-**	**43.99**	**-**	**43.99**	**-**	**-**	**-**	**-**	**43.99**
Total	**2,028.78**	**398.90**	**101.80**	**2,325.88**	**711.06**	**73.94**	**325.27**	**962.39**	**1,363.49**

(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
(e) Title deeds of all immovable properties and lease agreements for all the leased premises are held in the name of the Group.
(f) Includes employees emoluments of ₹ 53.59 crore (Previous year ₹ 28.50 crore).

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

13 (B) Capital work-in-progress aging

As at 31 March 2022

(₹ in crore)

Particulars	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Projects in progress	6.20	7.07	-	-	13.27

As at 31 March 2021

(₹ in crore)

Particulars	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Projects in progress	7.07	-	-	-	7.07

13 (C) Intangible assets under development aging

As at 31 March 2022

(₹ in crore)

Particulars	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Projects in progress	20.87	-	-	-	20.87

As at 31 March 2021

(₹ in crore)

Particulars	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
Projects in progress	43.99	-	-	-	43.99

The Group does not have any project temporary suspended or any CWIP which is overdue or has exceeded its cost compared to its original plan and hence CWIP completion schedule is not applicable.

14 Other non-financial assets

(₹ in crore)

Particulars	As at 31 March 2022	2021
Capital advances	40.56	1.59
Deposits against appeals	40.09	20.08
Advances to suppliers and others*	96.49	94.36
	177.14	116.03

* Impairment allowance recognised on advances to suppliers and others is ₹ Nil (Previous year ₹ Nil).

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

15 Payables

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
(I) Trade payables		
Total outstanding dues of micro enterprises and small enterprises (MSME)#	0.24	0.27
Total outstanding dues of creditors other than micro enterprises and small enterprises	1,169.08	884.01
	1,169.32	884.28
(II) Other payables		
Total outstanding dues of micro enterprises and small enterprises#	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	341.78	213.82
	341.78	213.82

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 2022	As at 31 March 2021
Principal amount due to suppliers under MSMED Act, as at the year end (since paid)	0.24	0.27
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	182.07	28.68
Interest paid to suppliers under MSMED Act (other than section 16)	-	-
Interest paid to suppliers under MSMED Act (section 16)	0.98	0.31
Interest due and payable to suppliers under MSMED Act, for payments already made	0.01	-
Interest accrued and remaining unpaid at the year end to suppliers under MSMED Act (since paid)	0.01	-

Trade payables aging as at 31 March 2022

(₹ in crore)

Particulars	Not due	Unbilled due	Outstanding from due date of payment: Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	-	-	0.24	-	-	-	0.24
(ii) Others	407.99	643.07	117.04	0.65	0.32	0.01	1,169.08
	407.99	643.07	117.28	0.65	0.32	0.01	1,169.32

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

15 Payables (Contd.)

Trade payables aging as at 31 March 2021

(₹ in crore)

Particulars	Not due	Unbilled due	Outstanding from due date of payment: Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	-	-	0.27	-	-	-	0.27
(ii) Others	225.13	519.58	136.50	1.33	0.42	1.05	884.01
	225.13	519.58	136.77	1.33	0.42	1.05	884.28

16 Debt securities

(₹ in crore)

Particulars	As at 31 March 2022	2021
(A) At amortised cost		
(I) Secured*		
Privately placed redeemable non-convertible debentures	59,018.97	41,019.22
Sub-total (I)	59,018.97	41,019.22
(II) Unsecured		
Privately placed partly paid redeemable non-convertible debentures	6,081.48	4,671.58
Borrowings by issue of commercial papers	11,122.62	8,811.34
Sub-total (II)	17,204.10	13,482.92
Total (I + II)	76,223.07	54,502.14
(B) Out of above		
In India	76,223.07	54,502.14
Outside India	-	-
	76,223.07	54,502.14

* secured by pari passu charge created by mortgage of Parent Company's office property in Chennai and on loan receivables as stated in the respective information memorandum.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

16 Debt securities (Contd.)

(C) Terms of repayment of non-convertible debentures (NCDs) as at 31 March 2022

(₹ in crore)

Original maturity of loan (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
Up to 730	3,006.27	9,393.93	-	-	12,400.20
731-1095	6,532.32	3,404.20	2,432.96	-	12,369.48
1096-1460	3,416.75	270.23	6,449.62	330.00	10,466.60
More than 1460	337.00	1,989.71	4,225.00	13,434.38	19,986.09
Issued at discount and redeemable at par					
1096-1460	24.34	-	113.89	-	138.23
Issued at par and redeemable at premium					
731-1095	960.12	1,013.98	-	-	1,974.10
1096-1460	3,924.82	80.05	-	-	4,004.87
More than 1460	3.80	-	-	406.00	409.80
Interest accrued	3,347.29	38.73	6.33	3.22	3,395.57
Impact of EIR					(44.49)
Total					65,100.45

- Interest rate ranges from 4.66% to 9.36% as at 31 March 2022
- As at 31 March 2022, partly called and paid unsecured debentures are ₹ 6,081.48 crore
- Amount to be called and paid is ₹ 915 crore in Nov 2022
- Amount to be called and paid is ₹ 105 crore each in Feb 2023, Feb 2024, Feb 2025 and ₹ 120 crore in Feb 2026
- Amount to be called and paid is ₹ 147 crore each in Mar 2023, Mar 2024 and ₹ 168 crore in Mar 2025

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

16 Debt securities (Contd.)

Terms of repayment of non-convertible debentures (NCDs) as at 31 March 2021

(₹ in crore)

Original maturity of loan (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
Up to 730	-	2,107.75	-	-	2,107.75
731-1095	758.06	7,280.06	2,325.00	-	10,363.12
1096-1460	504.51	2,627.27	1,345.40	1,500.06	5,977.24
More than 1460	1,118.50	1,297.00	1,994.79	12,110.29	16,520.58
Issued at discount and redeemable at par					
1096-1460	-	24.34	-	-	24.34
Issued at par and redeemable at premium					
366-730	428.29	-	-	-	428.29
731-1095	1,848.51	1,794.38	-	-	3,642.89
1096-1460	619.70	3,090.56	75.00	-	3,785.26
More than 1460	18.50	3.80	-	-	22.30
Interest accrued	1,915.33	973.34	2.79	-	2,891.46
Impact of EIR					(72.43)
					45,690.80

- Interest rate ranges from 4.66% to 9.36% as at 31 March 2021
- As at 31 March 2021, partly called and paid unsecured debentures of ₹ 4,671.59 crore.
- Amount to be called and paid is ₹ 200 crore in Jun 2021
- Amount to be called and paid is ₹ 915 crore each in Nov 2021 and Nov 2022
- Amount to be called and paid is ₹ 105 crore each in Feb 2022,Feb 2023, Feb 2024 and ₹ 120 crore in Feb 2025
- Amount to be called and paid is ₹ 147 crore each in Mar 2022,Mar 2023, Mar 2024 and ₹ 168 crore in Mar 2025

(D) Terms of repayment of commercial papers

(₹ in crore)

Particulars	As at 31 March 2022	2021
Issued at discount and redeemable at par with original maturity up to 365 days		
Due within 1 year	11,124.10	8,812.63
Impact of EIR	(1.48)	(1.29)
	11,122.62	8,811.34

- Interest rate ranges from 3.91% to 5.15% p.a as at 31 March 2022 (Previous year 3.65% to 4.60% p.a)
- As at 31 March 2022, face value of commercial paper is ₹ 11,255 crore (Previous year ₹ 8,955 crore)

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

17 Borrowings (other than debt securities)

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
(A) In India		
At amortised cost:		
Term loans from banks	45,801.25	41,249.00
Cash credit / Overdraft facility	290.71	141.75
Working capital demand loans	750.00	270.00
Triparty repo dealing and settlement (TREPs) against Government securities	1,999.16	299.97
	48,841.12	41,960.72
Outside India		
External commercial borrowing (ECB)*	5,522.44	5,468.64
	5,522.44	5,468.64
(B) Out of above		
Secured (Against hypothecation of loans, book debts and other receivables)	54,363.56	47,429.36
Unsecured	-	
	54,363.56	47,429.36

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

- The Group has not been declared a Wilful Defaulters by any bank or financial institution (as defined under the Companies Act, 2013) or consortium thereof in accordance with the guidelines on wilful defaulters issued by the RBI.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

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

(C) Terms of repayment of term loans from bank as at 31 March 2022

Original maturity of loan (In no. of days)	Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		More than 3 years		Total
	Total no. of instalments	₹ in crore	Total no. of instalments	₹ in crore	Total no. of instalments	₹ in crore	Total no. of instalments	₹ in crore	₹ in crore
Quarterly									
Up to 1095	14	1,381.82	10	1,090.91	-	-	-	-	2,472.73
1096-1460	10	213.75	9	321.25	13	790.00	-	-	1,325.00
More than 1460	154	4,383.75	144	4,244.42	90	2,357.57	95	2,866.97	13,852.71
Half yearly									
1096-1460	2	142.86	2	142.86	2	142.85	-	-	428.57
More than 1460	47	2,264.85	57	2,645.73	50	2,169.77	112	5,772.56	12,852.91
Yearly									
More than 1460	25	1,770.00	23	1,757.50	15	1,459.58	11	966.67	5,953.75
On maturity (Bullet)									
Up to 1095	4	50.00	3	925.00	-	-	-	-	975.00
1096-1460	1	211.25	3	1,461.25	10	4,670.00	-	-	6,342.50
More than 1460	2	465.00	3	650.00	-	-	1	500.00	1,615.00
Interest accrued	-	2.02	-	-	-	-	-	-	2.02
Impact of EIR									(18.94)
									45,801.25

- Interest rate ranges from 5% p.a to 7.12% p.a as at 31 March 2022

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

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

Terms of repayment of term loans from bank as at 31 March 2021

Original Maturity of loan (In no. of days)	Due within 1 year Total no. of instalments	Due within 1 year ₹ in crore	Due 1 to 2 years Total no. of instalments	Due 1 to 2 years ₹ in crore	Due 2 to 3 years Total no. of instalments	Due 2 to 3 years ₹ in crore	More than 3 years Total no. of instalments	More than 3 years ₹ in crore	Total ₹ in crore
Monthly									
Up to 1095	12	150.00	4	50.00	-	-	-	-	200.00
Quarterly									
Up to 1095	18	1,506.82	17	1,744.32	10	1,090.91	-	-	4,342.05
1096-1460	14	493.75	8	193.75	3	131.25	6	600.00	1,418.75
More than 1460	122	3,586.87	141	4,020.21	121	3,728.56	127	4,195.42	15,531.06
Half yearly									
1096-1460	1	125.00	-	-	-	-	-	-	125.00
More than 1460	35	1,917.62	33	1,792.62	33	1,792.62	52	2,367.67	7,870.53
Yearly									
1096-1460	1	33.32	-	-	-	-	-	-	33.32
More than 1460	19	1,236.25	23	1,570.00	21	1,557.50	13	1,176.25	5,540.00
On maturity (Bullet)									
Up to 1095	2	450.00	-	-	1	250.00	-	-	700.00
1096-1460	2	727.50	1	211.25	4	2,211.25	-	-	3,150.00
More than 1460	1	1,250.00	2	465.00	3	650.00	-	-	2,365.00
Interest accrued	-	1.41	-	-	-	-	-	-	1.41
Impact of EIR									(28.12)
Total									41,249.00

- Interest rate ranges from 5.10% p.a to 8.85% p.a as at 31 March 2021

(D) Terms of repayment of working capital demand loans from bank

Particulars	As at 31 March 2022 No. of installments	As at 31 March 2022 ₹ in crore	As at 31 March 2021 No. of installments	As at 31 March 2021 ₹ in crore
On maturity (Bullet)				
Up to 365	3	750.00	5	270.00
	3	750.00	5	270.00

- Interest rate ranges from 4.35% p.a to 7.05% p.a as at 31 March 2022 (Previous year 4.10% to 7.25%)

(E) Terms of repayment of TREPs

Particulars	As at 31 March 2022 No. of installments	As at 31 March 2022 ₹ in crore	As at 31 March 2021 No. of installments	As at 31 March 2021 ₹ in crore
On maturity (Bullet)				
Up to 365	9	1999.16	2	299.97
	9	1999.16	2	299.97

- Interest rate ranges from 3.35% p.a to 3.85% p.a as at 31 March 2022 (Previous year 1.25%)

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

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

(F) Terms of repayment of external commercial borrowing as at 31 March 2022

	Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		More than 3 years		Total
Original maturity of loan (In no. of days)	No. of instalments	₹ in crore	No. of instalments	₹ in crore	No. of instalments	₹ in crore	No. of instalments	₹ in crore	₹ in crore
On maturity (Bullet)									
731 to 1095	-	-	1	758.07	-	-	-	-	758.07
More than 1095	13	4,185.25	1	568.55	-	-	-	-	4,753.80
Interest accrued	-	23.24	-	-	-	-	-	-	23.24
Impact of EIR									(12.67)
									5,522.44

- Contracted interest rate ranges from 0.65% p.a to 1.22% p.a as at 31 March 2022
- Interest rate ranges from 5.85% to 7.68% p.a under cross currency interest rate swap (CCIRS) as at 31 March 2022

Terms of repayment of external commercial borrowing as at 31 March 2021

	Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		More than 3 years		Total
Original maturity of loan (In no. of days)	No. of instalments	₹ in crore	No. of instalments	₹ in crore	No. of instalments	₹ in crore	No. of instalments	₹ in crore	₹ in crore
On maturity (Bullet)									
731 to 1095	-	-	-	-	1	746.57	-	-	746.57
More than 1095	-	-	13	4,152.58	1	575.19	-	-	4,727.77
Interest accrued	-	23.87	-	-	-	-	-	-	23.87
Impact of EIR									(29.57)
									5,468.64

- Contracted interest rate ranges from 0.65% p.a to 1.25% p.a as at 31 March 2021
- Interest rate ranges from 5.85% to 7.68% p.a under cross currency interest rate swap (CCIRS) as at 31 March 2021

18 Deposits (Unsecured)

(₹ in crore)

	As at 31 March	
Particulars	**2022**	**2021**
(A) At amortised cost		
Public deposits*	21,184.46	18,961.23
From others	9,615.06	6,842.20
	30,799.52	25,803.43

* 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.
* There are no undisputed amounts which were due and remained unpaid to Investor Education and Protection Fund as at the close of the year.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

18 Deposits (Unsecured) (Contd.)

(B) Terms of repayment of public deposits as at 31 March 2022

(₹ in crore)

Original maturity of deposits (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
365-730	3,272.40	1,239.11	-	-	4,511.51
731-1095	284.07	2,600.34	11.16	-	2,895.57
More than 1095	4,116.98	1,216.46	5,761.29	1,880.27	12,975.00
Interest accrued	505.41	187.64	143.24	42.15	878.44
Impact of EIR					(76.06)
					21,184.46

Terms of repayment of public deposits as at 31 March 2021

(₹ in crore)

Original maturity of deposits (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
365-730	3,462.08	1,080.58	-	-	4,542.66
731-1095	645.26	292.30	2,454.24	-	3,391.80
More than 1095	2,603.09	4,200.68	1,215.48	2,366.75	10,386.00
Interest accrued	331.00	260.77	68.88	59.60	720.25
Impact of EIR					(79.48)
					18,961.23

(C) Terms of repayment of deposit from others as at 31 March 2022

(₹ in crore)

Original maturity of deposits (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	659.33	-	-	-	659.33
366-730	5,923.01	2,089.53	-	-	8,012.54
731-1095	6.04	196.79	1.58	-	204.41
More than 1095	145.81	125.57	220.36	28.06	519.80
Interest accrued	153.56	74.27	7.43	1.09	236.35
Impact of EIR					(17.37)
					9,615.06

- Interest rates range from 4.00% p.a. to 9.35% p.a. as at 31 March 2022

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

18 Deposits (Unsecured) (Contd.)

Terms of repayment of deposit from others as at 31 March 2021

(₹ in crore)

Original maturity of deposits (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Up to 365	824.50	-	-	-	824.50
366-730	4,157.32	961.03	-	-	5,118.35
731-1095	256.81	6.24	87.70	-	350.75
More than 1095	53.81	151.78	129.95	44.51	380.05
Interest accrued	134.28	15.71	28.08	2.14	180.21
Impact of EIR					(11.66)
					6,842.20

- Interest rates range from 4.05% p.a. to 9.35% p.a. as at 31 March 2021

19 Subordinated debts (Unsecured)

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
(A) In India		
At amortised cost		
Privately placed subordinated (Tier II) redeemable non-convertible debentures	3,845.77	3,898.61
	3,845.77	3,898.61
(B) Outside India	-	-

(C) Terms of repayment of subordinated debts as at 31 March 2022

(₹ in crore)

Original maturity of loan (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 1,825	207.10	50.00	452.50	2,950.00	3,659.60
Interest accrued	198.36	-	-	-	198.36
Impact of EIR					(12.19)
					3,845.77

- Interest rate ranges from 8.05% to 10.21% as at 31 March 2022

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

19 Subordinated debts (Unsecured) (Contd.)

Terms of repayment of subordinated debts as at 31 March 2021

(₹ in crore)

Original maturity of loan (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
More than 1825	50.00	207.10	50.00	3,402.50	3,709.60
Interest accrued	202.84	-	-	-	202.84
Impact of EIR					(13.83)
					3,898.61

- Interest rate ranges from 8.05% to 10.21% as at 31 March 2021

20 Other financial liabilities

(₹ in crore)

Particulars	As at 31 March 2022	2021
Unclaimed dividends*	1.79	2.08
Security deposits	147.43	141.15
Lease liability+	455.06	343.81
Payable to assignment partners	19.58	40.57
Outstanding liability for Prepaid instrument	22.96	-
Unspent CSR liability	60.88	-
Others	402.73	417.51
	1,110.43	945.12

* There are no undisputed amounts which were due and remained 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	For the year ended 31 March 2022	2021
Opening Balance	343.81	351.02
Add: Addition during the year	229.58	89.22
Interest on Lease liability	30.99	29.30
Less: Deletion during the year	12.44	9.60
Lease rental payments	136.88	116.13
Balance as at year end	455.06	343.81

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

(B) Lease rentals of ₹ 15.05 crore (Previous year ₹ 8.88 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 2022	As at 31 March 2021
Not later than one year	139.76	116.97
Later than one year but not later than five years	354.40	253.77
Later than five years	42.92	46.00
	537.08	416.74

(D) Maturity analysis of lease liability

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Within 12 months	109.35	88.26
After 12 months	345.71	255.55

21 Provisions

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Provision for employee benefits		
Gratuity	118.80	93.05
Compensated absences*	24.14	19.46
Provident fund	-	5.10
Other long term service benefits	23.96	20.08
	166.90	137.69

* Include amounts payable for encashable leaves not permitted to be carried forward of ₹ 11.17 crore (Previous year ₹ 8.05 crore).

22 Other non-financial liabilities

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Statutory dues	470.17	350.32
Others	62.07	69.18
	532.24	419.50

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

23 Equity share capital

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Authorised		
750,000,000 (750,000,000) equity shares of ₹ 2 each	150.00	150.00
Issued		
605,429,233 (602,587,339) equity shares of ₹ 2 each	121.09	120.52
Subscribed and paid up		
605,429,233 (602,587,339) equity shares of ₹ 2 each fully called up and paid up	121.09	120.52
Less: 2,149,392 (1,021,714) equity shares of ₹ 2 each held in a trust for employees under ESOP scheme [See note (f) below]	0.43	0.20
	120.66	120.32

(a) Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	Nos.	₹ in crore
As at 1 April 2020	601,689,069	120.34
Add: Issued during the year to Trust for employees pursuant to ESOP scheme	898,270	0.18
	602,587,339	120.52
Less: equity shares held in trust for employees under ESOP scheme	1,021,714	0.20
As at 31 March 2021	**601,565,625**	**120.32**
As at 1 April 2021	602,587,339	120.52
Add: Issued during the year to Trust for employees pursuant to ESOP scheme	2,841,894	0.57
	605,429,233	121.09
Less: equity shares held in trust for employees under ESOP scheme	2,149,392	0.43
As at 31 March 2022	**603,279,841**	**120.66**

(b) Terms/rights/restrictions attached to equity shares

The Parent Company has only one class of equity shares having a par value of ₹ 2 per share. Each holder of equity shares is entitled to one vote per share. The dividend recommended by the Board of Directors and approved by the shareholders in the Annual General Meeting is paid in Indian Rupees. In the event of liquidation of the Parent Company, the holders of equity shares will be entitled to receive remaining assets of the Parent Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

Particulars	As at 31 March 2022		As at 31 March 2021	
	Nos.	₹ in crore	Nos.	₹ in crore
Bajaj Finserv Ltd.*	317,816,130	63.56	317,816,130	63.56

* An associate of Bajaj Holdings and Investments Ltd.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

23 Equity share capital (Contd.)

(d) Details of shareholders holding more than 5% shares in the Parent Company (Face value ₹ 2 per share)

Particulars	As at 31 March 2022		As at 31 March 2021	
	Nos.	% Holding	Nos.	% Holding
Bajaj Finserv Ltd.*	317,816,130	52.49%	317,816,130	52.74%

* An associate of Bajaj Holdings and Investments Ltd.

(e) Shareholding pattern of promoters (Face value ₹ 2 per share)

	As at 31 March 2022		As at 31 March 2021		% Changes during the year	% Changes during the previous year
	Nos.	% Holding	Nos.	% Holding		
Promoter Name						
Promoter:						
Bajaj Finserv Ltd.	317,816,130	52.49%	317,816,130	52.74%	0.00%	0.00%
Promoter Group:						
Rahul Bajaj	10,000	0.00%	10,000	0.00%	0.00%	0.00%
Suman Jain	7,119	0.00%	7,015	0.00%	1.48%	0.00%
Madhur Bajaj	2,000	0.00%	64,000	0.01%	(96.88%)	(65.59%)
Rajiv Bajaj	1,000	0.00%	1,000	0.00%	0.00%	(99.43%)
Sanjiv Bajaj	467,688	0.08%	467,688	0.08%	0.00%	59.79%
Shefali Bajaj	63,104	0.01%	63,104	0.01%	0.00%	0.00%
Siddhant Bajaj	63,104	0.01%	63,104	0.01%	0.00%	0.00%
Sanjali Bajaj	63,104	0.01%	63,104	0.01%	0.00%	0.00%
Jamnalal Sons Pvt. Ltd.	127,640	0.02%	127,640	0.02%	0.00%	0.00%
Maharashtra Scooters Ltd.	18,974,660	3.13%	18,974,660	3.15%	0.00%	0.00%
Bajaj Allianz Life Insurance Company Ltd.	247,000	0.04%	200,000	0.03%	23.50%	0.00%
Baroda Industries Pvt. Ltd.	117,600	0.02%	117,600	0.02%	0.00%	0.00%
Bachhraj Factories Pvt. Ltd.	72,000	0.01%	72,000	0.01%	0.00%	0.00%
Neelima Bajaj Family Trust (Kumud Bajaj)	61,000	0.01%	61,000	0.01%	0.00%	Nil
Nimisha Bajaj Family Trust (Madhur Bajaj)	61,000	0.01%	61,000	0.01%	0.00%	Nil
Kumud Bajaj	2,000	0.00%	-	0.00%	Nil	Nil
Madhur Bajaj (A/c Kumud Neelima Family Trust)	15,000	0.00%	-	0.00%	Nil	Nil
Madhur Bajaj (A/c Kumud Nimisha Family Trust)	15,000	0.00%	-	0.00%	Nil	Nil
Kumud Bajaj (A/c Madhur Neelima Family Trust)	15,000	0.00%	-	0.00%	Nil	Nil
Kumud Bajaj (A/c Madhur Nimisha Family Trust)	15,000	0.00%	-	0.00%	Nil	Nil

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

23 Equity share capital (Contd.)

(f) Shares reserved for issue under employee stock option plan

	Particulars	No. of Stock options/ Equity shares as at 31 March 2022	No. of Stock options/ Equity shares as at 31 March 2022
a.	Number of equity shares approved/reserved for issue under Employee Stock Option Plan, 2009 to employees of the Parent 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)	35,071,160	25,071,160
b.	Options granted under the scheme	28,917,109	27,980,466
c.	Options cancelled and added back to pool for future grants	3,940,077	3,755,825
d.	Options granted net of cancellation under the scheme (d = b-c)	24,977,032	24,224,641
e.	Balance available under the scheme for future grants (e = a-d)	10,094,128	846,519
f.	Equity shares allotted to BFL Employee Welfare Trust	21,454,974	18,613,080
g.	Stock Options exercised	19,305,582	17,591,366
h.	Balance stock options available with BFL Employee Welfare Trust (h = f-g)	2,149,392	1,021,714

Consequent to the opinion expressed by the 'Expert Advisory Committee' of the Institute of Chartered Accountants of India on the applicability of clause 22A.1 of the SEBI Guidelines, the balance unexercised equity shares held by the Trust at the close of the year have been reduced against the share capital as if the trust is administered by the Parent Company itself. The securities premium related to the unexercised equity shares held by the Trust at the close of the year aggregating to ₹ 2,838,311,213 (As at 31 March 2021 ₹ 869,605,787) has also been reduced from securities premium account and adjusted against the loan outstanding from the Trust.

Dividends declared by the Parent Company do not accrete to unexercised options. Accordingly, any dividend received by the ESOP Trust is remitted to the Parent Company and adjusted against the source from which dividend has been paid.

24 Other equity

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
(i) Securities premium		
Balance at the beginning of the year	17,065.41	16,908.47
Add: Received during the year		
On allotment of shares to Trust for employees pursuant to stock options	369.46	122.80
On allotment of shares to employees pursuant to ESOP scheme	66.75	34.14
Less: Share issue expenses as per section 52 of the Companies Act, 2013	0.02	-
	17,501.60	17,065.41
Less: Premium on equity shares held in Trust for employees under the ESOP scheme	283.83	86.96
Balance at the end of the year	17,217.77	16,978.45

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

24 Other equity (Contd.)

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
(ii) Retained earnings		
Balance at the beginning of the year	14,242.84	10,752.91
Profit for the year	7,028.23	4,419.82
Item of other comprehensive income recognised directly in retained earnings		
On defined benefit plan	(3.81)	(24.59)
	21,267.26	15,148.14
Appropriations:		
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934	(1,271.00)	(792.00)
Transfer to reserve fund in terms of section 29C of the NHB Act, 1987	(81.93)	(71.30)
Transfer to infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961	(60.00)	(42.00)
Dividend paid	(603.59)	-
Adjustment of dividend to ESOP Trust [refer note no. 23 (f)]	1.25	-
Total appropriations	(2,015.27)	(905.30)
Balance at the end of the year	19,251.99	14,242.84
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	4,371.75	3,579.75
Add: Transferred during the year	1,271.00	792.00
Balance as at the end of the year	5,642.75	4,371.75
(iv) Reserve fund in terms of section 29C of the National Housing Bank Act, 1987		
Balance as at the beginning of the year	149.62	78.32
Add: Transferred during the year	81.93	71.30
Balance as at the end of the year	231.55	149.62
(v) General reserve		
Balance as at the beginning of the year	788.36	787.82
Add: Transfer on cancellation of stock options	0.15	0.54
Balance as at the end of the year	788.51	788.36
(vi) Infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961		
Balance as at the beginning of the year	83.65	41.65
Add: Transferred during the year	60.00	42.00
Balance as at the end of the year	143.65	83.65

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

24 Other equity (Contd.)

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
(vii) Other comprehensive income		
Balance as at the beginning of the year	(119.83)	(87.41)
Add: Addition/(Reduction) during the year	38.08	(32.42)
Balance as at the end of the year	(81.75)	(119.83)
(viii)Share options outstanding account		
Balance as at the beginning of the year	303.25	213.17
Add: Share based payments to employees	161.21	124.76
Less: Transfer on allotment of shares to employees pursuant to ESOP scheme	66.75	34.14
Less: Transfer on cancellation of stock options	0.15	0.54
Balance as at the end of the year	397.56	303.25
Total other equity	43,592.03	36,798.09

25 Nature and purpose of other equity

(i) Securities premium

Securities premium is used to record the premium on issue of shares. It can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

(ii) Retained earnings

Retained earnings represents the surplus in Profit and Loss Account and appropriations.The Group recognises change on account of remeasurement of the net defined benefit liability (asset) as part of retained earnings with separate disclosure, which comprises of:

- actuarial gains and losses;
- return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) ; and
- any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

(iii) Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934

Reserve fund is created as per the terms of section 45-IC(1) of the Reserve Bank of India Act, 1934 as a statutory reserve.

(iv) Reserve fund in terms of section 29C of the National Housing Bank Act,1987

Reserve fund is created as per the terms of section 29C of the National Housing Bank Act,1987 as a statutory reserve.

(v) General reserve

Amounts set aside from retained profits as a reserve to be utilised for permissible general purpose as per Law.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

25 Nature and purpose of other equity (Contd.)

(vi) Infrastructure reserve created under section 36(1)(viii) of the Income Tax Act, 1961

Infrastructure reserve is created to avail the deduction as per the provisions of section 36(1)(viii) of the Income Tax Act, 1961 on profits derived from the business of providing long term finance for construction or purchase of houses in India for residential purposes and for development of infrastructure facility in India.

(vii) Other comprehensive income

On equity investments

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated in the FVOCI equity investments reserve. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

On debt investments

The Group recognises changes in the fair value of debt instruments held with a dual business objective of collect and sell in other comprehensive income. These changes are accumulated in the FVOCI debt investments reserve. The Group transfers amounts from this reserve to profit or loss when the debt instrument is sold. Any impairment loss on such instruments is reclassified immediately to the Statement of Profit and Loss.

On cash flow hedge reserve

It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

On loans

The Group recognises changes in the fair value of loans measured under FVOCI in other comprehensive income and impairment loss allowances are recognised in profit or loss. The table gives details of movement of fair value changes:

(₹ in crore)

	As at 31 March	
Particulars	**2022**	**2021**
Balance as at the beginning of the year	-	-
Fair value changes during the year	56.37	200.62
Impairment loss allowances transferred to profit or loss	(56.37)	(200.62)
Balance as at the end of the year	-	-

(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 Parent Company for employees of the Group.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

26 Interest income*

(₹ in crore)

Particulars	For the year ended 31 March 2022				For the year ended 31 March 2021			
	On financial assets measured at				On financial assets measured at			
	FVOCI*	Amortised* cost	FVTPL	Total	FVOCI*	Amortised* cost	FVTPL	Total
On loans	2,432.06	24,429.85	-	26,861.91	2,015.85	20,990.30	-	23,006.15
On investments	182.71	115.61	67.99	366.31	149.77	47.35	58.44	255.56
On others	-	41.54	-	41.54	-	41.67	-	41.67
Total	2,614.77	24,587.00	67.99	27,269.76	2,165.62	21,079.32	58.44	23,303.38

* 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 2022	2021
Service and administration charges	1,161.57	1,313.82
Fees on value added services and products	449.39	369.71
Foreclosure income	226.92	144.56
Distribution income	1,199.17	612.48
Brokerage income	29.64	11.82
	3,066.69	2,452.39

28 Net gain on fair value changes

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
(A) Net gain/(loss) on financial instruments at fair value through profit or loss		
On trading portfolio:		
Realised gain/(loss) on investments at FVTPL	342.90	528.39
Unrealised gain/(loss) on investments at FVTPL	(26.56)	(21.47)
(B) Others		
Realised gain/(loss) on sale of FVOCI debt instruments	11.40	84.30
	327.74	591.22

29 Sale of services

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
Service fees for management of assigned portfolio of loans	74.96	157.53
	74.96	157.53

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

30 Other operating income

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
Recoveries against financial assets	833.61	162.64
Net realisation on sale of written off loans	59.66	0.94
	893.27	163.58

31 Other income

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
Interest on income tax refund	0.10	4.77
Net gain on foreign currency transactions and translation	0.39	-
Miscellaneous income	7.50	10.18
	7.99	14.95

32 Finance costs

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
On financial liabilities measured at amortised cost:		
On debt securities	4,245.24	3,503.25
On borrowings other than debt securities	3,098.03	3,766.33
On deposits	2,039.55	1,746.10
On subordinated debts	326.14	335.64
On lease liability	30.99	29.30
On others	8.29	33.38
	9,748.24	9,414.00

33 Fees and commission expense

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
Commission and incentives	80.67	40.03
Recovery costs	1,590.38	1,150.81
Credit guarantee fees	70.22	50.43
Loan portfolio management service charges	4.28	5.21
	1,745.55	1,246.48

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

34 Impairment on financial instruments

(₹ in crore)

Particulars	For the year ended 31 March 2022			For the year ended 31 March 2021		
	At amortised cost	At FVOCI	Total	At amortised cost	At FVOCI	Total
On loans	4,671.60	130.96	4,802.56	5,736.46	206.02	5,942.48
On others	0.84	-	0.84	26.10	-	26.10
	4,672.44	130.96	4,803.40	5,762.56	206.02	5,968.58

35 Employee benefits expenses

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
Employees emoluments	3,166.54	2,165.77
Contribution to provident fund and other funds	163.71	120.51
Share based payment to employees	161.03	124.75
Staff welfare expenses	98.38	87.64
	3,589.66	2,498.67

36 Other expenses

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
Communication expenses	139.03	80.72
Outsourcing/back office expenses	194.57	130.71
Travelling expenses	128.39	61.05
Information technology expenses	438.11	227.90
Bank charges	99.44	105.35
Net loss on disposal of property, plant and equipment and intangible assets	24.84	6.85
Auditor's fees and expenses*	2.14	0.82
Insurance	5.99	5.25
Rent, taxes and energy cost	50.18	35.44
Director's fees, commission and expenses	4.96	3.75
Advertisement, branding and promotion	176.89	104.16
Expenditure towards Corporate Social Responsibility activities+	128.64	110.98
Repairs and maintenance	92.46	87.91
Printing and stationery	8.89	8.31
Legal and professional charges	25.69	17.92
Customer experience	93.40	79.17
Miscellaneous expenses	251.59	171.50
	1,865.21	1,237.79

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

36 Other expenses (Contd.)

* Payment to auditor (net of service tax / GST credit availed)

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
Audit fees	1.27	0.46
Tax audit fee	0.16	0.06
Limited review fees	0.42	0.10
In other capacity:		
Other services	0.26	0.20
Reimbursement of expenses	0.03	-
	2.14	0.82

+ Corporate Social Responsibility expenditure

(₹ in crore)

	Particulars	For the year ended 31 March 2022	2021
(a)	Gross amount required to be spent by the Group during the year	129.16	110.46
(b)	Excess/(Shortfall) amount spent in previous financial year carried forward	0.52	-
(c)	Net amount required to be spent by the Company during the year (a-b)	128.64	110.46
(d)	Amount spent during the year on:		
	(i) Construction/acquisition of any asset	7.38	-
	(ii) On purpose other than (i) above	60.38	110.98
(e)	Excess/(Shortfall) at the end of the year (d-c)	(60.88)	0.52
(f)	Total of previous years shortfall	-	-
(g)	Reason for shortfall	Refer note (i) below	NA
(h)	Nature of CSR activities (activities as per Schedule VII)	Activities mentioned in i, ii, iii, x	Activities mentioned in i, ii, iii, viii, ix, x
(i)	Details of related party transactions	NA	NA
(j)	Where a provision is made with respect to a liability incurred by entering into a contractual obligation		
	Opening provision balance	-	-
	Provision created during the year	60.88	-
	Closing provision balance	60.88	-

Note:

(i) Due to COVID-19 pandemic and the resultant lock-down, some part of the mandatory obligations for an ongoing projects remained unspent as on 31 March 2022, thereby requiring it to be transferred to an unspent corporate social responsibility account. Accordingly, the Parent Company has opened designated account with schedule commercial bank to transfer unspent amount of ₹ 60.88 crore.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

37 Earnings per share (EPS)

In accordance with Ind AS 33 'Earnings per share', Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares of the Parent Company.

The following reflects the income and share data used in the basic and diluted EPS computations:

	For the year ended 31 March	
Particulars	**2022**	**2021**
(A) Net profit attributable to equity shareholders (₹ in crore)	7,028.23	4,419.82
(B) Weighted average number of equity shares for basic earnings per share	602,574,303	600,670,592
Effect of dilution:		
Employee stock options	4,392,156	4,825,269
(C) Weighted average number of equity shares for diluted earnings per share	606,966,459	605,495,861
Earnings per share (basic) (₹) (A/B)	116.64	73.58
Earnings per share (diluted) (₹) (A/C)	115.79	73.00

38 Segment Information

The Parent Company and one of its subsidiary viz BHFL is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per Ind AS 108 dealing with Operating Segment.

One of the subsidiary viz. BFinsec has started broking operations in financial year 2019-20. 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.

39 Transfer of financial assets that are derecognised in their entirety where the Group has continuing involvement

The Group has not transferred any assets that are derecognised in their entirety where the Group continues to have continuing involvement.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

40 Revenue from contracts with customers

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
Type of services		
Service and administration charges	1,161.57	1,313.82
Fees on value added services and products	449.39	369.71
Foreclosure charges	226.92	144.56
Distribution income	1,199.17	612.48
Brokerage income	29.64	11.82
	3,066.69	2,452.39
Geographical markets		
In India	3,066.69	2,452.39
Outside India	-	-
	3,066.69	2,452.39
Timing of revenue recognition		
Services transferred at a point in time	3,066.69	2,452.39
Services transferred over time	-	-
	3,066.69	2,452.39

Contract balances

(₹ in crore)

Particulars	As at 31 March 2022	2021
Fees, commission and other receivables	359.07	415.84
	359.07	415.84

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

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

41 Employee benefit plans

Defined benefit plans

(A) Gratuity

The Group has a gratuity plan for its employee's which is governed by the Payment of Gratuity Act, 1972. The gratuity benefit payable to the employees of the Group is greater of the provisions of the Payment of Gratuity Act, 1972 and the Group's gratuity scheme. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The level of benefits provided depends on the employee's length of service, managerial grade and salary at retirement age. The gratuity plan is a funded plan and the Group makes contributions to approved gratuity fund.

Movement in defined benefit obligations

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
Defined benefit obligation as at the beginning of the year	230.10	166.55
Current service cost	44.74	35.07
Past service cost	-	(6.27)
Interest on defined benefit obligation	15.26	10.93
Remeasurement due to:		
Actuarial loss/(gain) arising from change in financial assumptions	(13.13)	(0.33)
Actuarial loss/(gain) arising from change in demographic assumptions	(5.41)	14.81
Actuarial loss/(gain) arising on account of experience changes	25.22	11.90
Benefits paid	(12.80)	(3.37)
Liabilities assumed/(settled)*	-	0.81
Defined benefit obligation as at the end of the year	283.98	230.10

* On account of business combination within Group

Movement in plan assets

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
Fair value of plan asset as at the beginning of the year	137.06	115.84
Employer contributions	33.01	16.61
Interest on plan assets	9.99	8.54
Remeasurements due to:		
Actual return on plan assets less interest on plan assets	(2.07)	(1.37)
Benefits paid	(12.80)	(3.37)
Assets acquired/(settled)*	-	0.81
Fair value of plan asset as at the end of the year	165.19	137.06

* On account of business combination within Group

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

41 Employee benefit plans (Contd.)

Reconciliation of net liability/asset

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
Net defined benefit liability/(asset) as at the beginning of the year	93.05	50.72
Expense charged to Statement of Profit and Loss	50.01	31.19
Amount recognised in other comprehensive income	8.75	27.75
Employers contributions	(33.01)	(16.61)
Net defined benefit liability/(asset) as at the end of the year	118.80	93.05

Expenses charged to the Statement of Profit and Loss

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
Current service cost	44.74	35.07
Past service cost	-	(6.27)
Interest cost	5.27	2.39
	50.01	**31.19**

Remeasurement (gains)/losses in other comprehensive income

(₹ in crore)

Particulars	For the year ended 31 March 2022	2021
Opening amount recognised in other comprehensive income	96.84	69.09
Changes in financial assumptions	(13.13)	(0.33)
Changes in demographic assumptions	(5.41)	14.81
Experience adjustments	25.22	11.90
Actual return on plan assets less interest on plan assets	2.07	1.37
Closing amount recognised outside profit or loss in other comprehensive income	105.59	96.84

Amount recognised in Balance Sheet

(₹ in crore)

Particulars	As at 31 March 2022	2021
Present value of funded defined benefit obligation	283.50	229.90
Fair value of plan assets	165.18	137.05
Net funded obligation	118.32	92.85
Present value of unfunded defined benefit obligation	0.48	0.20
Net defined benefit liability recognised in Balance Sheet	118.80	93.05

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

41 Employee benefit plans (Contd.)

Key actuarial assumptions

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Discount rate	7.25%	6.80%
Salary escalation rate (p.a.)	11%	11%
Category of plan assets		
Insurer managed funds	100%	100%

Sensitivity analysis for significant assumptions

Particulars	As at 31 March 2022		As at 31 March 2021	
	Discount rate	Salary escalation rate	Discount rate	Salary escalation rate
Impact of increase in 50 bps on defined benefit obligation	(4.06%)	4.21%	(5.26%)	5.46%
Impact of decrease in 50 bps on defined benefit obligation	4.38%	(3.94%)	5.71%	(5.09%)

Projected plan cash flow

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Maturity Profile		
Expected benefits for year 1	18.24	12.40
Expected benefits for year 2	18.74	13.18
Expected benefits for year 3	21.01	14.43
Expected benefits for year 4	20.96	16.11
Expected benefits for year 5	22.15	15.93
Expected benefits for year 6	21.05	17.21
Expected benefits for year 7	19.40	16.27
Expected benefits for year 8	26.42	15.00
Expected benefits for year 9	23.11	22.60
Expected benefits for year 10 and above	509.25	421.05

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

41 Employee benefit plans (Contd.)

Expected contribution to fund in the next year

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Expected contribution to fund in the next year	32.50	32.50

(B) Compensated absences

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Maturity Profile		
Present value of unfunded obligations	12.84	11.37
Expense recognised in the Statement of Profit and Loss	5.30	3.19
Discount rate (p.a.)	7.25%	6.80%
Salary escalation rate (p.a)	11%	11%

(C) Long term service benefit liability

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Present value of unfunded obligations	23.96	20.08
Expense recognised in the Statement of Profit and Loss	4.84	9.41
Discount rate (p.a.)	7.25%	6.80%

(D) Provident fund

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions and where there is no legal or constructive obligation to pay further contributions. During the year, the Group recognised expense of ₹ 55.22 crore towards contribution made to provident fund under defined contribution plan.

With effect from 1 April 2021, the group migrated to Employees' Provident Fund Organisation (EPFO). Till 31 March 2021 the provident fund contribution was made to Bajaj Auto Ltd. Provident Fund Trust. As required by the guidance note issued by the Institute of Actuaries of India, valuation of provident fund liability was obtained from the actuary based on the assumptions listed below. The assumptions used in determining the present value of obligation of interest rate guarantee under deterministic approach are as set out below:

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

41 Employee benefit plans (Contd.)

Movement in defined benefit obligations

(₹ in crore)

Particulars	For the year ended 31 March 2021
Defined benefit obligations at the beginning of the year	428.71
Current service cost	35.44
Interest on defined benefit obligation	30.83
Remeasurement due to:	
Actuarial loss/(gain) arising from change in financial assumptions	5.10
Actuarial loss/(gain) arising on account of experience changes	10.68
Employees contribution	83.64
Benefits paid	(21.63)
Liabilities assumed/(settled)*	3.93
Defined benefit obligation as at the end of the year	576.70

* On account of business combination within Group

Movement in defined benefit plan

(₹ in crore)

Particulars	For the year ended 31 March 2021
Fair value of plan asset as at the beginning of the year	428.71
Interest on plan assets	30.83
Remeasurements due to:	
Actual return on plan assets less interest on plan assets	10.68
Employer contribution	35.44
Employees contribution	83.64
Benefits paid	(21.63)
Assets acquired/(settled)	3.93
Fair value of plan asset as at the end of the year	571.60

* On account of business combination within Group

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

41 Employee benefit plans (Contd.)

Reconciliation of net liability/asset

(₹ in crore)

Particulars	For the year ended 31 March 2021
Net defined benefit liability/(asset) as at the beginning of the year	-
Expense charged to Statement of Profit and Loss	35.44
Amount recognised in other comprehensive income	5.10
Employer contributions	(35.44)
Net defined benefit liability/(asset) as at the end of the year	5.10

Expenses charged to the Statement of Profit and Loss

(₹ in crore)

Particulars	For the year ended 31 March 2021
Current service cost	35.44
	35.44

Remeasurement gains/(losses) in other comprehensive income

(₹ in crore)

Particulars	For the year ended 31 March 2021
Opening amount recognised in OCI	-
Changes in financial assumptions	5.10
Experience adjustments	10.68
Actual return on plan assets less interest on plan assets	(10.68)
Closing amount recognised in OCI	5.10

Amount recognised in Balance Sheet

(₹ in crore)

Particulars	As at 31 March 2021
Present value of funded defined benefit obligation	576.70
Fair value of plan assets	571.60
Net funded obligation	5.10
Net defined benefit liability/(asset) recognised in Balance Sheet	5.10

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

41 Employee benefit plans (Contd.)

Key actuarial assumptions

Particulars	As at 31 March 2021
Discount rate (p.a.)	6.80%
Future derived return on assets (p.a.)	8.67%
Discount rate for the remaining term to maturity of the investment (p.a.)	6.25%
Average historical yield on the investment portfolio (p.a.)	8.12%
Guaranteed rate of return (p.a.)	8.00%

Category of plan assets

(₹ in crore)

Particulars	As at 31 March 2021
Government debt securities	299.48
Other debt instruments	206.39
Others	65.73
	571.60

Sensitivity analysis for significant assumptions

The following table summarizes the impact in absolute terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the difference between the rate earned and the guaranteed rate.

(₹ in crore)

Particulars	As at 31 March 2021	
	0.5% increase	0.5% decrease
Impact on defined benefit obligation	1.77%	(0.88%)

The Indian Parliament has approved the Code on Social Security, 2020 which subsumes the provident fund and the Gratuity Act and rules there under. The Ministry of Labour and Employment has also released draft rules thereunder on 13 November 2020, and has invited suggestions from stakeholders which are under active consideration by the Ministry. The Group will evaluate the rules, assess the impact, if any, and account for the same once the rules are notified and become effective.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

42 Contingent liabilities and commitments

(a) Contingent liabilities not provided for in respect of

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Disputed claims against the Group not acknowledged as debts	57.10	53.83
VAT matters under appeal	4.29	4.29
ESI matters under appeal	5.14	5.14
Guarantees provided	2.50	0.25
Service tax/Goods and Service Tax matters under appeal		
On interest subsidy [Refer (ii) below]	2,034.72	1,905.44
On additional reversal of credit on investment activity [Refer (iv) below]	545.47	-
On penal interest/ charges [Refer (iii) below]	251.37	237.25
On others	13.73	6.42
Income tax matters		
Appeals by the Group	9.54	-
Appeals by the Income tax department	0.28	0.28

(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 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 2022 amounted to ₹ 787.26 crore. In accordance with legal advice, the Parent Company filed an appeal on 6 July 2017 with the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai disputing the demands. The Parent Company, in line with the opinion obtained from a senior legal counsel, is of view that the said demands are not tenable.

In addition, the Principal Commissioner, Central GST and Central Excise, Commissionerate Pune -I, through order dated 3 February 2021, has confirmed the demand of service tax of ₹ 217.22 crore and penalty thereon of ₹ 21.72 crore from the Parent Company in relation to the interest subsidy received from manufacturers and dealers during the period 1 October 2016 to 30 June 2017. The Principal Commissioner has also demanded payment of interest on the service tax amount confirmed until the date the Parent Company pays the service tax demanded, which as at 31 March 2022 amounted to ₹ 164.92 crore. In accordance with legal advice, the Parent Company filed an appeal on 14 June 2021 with the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai against the said demand. The Parent Company, in line with the opinion obtained from a senior legal counsel, is of view that the said demands are not tenable.

(iii) The Commissioner, Central Excise and CGST, Commissionerate Pune-I, through an order dated 7 September 2018, has confirmed the demand of service tax of ₹ 53.87 crore and penalties of ₹ 53.87 crore from the Parent Company in relation to the penal interest/ charges the Parent Company received from the customers during the period 1 July 2012 to 31 March 2016. In addition, the Commissioner has demanded payment of interest on the service tax amount confirmed until the date the Parent Company pays the service tax demanded, which as at 31 March 2022 amounted to ₹ 67.62 crore. In accordance with legal advice, the Parent Company filed an appeal on 26 December 2018 with the Customs, Excise and Service Tax Appellate Tribunal, Mumbai disputing the demands. The Parent Company, in line with the opinion obtained from a legal counsel, is of view that the said demands are not tenable.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

42 Contingent liabilities and commitments (Contd.)

In addition, the Principal Commissioner, Central GST and Central Excise, Commissionerate Pune-I, through an order dated 30 December 2019, has confirmed the demand of service tax of ₹ 40.22 crore and penalty thereon of ₹ 4.02 crore on penal interest/ charges received by the Parent Company from the customers during the period 1 April 2016 to 30 June 2017. The Principal Commissioner has also demanded payment of interest on the service tax amount demanded, until the date the Parent Company pays the demand, which as at 31 March 2022, amounted to ₹ 31.77 crore. In accordance with legal advice, the Parent Company filed an appeal on 28 August 2020 with the Customs, Excise and Service Tax Appellate Tribunal, Mumbai disputing the demands. The Parent Company, in line with the opinion obtained from a legal counsel, is of view that the said demands are not tenable.

(iv) The Commissioner, Central Excise and CGST, Commissionerate Pune-I, through an order dated 15 November 2021, has confirmed the demand of service tax of ₹ 188.37 crore and penalty of ₹ 188.37 crore from the Company alleging short reversal of Cenvat credit with respect to investment activity in accordance with Rule 6(3)(i) Cenvat Credit Rules, 2004 during the period 1 October 2014 to 30 June 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 2022 amounted to ₹ 168.73 crore. In accordance with legal advice, the Company filed an appeal on 17 February 2022 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.

(v) It is not practicable for the Parent Company to estimate the timings of the cash flows, if any, in respect of the above pending resolution of the respective proceedings.

(b) Capital and other commitments

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
(i) Capital commitments (Estimated amount of contracts remaining to be executed on capital account not provided for (net of advances))		
Tangible	9.66	20.67
Intangible	23.42	14.92
(ii) Other commitments		
Towards partially disbursed/un-encashed loans	4,609.67	2,990.58
Towards future corporate social responsibility spend	82.65	-
	4,725.40	3,026.17

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

43 (a) Changes in capital and asset structure arising from financing activities and investing activities (Ind AS 7 'Statement of Cash flows')

The Group does not have any financing activities and investing activities which affect the capital and asset structure of the Group without the use of cash and cash equivalents.

43 (b) Changes in liability arising from financing activities (Ind AS 7 'Statement of Cash flows')

(₹ in crore)

Particulars	As at 1 April 2021	Cash flows	Exchange difference	Other	As at 31 March 2022
Debt securities	54,502.14	21,170.59	-	550.34	76,223.07
Borrowings (other than debt securities)	47,429.36	6,870.61	37.53	26.06	54,363.56
Deposits	25,803.43	4,784.07	-	212.02	30,799.52
Subordinated debts	3,898.61	(50.02)	-	(2.82)	3,845.77
	131,633.54	32,775.25	37.53	785.60	165,231.92

(₹ in crore)

Particulars	As at 1 April 2020	Cash flows	Exchange difference	Other	As at 31 March 2021
Debt securities	49,537.36	4,937.14	-	27.64	54,502.14
Borrowings (other than debt securities)	54,700.17	(7,154.27)	(155.26)	38.72	47,429.36
Deposits	21,427.15	4,172.75	-	203.53	25,803.43
Subordinated debts	4,141.75	(228.72)	-	(14.42)	3,898.61
	129,806.43	1,726.90	(155.26)	255.47	131,633.54

Notes to consolidated financial statements for the year ended 31 March 2022 (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	2022 Transaction value	2022 Outstanding amounts carried in Balance Sheet	2021 Transaction value	2021 Outstanding amounts carried in Balance Sheet
(A) Holding Company					
1. Bajaj Finserv Ltd.	Contribution to equity (317,816,130 shares of ₹ 2 each)	-	(63.56)	-	(63.56)
	Dividend paid	317.82	-	-	-
	Business support charges paid	38.78	-	28.95	-
	Business support charges received	1.87	-	1.68	-
	Secured non-convertible debentures issued	-	(1,035.00)	-	(675.00)
	Secured non-convertible debentures redemption	35.00	-	560.00	-
	Interest paid on non-convertible debentures	51.17	-	74.27	-
	License fee paid (Previous year transaction value ₹ 10,110)	-	-		-
	Asset sale	0.01	-	0.23	-
(B) Fellow subsidiaries					
1. Bajaj Allianz Life Insurance Company Ltd.	Contribution to equity (247,000 shares of ₹ 2 each, Previous year 200,000 shares of ₹ 2 each)	-	(0.05)	-	(0.04)
	Dividend paid	0.20	-	-	-
	Security deposit for leased premises	-	1.53	0.93	1.53
	Insurance expenses	36.71	-	11.71	-
	Advance for employee insurance	-	1.48	-	3.91
	Commission income (outstanding ₹ 14,387)	14.89		10.61	(0.07)
	Secured non-convertible debentures issued	-	(200.00)	-	(200.00)
	Unsecured non-convertible debentures issued	642.00	(2,421.70)	-	(1,779.70)
	Secured non-convertible debentures redemption	-	-	20.00	-
	Unsecured non-convertible debentures redemption	-	-	1.80	-
	Interest paid on non-convertible debentures	174.02	-	120.23	-
	Business support charges paid	-	-	0.23	-
	Business support charges received	-	-	0.01	0.07
	Rent and maintenance expenses	1.81	-	1.13	-
	Asset purchase (Previous year transaction value ₹ 11,384)	-	-		-
	Other payment	-	-	0.02	-
	Loan insurance expenses	-	-	14.34	-
2. Bajaj Allianz General Insurance Company Ltd.	Insurance expenses	46.61	-	33.44	-
	Advance for employee insurance	-	52.29	-	36.56
	Commission income	12.91	1.00	8.33	0.91
	Secured non-convertible debentures issued	-	(860.00)	-	(910.00)
	Secured non-convertible debentures redemption	50.00	-	-	-
	Unsecured non-convertible debentures issued	-	(40.00)	-	(40.00)
	Interest paid on non-convertible debentures	74.54	-	68.51	-
	Business support charges received	2.93	-	3.92	-
	Asset purchase	0.01	-	-	-
	Asset sale (outstanding ₹ 18,190)	0.10		-	-
	Interest subsidy received	4.16	-	2.89	-

Notes to consolidated financial statements for the year ended 31 March 2022 (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	2022 Transaction value	2022 Outstanding amounts carried in Balance Sheet	2021 Transaction value	2021 Outstanding amounts carried in Balance Sheet
3.	Bajaj Finserv Direct Ltd.	Investment in equity shares	2.69	2.69	-	-
		Deemed equity at cost	280.47	280.47	-	-
		Business support charges paid	40.50	(5.34)	29.41	(2.68)
		Business support charges received	1.32	-	1.17	0.11
		Sourcing commission paid	66.62	(9.16)	36.51	(6.40)
		Asset sale	0.06	-	0.18	0.14
		Asset purchase (outstanding ₹ 2,967)	44.64		12.44	(13.52)
		Interest subsidy received	-	-	0.07	-
		Platform usage charges	31.22	-	11.97	(13.23)
		Other receipts	-	-	0.07	-
		Other payments	-	-	0.02	-
4.	Bajaj Finserv Health Ltd.	Business support charges paid	1.76	-	0.46	(0.31)
		Business support charges received	-	-	0.14	-
		Interest subsidy received	1.88	-	0.25	-
		Asset sale	0.24	-	0.02	0.02
		Commission income	54.48	12.30	7.88	7.68
(C)	**Key management personnel (KMP) and their relatives**					
1.	Rahul Bajaj (Director till 30 April 2021) (Chairman Emeritus till 12 February 2022)	Sitting fees	0.01	-	0.06	-
		Commission	0.02	(0.02)	0.12	(0.11)
2.	Sanjiv Bajaj (Chairman)	Sitting fees	0.42	-	0.25	-
		Commission	0.61	(0.54)	0.36	(0.33)
3.	Sanjali Bajaj (Daughter of Sanjiv Bajaj, Chairman of the Company)	Remuneration	0.09	-	-	-
4.	Rajeev Jain (Managing Director)	Remuneration	14.17	(1.66)	9.72	(1.50)
		Equity shares issued pursuant to stock option scheme	12.77	-	8.11	-
		Fair value of stock options granted	19.44	-	15.56	-
5.	Madhur Bajaj (Director)	Sitting fees	0.06	-	0.06	-
		Commission	0.15	(0.13)	0.12	(0.11)
6.	Rajiv Bajaj (Director)	Sitting fees	0.05	-	0.06	-
		Commission	0.12	(0.11)	0.12	(0.11)
7.	Dipak Poddar (Director)	Sitting fees	0.12	-	0.10	-
		Commission	0.29	(0.26)	0.20	(0.19)
8.	Ranjan Sanghi (Director)	Sitting fees	0.13	-	0.14	-
		Commission	0.31	(0.28)	0.28	(0.26)

Notes to consolidated financial statements for the year ended 31 March 2022 (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	2022 Transaction value	2022 Outstanding amounts carried in Balance Sheet	2021 Transaction value	2021 Outstanding amounts carried in Balance Sheet
9.	D J Balaji Rao (Director)	Sitting fees	0.06	-	0.06	-
		Commission	0.15	(0.13)	0.12	(0.11)
10.	Dr. Omkar Goswami (Director till 9 July 2021)	Sitting fees	0.05	-	0.21	-
		Commission	0.08	(0.07)	0.34	(0.31)
11.	Dr. Gita Piramal (Director)	Sitting fees	0.06	-	0.07	-
		Commission	0.15	(0.13)	0.14	(0.13)
12.	Anami Narayan Roy (Director)	Sitting fees	0.31	-	0.11	-
		Commission	0.49	(0.44)	0.16	(0.15)
13.	Dr. Naushad Forbes (Director)	Sitting fees	0.14	-	0.10	-
		Commission	0.34	(0.31)	0.20	(0.19)
14.	Pramit Jhaveri (Director w.e.f. 1 August 2021)	Sitting fees	0.08	-	-	-
		Commission	0.20	(0.18)	-	-
15.	Atul Jain (CEO - Bajaj Housing Finance Ltd.)	Remuneration	8.14	(1.14)	7.51	-
		Fair value of stock options granted	4.46	-	3.23	-
16.	Manish Jain (Director - Bajaj Financial Securities Ltd.)	Nil	-	-	-	-
17.	Lila Poonawala (Director - Bajaj Housing Finance Ltd.)	Sitting Fees	0.17	-	0.07	-
18.	Ajita Kakde (Director - Bajaj Financial Securities Ltd.)	Nil	-	-	-	-
19.	Radhika Singh (Spouse of Dr. Omkar Goswami, Director till 9 July 2021)	Fixed deposit accepted	-	(2.00)	-	(2.00)
		Interest accrued on fixed deposit	0.04	-	0.16	-
20.	Shekher Bajaj	Nil	-	-	-	-
21.	Niraj Bajaj	Nil	-	-	-	-
(D)	**Entities in which KMP and their relatives have significant influence**					
1.	Bajaj Auto Ltd.	Investment in equity shares (₹ 7,685, Previous year ₹ 7,685)	-		-	
		Security deposit for leased premises (transaction value ₹ 38,964)		0.24	-	0.23
		Interest subsidy received	11.02	-	1.72	-
		Business support charges paid	26.98	-	20.32	(0.88)
		Business support charges received	0.59	-	0.23	0.02
		Secured non-convertible debentures issued	-	(500.00)	-	-
		Rent expenses	1.34	-	1.29	-
		Dividend received (transaction value ₹ 21,000)		-	-	-
		Fixed deposit accepted	-	-	-	(100.00)
		Fixed deposit repaid	100.00	-	400.00	-
		Interest accrued on fixed deposit	0.90	-	8.00	(10.23)

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

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

(₹ in crore)

		2022		2021	
Name of the related party and nature of relationship	**Nature of Transaction**	**Transaction value**	**Outstanding amounts carried in Balance Sheet**	**Transaction value**	**Outstanding amounts carried in Balance Sheet**
2. Bajaj Holdings & Investments Ltd.	Investment in equity shares (₹ 19,646, Previous year ₹ 19,646)	-		-	
	Secured non-convertible debentures issued	-	(150.00)	-	(300.00)
	Secured non-convertible debentures redemption	150.00	-	-	-
	Interest paid on non-convertible debentures	23.39	-	23.39	-
	Business support charges paid	9.94	(0.05)	15.71	-
	Business support charges received	0.41	-	0.36	-
	Dividend received (transaction value ₹ 9,750)		-	-	-
3. Mukand Ltd.	Loan repayment	-	-	25.14	-
	Interest income	-	-	1.33	-
4. Hind Musafir Agency Ltd.	Services received	7.62	(0.17)	2.46	0.03
5. Bajaj Electricals Ltd.	Asset purchase	0.04	-	0.64	(0.12)
	Interest subsidy received	0.06	0.02	0.02	0.02
	Other expenses	-	-	0.03	-
6. Jamnalal Sons Pvt. Ltd.	Contribution to equity (127,640 shares of ₹ 2 each)	-	(0.03)	-	(0.03)
	Dividend paid	0.13	-	-	-
	Security deposit for leased premises	0.03	0.22	-	0.19
	Rent and maintenance expenses	0.59	-	0.49	(0.01)
7. Maharashtra Scooters Ltd.	Contribution to equity (18,974,660 shares of ₹ 2 each)	-	(3.79)	-	(3.79)
	Dividend paid	18.97	-	-	-
	Business support charges received	0.14	-	0.16	-
	Secured non-convertible debentures issued	-	(260.00)	-	(185.00)
	Secured non-convertible debentures redemption	-	-	5.00	-
	Interest paid on non-convertible debentures	12.92	-	7.51	-
8. Hercules Hoists Ltd.	Fixed deposit accepted	-	(6.50)	-	(6.50)
	Interest accrued on fixed deposit	0.58	(1.09)	0.54	(0.58)
9. Poddar Housing And Development Ltd.	Loan given	-	-	-	13.00
	Loan repayment received	13.00	-	-	-
	Interest Income	1.07	-	1.71	0.02
10. Bachhraj Factories Pvt. Ltd.	Contribution to equity (72,000 shares of ₹ 2 each)	-	(0.01)	-	(0.01)
	Dividend paid	0.07	-	-	-
11. Baroda Industries Pvt. Ltd.	Contribution to equity (117,600 shares of ₹ 2 each)	-	(0.02)	-	(0.02)
	Dividend paid	0.12	-	-	-
12. CERG Advisory Pvt. Ltd.	Business support charges paid	0.05	-	-	-

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

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

(₹ in crore)

		2022		2021	
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**
(E) Post employment benefit plans					
1. Bajaj Auto Ltd. Provident Fund	Unsecured non-convertible debentures issued	-	(46.00)	-	(46.00)
	Unsecured non-convertible debentures redemption	-	-	6.00	-
	Interest paid on non-convertible debentures	4.35	-	4.92	-
	Provident fund contribution (employer's share)	1.44	-	35.45	(10.99)
2. Bajaj Auto Employees Superannuation Fund	Superannuation contribution	0.38	-	0.42	-
3. Bajaj Auto Employees Group Gratuity Fund	Gratuity contribution	13.00	-	14.65	-
4. Bajaj Auto Senior Staff Group Gratuity Fund	Gratuity contribution	20.50	-	2.50	-

Notes

- Transaction values are excluding taxes and duties.
- Amount in bracket denotes credit balance.
- Transactions where Group act as intermediary and passed through Group's books of accounts are not in nature of related party transaction and hence are not disclosed.
- Insurance claims received by the Group on insurance cover taken by it on its assets are not in nature of related party transaction, hence not disclosed.
- 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 key managerial personnel and information available with the Company. All above transactions are in the ordinary course of business and on arms' length basis. All outstanding balances are to be settled in cash and are unsecured except secured non-convertible debentures issued to related parties which are disclosed appropriately.
- During the year, the Group has received broking and demat charges amounting to ₹ 513,368 and ₹ 3,859 receptively from KMPs/Directors and their relatives out of which ₹ 176 is outstanding as on 31 March 2022.
- Provisions for gratuity, compensated absences and other long term service benefits are made for the Group as a whole and the amounts pertaining to the key management personnel are not specifically identified and hence are not included above.
- Non-convertible debentures (NCDs) transactions include only issuance from primary market,and outstanding balance is balances of NCDs held by related parties as on reporting date.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

45 Capital

The Group actively manages its capital base to cover risks inherent to its business and meets the capital adequacy requirement of RBI and NHB. The adequacy of the Group's capital is monitored using, among other measures, the regulations issued by RBI and NHB.

(i) Capital management

Objective

The Group's objective is to maintain appropriate levels of capital to support its business strategy taking into account the regulatory, economic and commercial environment. The Group aims to maintain a strong capital base to support the risks inherent to its business and growth strategies. The Group endeavours to maintain a higher capital base than the mandated regulatory capital at all times.

Planning

The Group's assessment of capital requirement is aligned to the mandatory regulatory capital and 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 assets ratio (CRAR) on a monthly basis through its Assets Liability Management Committee (ALCO).

The Group endeavours to maintain its CRAR higher than the mandated regulatory norm. Accordingly, increase in capital is planned well in advance to ensure adequate funding for its growth.

The Parent Company's dividend distribution policy states that subject to profits and other financial parameters as per applicable legal provisions, the Board shall endeavour to maintain a dividend payout in the range of 15% to 25% of profits after tax on standalone financials, to the extent possible.

Further, the Parent Company supports funding needs of its wholly owned subsidiaries by way of capital infusion and loans. These investments are funded by the Parent Company through its equity share capital and other equity which inter alia includes retained profits.

(ii) Regulatory capital

Bajaj Finance Ltd.

(₹ in crore)

	As at 31 March	
Particulars	**2022**	**2021**
Tier I capital	38,570.88	32,838.50
Tier II capital	3,850.54	4,179.83
Total capital (Tier I + Tier II)	42,421.42	37,018.33
Risk weighted assets	155,832.47	130,767.50
Tier I CRAR	24.75%	25.11%
Tier II CRAR	2.47%	3.20%
CRAR (Tier I + Tier II)	27.22%	28.31%

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

45 Capital (Contd.)

Bajaj Housing Finance Ltd.

(₹ in crore)

Particulars	As at 31 March 2022	As at 31 March 2021
Tier I capital	6,469.01	5,820.36
Tier II capital	259.95	178.68
Total capital (Tier I+Tier II)	6,728.96	5,999.04
Risk weighted assets	34,126.15	28,119.67
Tier I CRAR	18.95%	20.70%
Tier II CRAR	0.76%	0.63%
CRAR (Tier I + Tier II)	19.71%	21.33%

(iii) Dividend distribution made and proposed

Subsidiaries have not paid any dividend so far and have not recommended any dividend for financial year ended 31 March 2022 as well.

Dividends on equity shares paid and proposed by Bajaj Finance Ltd. during the year

(₹ in crore)

Particulars	FY2022	FY2021
Dividend paid including dividend distribution tax out of profits of previous year*	603.59	-
Profit for the relevant year	3,955.51	4,881.12
Dividend as a percentage of profit for the relevant year	15.26%	-

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

Proposed for approval at the annual general meeting (not recognised as a liability as on 31 March 2022)

(₹ in crore)

	FY2022
Dividend on equity share at ₹ 20 per share (a)	1,210.86
Profit after tax for the year ended 31 March 2022 (b)	6,350.49
Dividend proposed as a percentage of profit after tax (a/b)	19.07%

46 Events after reporting date

There have been no events after the reporting date that require adjustment/disclosure in these financial statements.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

47 Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques.

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.

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 reviewed and validated by various units of the Group including risk, treasury and finance. The Group has an established procedure governing valuation which ensures 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 under FVTPL have been determined under level 1 using quoted market prices of the underlying instruments.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

47 Fair values (Contd.)

- Fair values of investments in unquoted equity instruments designated under FVOCI have been measured under level 3 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 2.
- Derivative financial instrument i.e. 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. Fair value of CCIRS has been determined under Level 2 using 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 to arrive at the fair value as at reporting date.

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.

Quantitative disclosures of fair value measurement hierarchy for financial instruments measured at fair value as at 31 March 2022

(₹ in crore)

Particulars	Date of valuation	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investments held under FVTPL	31-Mar-22	1,575.20	-	-	1,575.20
Equity instrument designated under FVOCI (Unquoted)	31-Mar-22	-	-	608.73	608.73
Equity instrument designated under FVOCI (Quoted)	31-Mar-22	55.73	-	-	55.73
Other investments designated under FVOCI	31-Mar-22	4,880.14	-	-	4,880.14
Loans designated under FVOCI	31-Mar-22	-	35,044.84	-	35,044.84
Derivative financial instrument	31-Mar-22	-	(18.12)	-	(18.12)
		6,511.07	35,026.72	608.73	42,146.52

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

47 Fair values (Contd.)

Quantitative disclosures of fair value measurement hierarchy for financial instruments measured at fair value as at 31 March 2021

(₹ in crore)

Particulars	Date of valuation	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investments held under FVTPL	31-Mar-21	13,291.70	-	-	13,291.70
Equity instrument designated under FVOCI (Unquoted)	31-Mar-21	-	-	281.21	281.21
Equity instrument designated under FVOCI (Quoted)	31-Mar-21	88.77	-	-	88.77
Other investments designated under FVOCI	31-Mar-21	3,717.63	-	-	3,717.63
Loans designated under FVOCI	31-Mar-21	-	25,178.92	-	25,178.92
Derivative financial instrument	31-Mar-21	-	(137.87)	-	(137.87)
		17,098.10	25,041.05	281.21	42,420.36

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial assets:

(₹ in crore)

Particulars	As at 31 March 2022	2021
Opening balance	281.21	262.32
Acquisitions during the year	298.84	18.89
Disposals during the year	-	-
Fair value gains/(losses) recognised in profit or loss	-	-
Gains / (losses) recognised in other comprehensive income	28.68	-
Closing balance	608.73	281.21

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

(₹ in crore)

Particulars	Sensitivity to fair value as at 31 March 2022: 1% increase	1% decrease	Sensitivity to fair value as at 31 March 2021: 1% increase	1% decrease
Discounting rate	(99.09)	120.27	(8.24)	8.81
Cash flows	71.68	(60.92)	6.79	(6.42)

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

47 Fair values (Contd.)

Fair value of financial instruments measured at amortised cost as at 31 March 2022

(₹ 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	3,407.17	3,407.17	-	-	3,407.17
Bank balances other than cash and cash equivalents	273.13	273.13	-	-	273.13
Trade receivables	1,265.89	-	-	1,265.89	1,265.89
Loans	156,378.41	-	-	156,929.92	156,929.92
Investments	5,125.74	-	-	5,129.73	5,129.73
Other financial assets	721.49	-	-	721.49	721.49
	167,171.83	3,680.30	-	164,047.03	167,727.33
Financial liabilities					
Trade payables	1,169.32	-	-	1,169.32	1,169.32
Other payables	341.78	-	-	341.78	341.78
Debt securities	76,223.07	-	77,351.06	-	77,351.06
Borrowings (other than debt securities)	54,363.56	-	-	54,363.56	54,363.56
Deposits	30,799.52	-	30,965.16	-	30,965.16
Subordinated debts	3,845.77	-	4,143.60	-	4,143.60
Other financial liabilities	1,110.43	-	-	1,110.43	1,110.43
	167,853.45	-	112,459.82	56,985.09	169,444.91

* Fair value computed using discounted cash flow method

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

47 Fair values (Contd.)

Fair value of financial instruments measured at amortised cost as at 31 March 2021

(₹ in crore)

Particulars	Carrying value	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2) *	Significant unobservable inputs (Level 3) *	Total
Financial assets					
Cash and cash equivalents	1,849.33	1,849.33	-	-	1,849.33
Bank balances other than cash and cash equivalents	314.99	314.99	-	-	314.99
Trade receivables	1,096.86	-	-	1,096.86	1,096.86
Loans	121,507.95	-	-	121,843.34	121,843.34
Investments	1,017.60	-	-	1,017.60	1,017.60
Other financial assets	536.98	-	-	536.98	536.98
	126,323.71	2,164.32	-	124,494.78	126,659.10
Financial liabilities					
Trade payables	884.28	-	-	884.28	884.28
Other payables	213.82	-	-	213.82	213.82
Debt securities	54,502.14	-	56,382.22	-	56,382.22
Borrowings (other than debt securities)	47,429.36	-	-	47,429.36	47,429.36
Deposits	25,803.43	-	26,061.56	-	26,061.56
Subordinated debts	3,898.61	-	4,263.08	-	4,263.08
Other financial liabilities	945.12	-	-	945.12	945.12
	133,676.76	-	86,706.86	49,472.58	136,179.44

* Fair value computed using discounted cash flow method

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 Risk management objectives and policies

A summary of the major risks faced by the Group, 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 Risk Management Committee (RMC) and Asset Liability Management 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, the Group's business plan and prevailing market conditions.
- liquidity coverage ratio (LCR) in accordance with guidelines issued by RBI and Board approved liquidity risk framework.
• monitored by
- assessment of the gap between visibility of funds and the near term liabilities given current liquidity conditions and evolving regulatory framework for NBFCs.
- a constant calibration of sources of funds in line with emerging market conditions in banking and money markets.
- periodic reviews by ALCO of liquidity position, LCR and stress tests assuming varied 'what if' scenarios and comparing probable gaps with the liquidity buffers maintained by the Group.
• managed by the Group's treasury team under liquidity risk management framework through various means like liquidity buffers, sourcing of long term funds, positive asset liability mismatch, keeping strong pipeline of sanctions and approvals from banks and assignment of loans under the guidance of ALCO and Board.</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 RMC and ALCO</td><td>Market risk is:
• measured using changes in equity prices, and sensitivities like movements in foreign exchange, Value at Risk ('VaR'), basis point value (PV01), modified duration analysis and other measures to determine movements in our portfolios and impact on our income, including the sensitivity of net interest income. Market risks for the Group encompass exposures to Equity investments, fluctuation in foreign exchange rates which may impact external commercial borrowings, Interest rate risks on investment portfolios as well as the floating rate assets and liabilities with differing maturities.
• monitored by assessments of fluctuation in the equity price, unhedged foreign exchange exposures, 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.</td></tr>
</table>

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 Risk management objectives and policies (Contd.)

Nature of risk	Arising from	Executive governance structure	Measurement, monitoring and management of risk
Credit risk	Credit risk is the risk of financial loss arising out of customers or counterparties failing to meet their repayment obligations to the Group.	Board appointed RMC and Chief Risk Officer (CRO)	Credit risk is: • measured as the amount at risk due to repayment default by customers or counterparties to the Group. Various metrics such as instalment default rate, overdue position, instalment moratorium, restructuring, one time resolution plan, debt management efficiency, credit bureau information, contribution of stage 2 and stage 3 assets etc. are used as leading indicators to assess credit risk. • monitored by RMC and CRO using level of credit exposures, portfolio monitoring, contribution of repeat customers, bureau data, concentration risk of geography, customer and portfolio; 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 debt management unit. This is achieved by continuously aligning credit and debt management 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, debt management and risk containment along with business. The same is periodically reviewed by the Board appointed RMC.
Operational risk	Operational risk is the risk arising from inadequate or failed internal processes or controls, its people and system and also from external events	Board appointed RMC/ Senior Management and Audit Committee (AC)	Operational risk is: • measured by KPI's set for each of the processes/functions, system and control failures and instances of fraud. • monitored by deviations identified in each of the set KPI's for the processes/controls, periodical review of technology platforms and review of control processes as part of internal control framework. • managed by in house compliance units established across different businesses and functions, operations and internal audit function under the guidance of RMC and AC.

(a) Liquidity and funding risk

The Group's ALCO monitors asset liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the Balance Sheet.

The Group maintains a judicious mix of borrowings from banks, money markets, foreign market, public and other deposits and continues to diversify its sources of borrowings with an emphasis on longer tenor borrowings. This strategy of balancing varied sources of funds and long tenor borrowings along with liquidity buffer framework has helped the Group to maintain a healthy asset liability position and interest rate during the financial year 2021-22 (FY2022) - the weighted average cost of borrowing was 6.81 % versus 7.84 % despite highly uncertain market conditions. The overall borrowings including debt securities, deposits and subordinated debts stood at ₹ 165,231.92 crore as at 31 March 2022.

The Group continuously monitors liquidity in the market; and as a part of its ALM strategy maintains a liquidity buffer through an active investment desk to reduce this risk. The Group endeavours to maintain liquidity buffer of 5% to 8% of its overall borrowings in normal market scenario. The Group continued to maintain significantly higher amount of liquidity buffer to safeguard itself against any significant liquidity risk emanating from economic volatility owing to continued COVID-19 pandemic. The average liquidity buffer for FY2022 was ₹ 13,297.90 crore. With easing of economic volatility, the Group has brought down its liquidity buffer in a calibrate manner to ₹ 10,110.32 crore as at 31 March 2022.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 Risk management objectives and policies (Contd.)

RBI vide circular No. RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 has issued guidelines on liquidity risk framework for NBFCs. It covers various aspects of Liquidity risk management such as granular level classification of buckets in structural liquidity statement, tolerance limits thereupon, and liquidity risk management tools and principles. The Group has a policy on Liquidity Risk Management Framework which covers liquidity risk management policy, strategies and practices, liquidity coverage ratio (LCR), stress testing, contingency funding plan, maturity profiling, liquidity risk measurement – stock approach, currency risk, interest rate risk and liquidity risk monitoring framework.

The Parent Company and its subsidiaries exceeds the regulatory requirement of LCR which mandated maintaining 50% of expected net cash outflows for next 30 days in a stressed scenario in high quality liquid assets (HQLA) by December 2020; which has to be increased to 100% by December 2024 in a phased manner. Currently, the LCR requirement is at 60% for the Group, which and will move to 70% from 1 December 2022. As of 31 March 2022, the Parent Company maintained a LCR of 134.32%, well in excess of the RBI's stipulated norm of 60%.

The Group focuses on funding the balance sheet through long term liabilities against relatively shorter tenor assets. This practice lends itself to having an inherent ALM advantage due to large EMI inflow emanating from short tenor businesses which puts it in an advantageous position for servicing of its near term obligations.

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

(₹ in crore)

	As at 31 March 2022			As at 31 March 2021		
Particulars	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Debt securities	34,901.72	56,049.08	90,950.80	17,552.27	47,928.53	65,480.80
Borrowings (other than debt securities)	20,880.22	39,782.07	60,662.29	14,926.31	38,844.55	53,770.86
Deposits	16,178.49	17,785.08	33,963.57	13,532.03	15,268.60	28,800.63
Subordinated debts	532.50	4,586.69	5,119.19	380.26	5,119.54	5,499.80
Trade payables	1,169.26	-	1,169.26	884.28	-	884.28
Other payables	341.78	-	341.78	213.82	-	213.82
Other financial liabilities	795.05	397.39	1,192.44	671.36	299.83	971.19
	74,799.02	118,600.31	193,399.33	48,160.33	107,461.05	155,621.38

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 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 2022			As at 31 March 2021		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	3,407.17	-	3,407.17	1,849.33	-	1,849.33
Bank balances other than cash and cash equivalents	139.11	134.02	273.13	291.86	23.13	314.99
Derivative financial instruments	121.90	-	121.90	-	-	-
Trade receivables	1,083.99	181.90	1,265.89	964.13	143.11	1,107.24
Loans	68,814.83	122,608.42	191,423.25	53,203.59	93,483.28	146,686.87
Investments	8,553.18	3,692.36	12,245.54	15,587.73	2,809.18	18,396.91
Other financial assets	660.08	61.41	721.49	527.75	9.43	537.18
Non-financial assets						
Current tax assets (net)	-	168.30	168.30	-	159.77	159.77
Deferred tax assets (net)	-	951.11	951.11	-	945.90	945.90
Property, plant and equipment	-	1,282.58	1,282.58	-	1,041.69	1,041.69
Capital work-in-progress	-	13.27	13.27	-	7.07	7.07
Intangible assets under development	-	20.87	20.87	-	43.99	43.99
Goodwill	-	3.27	3.27	-	3.27	3.27
Other intangible assets	-	430.45	430.45	-	270.74	270.74
Other non-financial assets	137.05	40.09	177.14	95.75	20.08	115.83
	82,917.31	129,588.05	212,505.36	72,520.14	98,960.64	171,480.78
LIABILITIES						
Financial liabilities						
Derivative financial instruments	140.02	-	140.02	137.87	-	137.87
Trade payables	1,169.32	-	1,169.32	894.86	-	894.86
Other payables	341.78	-	341.78	213.82	-	213.82
Debt securities	32,654.27	43,568.80	76,223.07	16,018.42	38,483.72	54,502.14
Borrowings (other than debt securities)	18,119.97	36,243.59	54,363.56	12,206.01	35,223.35	47,429.36
Deposits	15,041.10	15,758.42	30,799.52	12,442.57	13,360.86	25,803.43
Subordinate Liabilities	405.10	3,440.67	3,845.77	252.79	3,645.82	3,898.61
Other financial liabilities	764.64	345.79	1,110.43	642.75	255.55	898.30
Non-financial liabilities			-			-
Current tax liabilities (net)	100.06	-	100.06	180.17	-	180.17
Provisions	15.06	151.84	166.90	18.25	119.44	137.69
Other non-financial liabilities	475.83	56.41	532.24	358.97	107.15	466.12
	69,262.40	99,530.27	168,792.67	43,366.48	91,195.89	134,562.37

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 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 other than equity

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 2022

(₹ in crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1% increase	1% decrease
Investment at amortised cost	5,125.74	5,129.73	(15.01)	15.01
Investment at FVTPL	1,575.20	1,575.20	(2.35)	2.35
Investment at FVOCI (other than equity)	4,880.14	4,880.14	(58.81)	58.81

Sensitivity analysis as at 31 March 2021

(₹ in crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1% increase	1% decrease
Investment at amortised cost	1,017.60	1,017.60	-	-
Investment at FVTPL	13,291.70	13,291.70	(16.28)	16.28
Investment at FVOCI (other than equity)	3,717.63	3,717.63	(41.00)	41.00

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 monitored monthly by ALCO. Sensitivity of the market value of unquoted equity investments other than those in subsidiaries assuming varied changes in interest rates is presented in note no. 47.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 Risk management objectives and policies (Contd.)

Sensitivity Analysis as at 31 March 2022

(₹ in crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value 1% increase	Sensitivity to fair value 1% decrease
Loans	191,423.25	191,974.76	(1,516.52)	1,561.83
Debt securities	76,223.07	77,351.06	981.41	(1,048.20)
Borrowings (other than debt securities)	54,363.56	54,363.56	-	-
Deposits	30,799.52	30,965.16	384.41	(395.31)
Subordinated debts	3,845.77	4,143.60	127.60	(133.79)

Sensitivity Analysis as at 31 March 2021

(₹ in crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value 1% increase	Sensitivity to fair value 1% decrease
Loans	146,686.87	147,022.26	(1,291.09)	1,328.58
Debt securities	54,502.14	56,382.22	879.92	(934.75)
Borrowings (other than debt securities)	47,429.36	47,429.36	-	-
Deposits	25,803.43	26,061.56	340.41	(350.32)
Subordinated debts	3,898.61	4,263.08	156.12	(164.95)

(ii) Price risk

The Group's quoted 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.

Sensitivity Analysis as at 31 March 2022

(₹ in crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value 10% increase	Sensitivity to fair value 10% decrease
Investment in equity shares (Quoted)	55.72	55.72	5.57	(5.57)

Sensitivity Analysis as at 31 March 2021

(₹ in crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value 10% increase	Sensitivity to fair value 10% decrease
Investment in equity shares (Quoted)	88.77	88.77	8.88	(8.88)

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 Risk management objectives and policies (Contd.)

(iii) Foreign currency risk

The Group is exposed to foreign currency fluctuation risk for its external commercial borrowing (ECB). 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 & Coupon). As a matter of prudence, the Group has hedged the entire ECB exposure for the full tenure as per Board approved interest rate risk, currency risk and hedging policy.

The Group evaluates the foreign currency exchange rates, tenure of ECB and its fully hedged costs. The Group manages its currency risks by entering into derivatives contracts as hedge positions and the same are being governed through the Board approved interest rate risk, currency risk and hedging policy.

The Group's exposure of foreign currency risk at the end of the reporting period expressed in INR are as follows:

(₹ in crore)

	As at 31 March 2022		As at 31 March 2021	
Particulars	**USD**	**JPY**	**USD**	**JPY**
Hedged				
ECB	(3,964.19)	(1,417.97)	(3,964.19)	(1,417.97)
Derivative financial instrument*	3,964.19	1,417.97	3,964.19	1,417.97
Unhedged	0.23	-	0.01	-

*Represents the notional amount of the derivative financial instrument

Hedging policy

The Group's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

Impact of hedge on the Balance Sheet:

(₹ in crore)

	As at 31 March 2022			As at 31 March 2021		
Particulars	**Notional amount**	**Carrying amount of hedging instrument asset**	**Carrying amount of hedging instrument liability**	**Notional amount**	**Carrying amount of hedging instrument asset**	**Carrying amount of hedging instrument liability**
INR USD CCIRS	3,964.19	121.90	(9.48)	3,964.19	-	(71.07)
INR JPY CCIRS	1,417.97	-	(130.54)	1,417.97	-	(66.55)

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 Risk management objectives and policies (Contd.)

(c) Credit risk

Credit risk is the risk of financial loss arising out of customers or counterparties failing to meet their repayment obligations to the Group. The Group 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 2 day past due (DPD) 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 probability of default (PD). For stage 2 and 3 assets, a life time ECL is calculated based on a lifetime PD.

One time restructuring (OTR) of loan accounts was permitted by RBI vide circulars dated 6 August 2020 'resolution framework for COVID-19 related stress' and 'Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances' and circulars dated 5 May 2021 'Resolution Framework – 2.0: Resolution of COVID-19 related stress of Individuals and Small Businesses' and 'Resolution Framework 2.0 – Resolution of COVID-19 related stress of Micro, Small and Medium Enterprises (MSMEs)'. The Group has considered OTR as an indicator of significant increase in credit risk and accordingly classified such loans as stage 2. Further, the Group has, on demonstration of regular payment of 12 instalments of principal and/or interest- post renegotiation and subject to no overdues and no other indicators of significant increase in credit risk on the reporting date, reclassified such loans to stage 1.

Computation of impairment on financial instruments

The Group calculates impairment on financial instruments as per ECL approach prescribed under Ind AS 109 'Financial instrument'. ECL uses three main components: PD (Probability of Default), LGD (loss given default) and EAD (exposure at default) along with an adjustment considering forward macro economic conditions. For further details of computation of ECL please refer to significant accounting policies note no 3.4 (i).

The Group recalibrates components of its ECL model periodically by; (1) using the available incremental and recent information, except where such information do not represent the future outcome, and (2) assessing changes to its statistical techniques for a granular estimation of ECL. The incremental information of the portfolio performance, in both FY2021 and FY2022, was not considered appropriate for recalibration of ECL model. This was due to continued distortion caused by multiple wave of COVID-19 pandemic leading to lockdowns which resulted in very low economic activity, distortion of customers financial position and volitile repayment behaviour, leading to RBI announcing EMI moratorium and OTR. Given the temporary distortion of input variables, the Group has not recalibrated components of its ECL model.

Trade receivables and other financial assets were subjected to simplified ECL approach under Ind AS 109 'Financial instruments'.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 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 major product lines using empirical data where relevant :

<table>
<tr><th rowspan="2">Lending verticals</th><th rowspan="2">Nature of businesses</th><th colspan="3">PD</th><th rowspan="2">EAD</th><th rowspan="2">LGD</th></tr>
<tr><th>Stage 1</th><th>Stage 2</th><th>Stage 3</th></tr>
<tr><td>Consumer lending - B2B</td><td>Financing for products such as two wheeler, three wheeler, consumer durable, digital, lifecare and furniture etc.</td><td colspan="2" rowspan="5">Use of statistical automatic interaction detector tools to identify PDs across a homogenous set of customers.</td><td rowspan="2">100%</td><td rowspan="6">EAD is ascertained based on past trends of proportion of outstanding at time of default to the opening outstanding of the analysis period.</td><td rowspan="6">LGD is ascertaiend using past trends of recoveries for each set of portfolios and discounted using 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.</td></tr>
<tr><td>Rural Lending - B2C</td><td>Personal loans to salaried, self employed customers, professionals and gold loans</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, and also basis DPD bucket apprach. for retail loans and management evaluation/ judgement 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">Internal evaluation/ judgement by customer or 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>

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 Risk management objectives and policies (Contd.)

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

As at 31 March 2022

(₹ in crore)

Particulars	Secured			Unsecured		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross carrying value	105,075.94	2,424.22	1,835.66	83,757.97	1,436.42	1,297.83
Allowance for ECL	592.43	580.99	937.57	914.33	498.42	881.05
ECL coverage ratio	0.56%	23.97%	51.08%	1.09%	34.70%	67.89%

As at 31 March 2021

(₹ in crore)

Particulars	Secured			Unsecured		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross carrying value	80,921.89	4,008.79	1,861.99	60,617.49	2,715.93	868.78
Allowance for ECL	507.61	705.50	922.56	638.47	861.54	672.32
ECL coverage ratio	0.63%	17.60%	49.55%	1.05%	31.72%	77.39%

Collateral Valuation

The Group offers loans to customers across various lending verticals as articulated above. These loans includes both unsecured loans and loans 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.
SME lending (Secured)	Hypothecation of underlying product e.g. used car and medical equipment 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 & 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

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 Risk management objectives and policies (Contd.)

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.

Security cover taken on loans

To secure its eligible pool, the Parent Company takes guarantee cover for its portfolios across B2C, MSME and three-wheeler financing business under Credit Guarantee Fund Scheme for NBFCs (CGS-II) from Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) governed by the SIDBI. As on 31 March 2022, the Parent Company has covered ₹ 5,266 crore of its loan assets under this scheme.

Further, the Parent Company has also granted loans under Emergency Credit Line Guarantee Scheme (ECLGS) to its qualifying customers, as of 31 March 2022 ₹ 692.65 crore of loans are outstanding under ECLGS.

This has helped the Group to offset ₹ 148 crore worth of credit losses till FY2022 with further claims maturing over FY2023 and FY2024.

Analysis of concentration risk

The Group focuses on granulisation of loans portfolios by expanding its geographic reach 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

Allowance for impairment on financial instruments recognised in the financial statements reflect the effect of a range of possible economic outcomes, calculated on a probability-weighted basis, based on the economic scenarios described below. The recognition and measurement of expected credit losses ('ECL') involves the use of estimation. It is necessary to formulate multiple forward-looking economic forecasts and its impact as an integral part of ECL model.

Methodology

The global as well as the Indian economy has passed through a difficult phase in FY2022. The macro numbers have been a reflection of the impact which multiple waves of COVID-19 had on the industry, prices, employment and economy as a whole. The Group has adopted the use of three scenarios, representative of its view of forecast economic conditions, required to calculate unbiased expected loss. They represent a most likely outcome i.e. central scenario and two less likely outer scenarios referred to as the Upside and Downside scenarios. The Group has assigned a 10% probability to the two outer scenarios, while the central scenario has been assigned an 80% probability. These weights are deemed appropriate for the unbiased estimation of impact of macro factors on ECL. The key scenario assumptions are used keeping in mind external forecasts and management estimates which ensure that the scenarios are unbiased.

The Group use multiple economic factors and test their correlations with past loss trends witnessed. These were GDP growth rates, growth of bank credit, wholesale price index (WPI), consumer price index (CPI), industrial production index, unemployment rate, crude oil prices and policy interest rates. Based on past correlation trends, CPI (inflation) and unemployment rate were the two factors with acceptable correlation with past loss trends which were in line with Management views on the drivers of portfolio trends. These factors were assigned appropriate weights to measure ECL in forecast economic conditions.

During the year, the macro variables have been tested for their resilience in the difficult operating conditions of lockdown, loss of business on account of continued COVID-19 scare and social distancing norms. The

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 Risk management objectives and policies (Contd.)

first half of the year saw the second COVID-19 wave hitting the country. While the GDP numbers on a Y-o-Y basis might not be a correct indicator due to the COVID-19 base impact of FY21, the Q-o-Q GDP growth registered a decline of 16.9% in Q1 FY22. The Unemployment rate which had touched a peak of 23% in Apr'20, again went up to double digit in second COVID-19 wave and touched a high of 12% in May'21 and remained elevated in Jun'21 as well. For these two months, CPI (inflation) crossed the RBI comfort level of 6%. Later again in Jan'22, it crossed 6%. Even IIP, which due to base effect of FY21, remained positive, in double digits till Aug'21 moved to a marginal growth of just 1% from Nov'21 to Feb'22. While FY21 could be considered as a period of immense stress, the current year too was a period of low recovery.

The central scenario taken by the Group takes into account the stress and the downside risk prevalent during most part of the year, by capturing the macro variables numbers of the most difficult period of COVID-19 pandemic i.e. the second wave.

Amongst the list of macro indicators, unemployment and inflation are the two variables which are very critical from the perspective of individual and corporates financial health. Unemployment has a direct relation with the income levels and thus the growth of the economy from the expenditure side. Inflation and inflationary expectations affect the disposable income of people. Both these macro-variables directly and indirectly impact the disposable income of the people, which eventually drives the economy.

For Unemployment, the Group has considered data published by a leading business information (BI) company engaged in monitoring of Indian economic indicators. The Unemployment rate, which after removing the extreme COVID-19 impact of first quarter from FY21 and FY22, shows an increase from 7.2% to 7.44%. In the current scenario, while due to multiple factors including the ongoing Ukraine-Russia stand-off and the situation has become uncertain, forecasting these numbers could lead to biased outcomes. It is acknowledged that there is no reliably ascertainable direct impact of these crisis on the Indian economy and accordingly the estimates have been arrived at.

While formulating the central scenario, the Group has considered that the unemployment number may see an increase in the immediate short run and may remain at an average of 7% over the next few years. The geo-political uncertainty has to be watched closely for evaluating its impact on the macro fundamental in the long run.

For the downside scenario, the Group believes that the downside risks might have passed, however, there are uncertainties creeping in and that may take the current expected levels of 6.7% cross the double digit by the first half of next financial year, which would be the peak unemployment rate. Going forward, however, the ownside scenario assumes it to fall from the peak and normalise to around 7% within next three years.

For the upside scenario, the Group acknowledges various surveys and studies indicating improving employment situation as also industrial recovery. While forecasting, a cautious stance is adopted that the unemployment levels after reaching the peak in June 2022 quarter, though may improve to a best case of 4% by the end of June 2023 but may come back to an historical (excluding COVID period) 4 year average of 7.1%. The unemployment numbers as such captured the impact of potential disruption that multiple waves of COVID-19 may cause in short run.

CPI had started to improve significantly in Q4 FY21 ranging from 4.06% to 5.52%, soared significantly to nearly 6.3% for two succesive months of May and June 2021 owing to the advent of second wave of COVID-19. Post decline of second wave, CPI normalised to 4.5% to 5% corridor between September to November 2021. CPI again went up to upwards of 6% in Q4 FY22 and closed at a high of 6.95% in March 2022. Elevated level of inflation poses significant challenges from credit risk perspective.

While the central scenario assumed by the Group considers the high inflation in Q4 FY22. Considering RBI projections, disruption on the supply side, and possible impact of future COVID-19 waves, the Group expects

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 Risk management objectives and policies (Contd.)

inflation to range between 5.1% to 6.35% during FY23, suggesting inflation to remain moderately elevated compared to pre-covid long term average.

For the downside scenario, the Group considers that the inflation risk still remains and, therefore, assumes the inflation to see a increase on account of demand-supply imbalances and touch a peak of around 8.88% in Q1 FY23, before easing off to the average of pre-covid period in the eight year time horizon.

For the upside scenario, we believe that there would be certain factors which might come into play viz, base effect, higher food grain production, better supply chain management and improving trade scenario etc., and, therefore, inflation may see easing to a base of around 3% before averaging back to the pre-covid levels.

Risk management amidst COVID-19

The country faced the second wave of COVID-19 in the April-June 2022 quarter. It led to higher levels of infections and fatality causing severe toll on life. Fortunately, the curtailment actions by the government were more localised and well calibrated at city and specific zone levels enabling continuity and minimal disruption to economic activity throughout the country. Though this caused a marginal uptick in instalment default rate and compression in debt management efficiencies for a period of three months, the revival was quick and strong. As a result, unlike the first wave, the impact on the portfolio and loan losses was not as severe for the Group. Adequate investment in debt management services in FY2021 has helped in curtailing the impact on the portfolio amidst the second wave as well.

In a calibrated manner throughout the year, the Group continued to relax the underwriting norms it had tightened during the first wave. It has brought back its underwriting norms to pre-covid standards from the second half of the year. The gradual relaxation of underwriting and sharp vigilance on portfolio quality have ensured that risk performance of portfolio remains in line or better than the pre-covid metrics. Further, this agile, calibrated and closely monitored approach to credit risk and timely investment in deepening of debt management services have enabled the Group to weather the pandemic well.

The third wave which started in mid-December 2021 had no significant impact on risk metrics both for new business and the overall portfolio.

The Group carried out multiple risk simulations to assess the potential impact of the second and third wave of the pandemic on portfolio risk and absorbed additional credit costs based on these simulations. The Group saw elevated level of loan losses of ₹ 4,622.06 crore in FY2022 owing to the disruption caused by the second and third waves. Given the risk of potential future waves of pandemic and other factors which could impact the Group's risk performance, the Group has created management overlay for macro economics factors and COVID-19 of ₹ 1,060 crore as on 31 March 2022 to account for any tail risk which may emerge from the pandemic and other uncertainities.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

48 Risk management objectives and policies (Contd.)

ECL sensitivity to future economic conditions

ECL coverage of financial instruments under forecast economic conditions:

(₹ in crore)

	As at 31 March	
Particulars	**2022**	**2021**
Gross carrying amount of loans	195,828.04	150,994.87
Reported ECL	4,404.79	4,308.00
Reported ECL coverage	2.25%	2.85%
Assumptions for central scenario		
Base ECL without macro overlay (based on empirical evidences)	3,344.79	3,468.00
Add: Management overlay for COVID-19	853.00	663.00
ECL before management overlay for macro economic factors	4,197.79	4,131.00
ECL amounts for alternate scenario		
Central Scenario (80%)	4,375.90	4,131.00
Downside Scenario (10%)	5,112.90	6,649.94
Upside scenario (10%)	3,927.79	3,382.10
Reported ECL	4,404.79	4,308.00
Management overlay for Macro economic factors and COVID-19	1,060.00	840.00
Management overlay representing COVID-19 stress	853.00	663.00
Management overlay for macro economic factors	207.00	177.00
ECL coverage ratios by scenario		
Central scenario (80%)	2.23%	2.74%
Downside scenario (10%)	2.61%	4.40%
Upside scenario (10%)	2.01%	2.24%

(d) Operational risk

Operational risk is the risk arising from inadequate or failed internal processes, people or systems, or from external events. The Group manages operational risks through comprehensive internal control systems and procedures laid down around various key activities in the Group viz. loan acquisition, customer service, IT operations, finance function etc.. Internal audit also conducts a detailed review of all the functions at least once a year, this helps to identify process gaps on timely basis. Further IT and Operations have a dedicated compliance and control units within the function who on continuous basis review internal processes. This enables the Management to evaluate key areas of operational risks and the process to adequately mitigate them on an ongoing basis.

The Group has put in place a robust Disaster Recovery (DR) plan and Business Continuity Plan (BCP) to ensure continuity of operations including services to customers, if any eventuality is to happen such as natural disasters, technological outage etc. Robust periodic testing is carried, and results are analysed to address gaps in the framework, if any. DR and BCP audits are conducted on a periodical basis to provide assurance regarding the effectiveness of the Group's readiness.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

49 Employee stock option plan

The Board of Directors at its meeting held on 14 October 2009, approved an issue of stock options up to a maximum of 5% of the then issued equity capital of the Parent Company aggregating to 1,829,803 equity shares of the face value of ₹ 10 each in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 subject to the approval of the shareholders under section 81(1A) of the Companies Act, 1956. The shareholders of the Parent Company vide their special resolution passed through postal ballot on 15 December 2009 approved the issue of equity shares of the Parent Company under one or more Employee Stock Option Scheme(s). The shareholders, at the Annual General Meeting held on 16 July 2014, approved an additional issue of 677,313 stock options i.e. from 1,829,803 to 2,507,116 options of the face value of ₹ 10 each under the stock options scheme of the Company i.e. Employee Stock Option Plan 2009.

Pursuant to the sub-division of each equity share of face value of ₹ 10 into five equity shares of face value of ₹ 2 on 10 September 2016 and allotment of bonus equity share in the proportion of one equity share of face value of ₹ 2 for every one equity share on 14 September 2016, the aggregate number of equity shares which would be available for future grants under the Employee Stock Option Plan, 2009 were adjusted from 2,507,116 equity shares of face value of ₹ 10 to 25,071,160 equity shares of face value of ₹ 2 each.

Further, vide the special resolution passed by the members of the Parent Company through postal ballot on 19 April 2021, the aforesaid limit of options was enhanced by 10,000,000 options. The maximum limit under the scheme now stand revised from 25,071,160 options to 35,071,160 options.

The options issued under the ESOP scheme vest on a straight line basis over a period of 4 years with the vesting condition of continuous employment with the Parent Company or the Group except in case of death and retirement where the vesting would happen immediately.

The Nomination and Remuneration Committee of the Parent Company has approved the following grants to select senior level executives of the Company in accordance with the stock option scheme. Under the scheme, sixteen grants have been made as of 31 March 2021, details of which, duly adjusted for sub-division of shares and issue of bonus shares thereon, are given as under:

As on 31 March 2022

Grant date	Exercise price (₹)	Options granted	Options vested and exercisable	Options unvested	Options exercised	Options cancelled	Options outstanding
12-Jan-10	35.87	1,320,000	-	-	1,282,500	37,500	-
21-Jul-10	54.20	3,267,500	-	-	2,948,130	319,370	-
28-Jul-11	70.52	3,762,000	-	-	3,335,000	427,000	-
16-May-12	87.61	3,595,000	-	-	3,015,750	579,250	-
15-May-13	138.04	3,949,300	75,500	-	3,020,800	853,000	75,500
01-Nov-13	135.31	197,000	-	-	49,250	147,750	-
16-Jul-14	219.66	2,816,000	285,255	-	2,189,995	340,750	285,255
20-May-15	448.16	1,935,000	315,145	-	1,250,355	369,500	315,145
24-May-16	765.37	1,430,000	403,375	-	801,250	225,375	403,375
17-May-17	1,347.75	1,120,750	440,307	-	539,080	141,363	440,307
16-Oct-17	1,953.05	16,350	-	-	16,350	-	-
01-Feb-18	1,677.85	120,000	27,126	-	43,910	48,964	27,126
17-May-18	1,919.95	1,273,416	404,417	244,912	416,510	207,577	649,329
16-May-19	3,002.75	1,123,900	343,451	501,778	198,595	80,076	845,229
19-May-20	1,938.60	2,054,250	311,196	1,411,314	197,334	134,406	1,722,510
27-Apr-21	4,736.55	936,643	2,401	905,273	773	28,196	907,674
		28,917,109	2,608,173	3,063,277	19,305,582	3,940,077	5,671,450

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

49 Employee stock option plan (Contd.)

As on 31 March 2021

Grant date	Exercise price (₹)	Options granted	Options vested and exercisable	Options unvested	Options exercised	Options cancelled	Options outstanding
12-Jan-10	35.87	1,320,000	-	-	1,282,500	37,500	-
21-Jul-10	54.20	3,267,500	-	-	2,948,130	319,370	-
28-Jul-11	70.52	3,762,000	-	-	3,335,000	427,000	-
16-May-12	87.61	3,595,000	62,050	-	2,953,700	579,250	62,050
15-May-13	138.04	3,949,300	329,225	-	2,767,075	853,000	329,225
01-Nov-13	135.31	197,000	-	-	49,250	147,750	-
16-Jul-14	219.66	2,816,000	637,500	-	1,837,750	340,750	637,500
20-May-15	448.16	1,935,000	474,060	-	1,091,440	369,500	474,060
24-May-16	765.37	1,430,000	584,351	-	620,274	225,375	584,351
17-May-17	1,347.75	1,120,750	384,021	232,526	362,840	141,363	616,547
16-Oct-17	1,953.05	16,350	-	4,088	12,262	-	4,088
01-Feb-18	1,677.85	120,000	24,926	14,914	32,071	48,089	39,840
17-May-18	1,919.95	1,273,416	318,972	530,655	232,903	190,886	849,627
16-May-19	3,002.75	1,123,900	207,880	807,957	66,171	41,892	1,015,837
19-May-20	1,938.60	2,054,250	-	2,020,150	-	34,100	2,020,150
		27,980,466	3,022,985	3,610,290	17,591,366	3,755,825	6,633,275

Weighted average fair value of stock options granted during the year is as follows:

	FY2022	FY2021
Grant date	27-Apr-21	19-May-20
No. of options granted	936,643	2,054,250
Weighted average fair value (₹)	2,108.92	787.24

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

As on 31 March 2022

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	6,633,275	87.61-3,002.75	1,560.95	1,560.95
Granted during the year	936,643	4,736.55	4,736.55	
Cancelled during the year	184,252	1,677.85-4,736.55	2,584.37	
Exercised during the year	1,714,216	87.61-4,736.55	1,008.80	
Outstanding at the end of the year	5,671,450	138.04-4,736.55	2,219.04	4.49
Exercisable at the end of the year	2,608,173	138.04-4,736.55	1,374.30	2.59

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

49 Employee stock option plan (Contd.)

As on 31 March 2021

For all grants	No. of options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (years)
Outstanding at the beginning of the year	6,267,030	70.52-3002.75	1,206.35	3.98
Granted during the year	2,054,250	1,938.60	1,938.60	
Cancelled during the year	68,871	1,347.75-3,002.75	2,270.91	
Exercised during the year	1,619,134	70.52-3,002.75	637.39	
Outstanding at the end of the year	6,633,275	87.61-3,002.75	1,560.95	4.51
Exercisable at the end of the year	3,022,985	87.61-3,002.75	875.50	2.40

The weighted average market price of equity shares for options exercised during the year is ₹ 2,532.25 (Previous year ₹ 4,093.17).

Method used for accounting for share based payment plan:

The Parent Company has used the fair value method to account for the compensation cost of stock options to employees. The fair value of options used are estimated on the date of grant using the Black–Scholes Model. The key assumptions used in Black–Scholes Model for calculating fair value as on the date of respective grants are:

Grant date	Risk Free interest rate	Expected life	Expected volatility	Dividend yield	Price of the underlying share in the market at the time of the option grant (₹)*
12-Jan-10	6.70%	1-5 years	54.01%	0.62%	35.87
21-Jul-10	7.42%	3.5-6.5 years	55.38%	1.28%	54.20
28-Jul-11	8.27%	3.5-6.5 years	53.01%	1.42%	70.52
16-May-12	8.36%	3.5-6.5 years	49.58%	1.37%	87.61
15-May-13	7.32%	1-5 years	29.97%	1.09%	138.04
01-Nov-13	8.71%	1-5 years	32.83%	1.11%	135.31
16-Jul-14	8.66%	1-5 years	38.01%	0.73%	219.66
20-May-15	7.76%	3.5-6.5 years	34.88%	0.36%	448.16
24-May-16	7.38%	3.5-6.5 years	33.13%	0.47%	765.37
17-May-17	6.89%	3.5-6.5 years	34.23%	0.05%	1,347.75
16-Oct-17	6.69%	3.5-6.5 years	34.51%	0.04%	1,953.05
01-Feb-18	7.42%	3.5-6.5 years	34.05%	0.04%	1,677.85
17-May-18	7.91%	3.5-6.5 years	33.65%	0.19%	1,919.95
16-May-19	7.09%	3.5-6.5 years	34.03%	0.13%	3,002.75
19-May-20	5.58%	3.5-6.5 years	40.30%	0.83%	1,938.60
27-Apr-21	5.65%	3.5-6.5 years	42.51%	0.21%	4,736.55

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

For the year ended 31 March 2022, the Group has accounted expense of ₹ 161.03 crore as employee benefit expenses (note no.35) on the aforesaid employee stock option plan (Previous year ₹ 124.75 crore). The balance in employee stock option outstanding account is ₹ 397.56 crore as of 31 March 2022 (Previous year ₹ 303.25 crore).

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

50 Ultimate beneficiary

No funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Group to or in any other person(s) or entity(ies), including foreign entities ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Group ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the ultimate beneficiaries.

No funds (which are material either individually or in the aggregate) have been received by the Parent Company and its subsidiary viz BFinsec from any person(s) or entity(ies), including foreign entities ('Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Parent Company and BFinsec shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the ultimate beneficiaries.

One of the subsidiary viz BHFL has received fund from entities (funding party) with the understanding that the BHFL shall directly or indirectly lend to other entities.

Details of transaction

(₹ in crore)

Name of funding party	Date of fund received	Amount of fund received	Name of other intermediaries or ultimate beneficiaries	Date of fund advanced or loaned	Amount of fund advanced or loaned
Karuna Ventures Pvt Ltd	07-Dec-21	65.00	Tenshi Kaizen Pvt. Ltd.	09-Dec-21	61.50
Address: Second floor, Plot No. 30, Galaxy, 1st Main road, JP Nagar, 3rd Phase, Bangalore Urban, Karnataka, 560078 CIN: U74110KA2009PTC050575			Address: Plot no. 46, Higher pharmatech pvt. Ltd., 1st phase, KIADB industrial area, Harohalli, Ramanagar, Karnataka, 562112 CIN: U24230KA2007PTC042337		
Premsagar Infra Realty Pvt. Ltd.	18-Nov-21	445.00	A2Z Online Services Pvt. Ltd.	29-Nov-21	420.00
Address: 191/A/2A/1/2, Tower E, tech Park One, Next to don bosco school, off airport road Yerwada pune 411006 CIN: U55701PN1991PTC134103			Address: Third floor Tower E Tech Park One, Next to Don Bosco School, Yerwada, Pune-411006 CIN: U74140PN2000PTC139217		

BHFL does not have relationship in terms of Companies Act 2013 and Ind AS 24 with the funding parties and beneficiaries companies.

In respect of above transactions, relevant provisions of the Foreign Exchange Management Act, 1999 (42 of 1999) and Companies Act has been complied with and the transactions are not violative of the Prevention of Money-Laundering Act, 2002 (15 of 2003).

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

51 Relationship with Struck off Companies

(₹ in crore)

S. N.	Name of struck off company	Nature of transactions with struck off company	Relationship with the struck off company	Outstanding as at 31 March 2022	Outstanding as at 31 March 2021
1	Asquare Events And Production Pvt. Ltd.	Loan receivables	No	0.13	0.13
2	Ayuh-Meditech Solutions Pvt. Ltd.	Loan receivables	No	0.02	0.04
3	Bhandari Hotels Pvt. Ltd.	Loan receivables	No	0.09	0.09
4	Dheer Software Solutions Pvt. Ltd.	Loan receivables	No	0.04	0.04
5	First Paper Idea India Pvt. Ltd.	Loan receivables	No	0.11	0.11
6	Fortuner Con-Serve Pvt. Ltd.	Loan receivables	No	0.03	0.03
7	Grabstance Technologies Pvt. Ltd.	Loan receivables	No	0.05	0.07
8	Green Way Super Market Pvt. Ltd.	Loan receivables	No	0.11	0.11
9	Indira Smart Systems Pvt. Ltd.	Loan receivables	No	0.10	0.10
10	Koolair Systems Pvt. Ltd.	Loan receivables	No	0.10	0.10
11	Maxin Hydro Dynamic India Pvt. Ltd.	Loan receivables	No	0.06	0.06
12	Mazda Agencies Pvt. Ltd.	Loan receivables	No	0.11	0.11
13	R. R. Movers & Logistics Pvt. Ltd.	Loan receivables	No	0.13	0.12
14	Shrine Infrastructure Pvt. Ltd.	Loan receivables	No	0.57	0.56
15	Sri Beera Barji Trading Co. Pvt. Ltd.	Loan receivables	No	0.07	0.07
16	Vijayasree Rearing And Processing Pvt. Ltd.	Loan receivables	No	0.04	0.04
17	Wave Aquatic Pvt. Ltd.	Loan receivables	No	0.11	0.11
18	Gayathri Technocrats Pvt. Ltd.	Loan receivables	No	0.15	0.21
19	CSE Computer Solutions East Pvt. Ltd.	Loan receivables	No	0.37	0.38

The above disclosure has been prepared basis the relevant information compiled by the Group on best effort basis.

52 Disclosure pertaining to stock statement filed with banks or financial institutions

The Group has availed of the facilities (secured borrowings) from the lenders inter alia on the condition that, the Group shall provide or create or arrange to provide or have created, security interest by way of a first pari passu charge of the loans. Security interest is created by charge creation towards security and debenture trustee on behalf of security holders and debenture holders.

For Parent Company:

(a) Details of receivable reported in the quarterly stock statement and receivable as per books of account

(₹ in crore)

Particulars	Jun-21	Sep-21	Dec-21	Mar-22
Name of bank	Trustees	Trustees	Trustees	Trustees
Particulars of securities provided	Loans	Loans	Loans	Loans
Amount as per books of accounts	117,372.02	121,243.87	130,731.63	144,276.25
Add: Impairment loss allowance	4,780.96	4,427.84	4,040.30	3,936.84
Add: Impact of EIR	1,334.84	1,468.39	1,663.25	1,742.64
Amount as per books of accounts (Gross)	123,487.82	127,140.10	136,435.18	149,955.73
Amount as reported in the quarterly return/statement	112,020.80	125,534.07	135,802.51	141,462.65

Amount as reported in quarterly return is adjusted for net stage 3 loan balances, interest accrued but not due and loans to related parties.

Notes to consolidated financial statements for the year ended 31 March 2022 (Contd.)

(b) Summary of coverage required and available for secured borrowings

(₹ in crore)

Particulars	Jun-21	Sep-21	Dec-21	Mar-22
Receivables as reprted in the quarterly return/statement (A)	112,020.80	125,534.07	135,802.51	141,462.65
Coverage required for secured borrowings (including interest accrued thereon) (B)	66,603.21	70,457.49	73,133.57	80,375.39
Charge free receivables =(A-B)	45,417.59	55,076.58	62,668.94	61,087.26
Asset cover ratio =(A/B)	1.68	1.78	1.86	1.76

For Subsidiaries:

Quarterly returns or statements of current assets filed by subsidiaries with banks or financial institutions or debenture trustees are in agreement with the books of accounts.

53 Disclosure in compliance with Regulation 52 (4) of the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 for the financial year ended 31 March 2022

Particulars	For the year ended 31 March 2022	2021
1. Debt-Equity ratio ([Debt securities+Borrowings (other than debt securities)+Deposits+Subordinated debts] / Total Equity)	3.78	3.57
2. Net Worth [Total Equity] (₹ in crore)	43,712.69	36,918.41
3. Net Profit after tax (₹ in crore)	7,028.23	4,419.82
4. Earnings per share		
Basic (₹)	116.64	73.58
Diluted (₹)	115.79	73.00
5. Total debts to total assets ratio ([Debt securities+Borrowings (other than debt securities)+Deposits+Subordinated debts] / Total Assets)	0.78	0.77
6. Net profit margin [Profit after tax / Total Income]	22.21%	16.56%
7. Sector specific equivalent ratio, as applicable		
(A) Gross NPA (stage 3 asset, gross) ratio	1.60%	1.79%
(B) Net NPA (stage 3 asset, net) ratio	0.68%	0.75%

Note :
Debt service coverage ratio, interest service coverage ratio, current ratio, long term debt to working capital, bad debts to accounts receivable ratio, current liability ratio, debtors turnover, inventory turnover and operating margin ratio is not applicable to the Company.

54 The financial statement of the Parent Company for the year ended 31 March, 2021 were audited by the SRBC & Co LLP. Chartered Accountants, the predecessor auditor who have expressed an unqualified opinion.

55 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 Deloitte Haskins & Sells
Chartered Accountants
Firm registration number: 302009E

For G.M. Kapadia & Co
Chartered Accountants
Firm registration number: 104767W

Sandeep Jain
Chief Financial Officer

Sanjiv Bajaj
Chairman

Sanjiv V. Pilgaonkar
Partner
Membership number: 039826

Rajen Ashar
Partner
Membership number: 048243

R Vijay
Company Secretary

Rajeev Jain
Managing Director

Pune: 26 April 2022