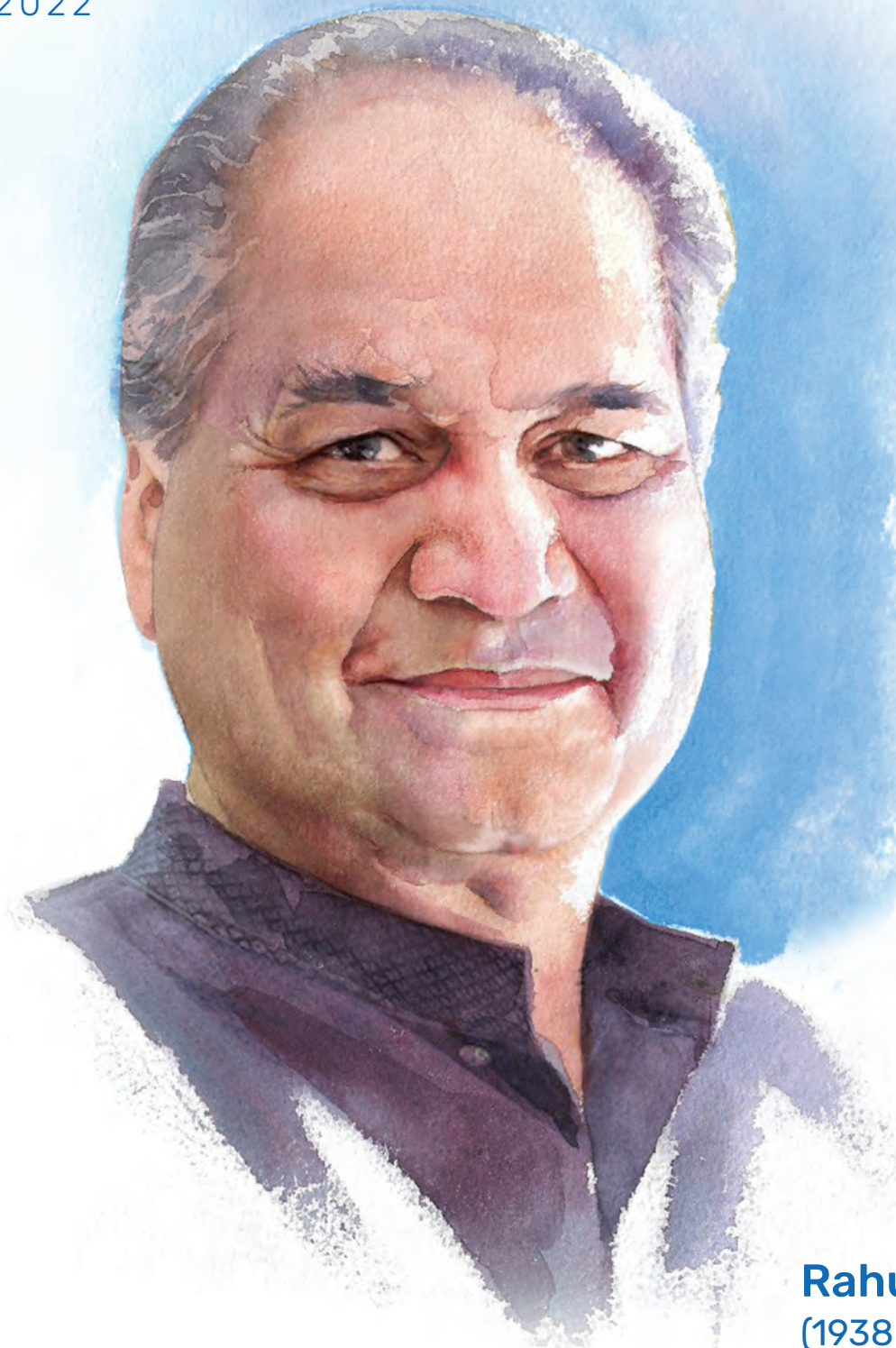


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ANNUAL  
REPORT

2021-2022

BAJAJ FINANCE LIMITED



**Rahul Bajaj**  
(1938 - 2022)



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“Earlier organisations made individuals, today individuals make an organisation.”





# CORPORATE INFORMATION

## Board of Directors

---

**Sanjiv Bajaj**

Chairman

**Late Rahul Bajaj**

Chairman Emeritus  
(up to 12 February 2022)

**Dipak Poddar**

(up to 31 March 2022)

**Ranjan Sanghi**

(up to 30 April 2022)

**D J Balaji Rao**

**Dr. Gita Piramal**

(up to 30 April 2022)

**Dr. Omkar Goswami**

(up to 9 July 2021)

**Dr. Naushad Forbes**

**Anami N Roy**

**Pramit Jhaveri**

(from 1 August 2021)

**Radhika Haribhakti**

(from 1 May 2022)

**Madhur Bajaj**

**Rajiv Bajaj**

**Rajeev Jain**

Managing Director

## Audit Committee

---

**Anami N Roy**

Chairman

**Dr. Naushad Forbes**

**Pramit Jhaveri**

**Sanjiv Bajaj**

## Stakeholders Relationship Committee

---

**Dr. Gita Piramal**

Chairperson  
(up to 30 April 2022)

**D J Balaji Rao**

Chairman  
(from 1 May 2022)

**Ranjan Sanghi**

(up to 30 April 2022)

**Radhika Haribhakti**

(from 1 May 2022)

**Sanjiv Bajaj**

## Nomination and Remuneration Committee

---

**Anami N Roy**

Chairman

**Ranjan Sanghi**

(up to 30 April 2022)

**Radhika Haribhakti**

(from 1 May 2022)

**Sanjiv Bajaj**

## Corporate Social Responsibility Committee

---

**Dr. Naushad Forbes**

Chairman

**Sanjiv Bajaj**

**Rajeev Jain**

## Risk Management Committee

**Anami N Roy**  
Chairman

**Dipak Poddar**  
(up to 31 March 2022)

**Pramit Jhaveri**  
(from 1 April 2022)

**Sanjiv Bajaj**

**Rajeev Jain**

**Sandeep Jain**

**Fakhari Sarjan**

**Deepak Bagati**

## IT Strategy Committee

**Dr. Naushad Forbes**  
Chairman

**Sanjiv Bajaj**

**Rajeev Jain**

**Rakesh Bhatt**

**Rajendra Bisht**

**Anurag Chottani**

## Chief Financial Officer

**Sandeep Jain**

## Company Secretary

**R Vijay**

## Auditors

**S R B C & CO LLP**  
(up to 13 November 2021)

**Deloitte Haskins & Sells  
G.M. Kapadia & Co**  
(from 17 November 2021)

## Secretarial Auditor

**Shyamprasad D Limaye**  
Practising Company Secretary

## Bankers

**Central Bank of India**

**State Bank of India**

**IDBI Bank**

**Canara Bank**

**Bank of India**

**HDFC Bank**

## Share Transfer Agent

**KFin Technologies Ltd.**

Unit: Bajaj Finance Ltd.  
Selenium Building, Tower-B,  
Plot No 31 & 32, Financial District, Nanakramguda,  
Serilingampally, Hyderabad,  
Telangana- 500 032  
Toll free No.: 1800 309 4001  
Email ID: einward.ris@kfintech.com

## Debenture Trustee

**Catalyst Trusteeship Ltd.**

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

## Registered Office

Akurdi, Pune-411 035

## Corporate Office

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

**CIN: L65910MH1987PLC042961**



# LEADING THE WAY



**Manish Jain**  
CEO, Bajaj Financial  
Securities Limited

**Sanjiv Bajaj**  
Chairman

**Sandeep Jain**  
Chief Financial Officer

**Atul Jain**  
Managing Director, Bajaj Housing  
Finance Limited

**Rajeev Jain**  
Managing Director

**Anup Saha**  
Deputy CEO

**Rakesh Bhatt**  
Deputy CEO







# CHAIRMAN'S LETTER

## Dear Shareholder,

Let me begin on a personal note. It has been a difficult year for me. I know of no son or daughter who hasn't suffered from the death of the mother or father. But when your father was Rahul Bajaj, it becomes something else altogether.

For long the Chairman and more recently the Chairman Emeritus of your Company, my father, was a unique and very special person. Everyone who worked with him knew of his pinpointed focus on details. People across the country lauded him for being fearless and outspoken. His courage in honestly speaking his convictions was second to none. As was his generous ability to accept his mistakes. He was a supremely confident human being. But within that enormous confidence of his, he was truly compassionate and caring – not just to his family but to all those whose lives he touched. More than being my father, he was my mentor, counsellor and friend.

I could go on, but he would have emphatically disallowed any more of this emotional content. I can see him chiding me by saying, "This is the Chairman's Letter. Not a public obituary." So, in deference to him, let me move on to the consolidated performance of your Company.

For the financial year 2021-22 (or FY2022):

- Number of new loans booked was 24.7 million.
- Customer franchise grew by 19% to 57.6 million.
- Assets under management (AUM) increased by 29% to ₹ 197,452 crore.
- Total income grew by 19% to ₹ 31,640 crore.
- Net interest income (NII) rose by 27% to ₹ 21,892 crore.
- Impairment on financial instruments decreased by 20% to ₹ 4,803 crore.
- Profit before tax (PBT) increased by 59% to ₹ 9,504 crore.
- Profit after tax (PAT) grew by 59% to ₹ 7,028 crore.
- Capital adequacy ratio as of 31 March 2022 was 27.22%, Tier I adequacy was 24.75%, which is well above the RBI norms.

Your Company is now a thirty-five-year old enterprise. It has become a leading player in the NBFC sector in India. Given your Company's strong and sustainable growth trajectory, I thought, I will briefly delve into elements of the core culture that defines it. In my assessment, they are:

## Resilience

Your Company displayed significant resilience in dealing with various external shocks in recent years – be it the three successive COVID-19 waves, macroeconomic slowdown that pre-dated COVID-19 or the fundamental changes in the industry that we belong to. Through these shocks, your Company demonstrated tremendous grit and financial strength and took all necessary actions without damaging any aspect of its business model or its financial position.

## Agility

Your Company prides itself in being agile. The focus on agility and speed were key to aligning rapidly to the pandemic and then to the post-pandemic shifts in customer preferences and expectations. Pandemic has made your Company even more nimble and responsive than ever before.

## Embracing Positivity

Culturally, your Company embraces positivity in everything it does and takes actions to make the best of the situation. This positive attitude helped your Company navigate one of the biggest crisis of the last century (COVID-19) successfully. This attitude enabled your Company to rapidly revert to pre-covid metrics across growth, debt management efficiencies, portfolio quality and profitability while maintaining a very strong capital position.

## Long term focus

Finally, we are committed to building businesses for the long term. To us, building businesses for the long term are anchored on four key principles namely—customer obsession, innovation and sustainable growth, responsible business conduct and highest standards of governance.

Ultimately, it is the employees who practise these cultural traits on everyday basis. We remain committed to creating an environment that fosters these cultural traits and creates a dynamic workplace for our employees. As we grow larger as a company, we remain deeply committed to preserve our key cultural traits of resilience, agility, positivity and long term focus. It will ensure that we continue to deliver strong and sustainable growth for years to come.

Let me now focus on four key areas:

- (i) digitalisation to create what we call integrated 'omnichannel' strategy across your Company;
- (ii) our risk management and portfolio quality;
- (iii) the impressive performance of your Company's wholly owned subsidiary Bajaj Housing Finance Ltd. (BHFL); and
- (iv) the growth and potential of Bajaj Financial Securities Ltd. (BFinsec), which is also a wholly owned subsidiary of your Company.

Bajaj Finance is an extensively digitalised enterprise. In the financial services industry, your Company was an early mover to transit to digital processes – from 'Physical' to 'Phygital' and then to 'Digital'. We believe that each customer is our critical asset and they can be best served by a fully digitalised omnichannel strategy. This omnichannel model integrates your Company's entire slew of products and service offerings for the customer. It will deliver superior business velocity, eliminate friction, reduce operational costs and enable BFL to become a single-point interface for its customers. You will get to know more details of the 'nuts and bolts' of this omnichannel strategy in the chapter on 'Management Discussion and Analysis'.

The keys to success of a financial services enterprise are risk management and superior portfolio quality. It is not an exaggeration on my part to say that your Company has a best-in-class risk management system that encompasses credit risks, liquidity risks, operational risks, market risks including interest rate risks. These have been buttressed by a significantly improved debt management system –more so after the advent of COVID-19. In addition, having the rich experience of lending to more than 57 million customers, your Company continuously diversifies risk across its borrowers, its product categories and its geographies – and does so regularly in a granular data-driven way.

I am particularly proud of the performance of BHFL. For an enterprise that formally started its lending operations from July 2017, it already has assets under management of ₹ 53,322 crore. Through its home loans, loans against property, lease rental discounting, developer financing and a dedicated vertical servicing rural and MSME customers, FY2022 saw BHFL earning a total income of ₹ 3,767 crore; net interest income of ₹ 1,612 crore; profit before tax of ₹ 960 crore; and profit after tax of ₹ 710 crore. It is an extremely creditable performance for this relatively young enterprise. I see it growing to become a truly significant presence in the housing finance market.



And now to the another wholly owned subsidiary of your Company, BFinsec. Registered with the SEBI as a stock broker and depository participant, BFinsec started its business operations from August 2019. With a strong digital platform and seven branches, BFinsec offers demat, broking, margin trade financing, financing for offer for sale to retail and HNI clients, and enables funding for new equity listing (IPO finance) and ESOP financing. In FY2022, BFinsec earned a net interest income of ₹ 95 crore; profit before tax of ₹ 23 crore; and profit after tax of ₹ 17 crore. I look forward to Finsec growing impressively in the years to come.

COVID-19 created an unprecedented crisis, especially during the second wave (Delta). We took multiple initiatives to ensure safety and well-being of employees and their families and extended financial and logistical support towards diagnosis and treatment. Further, the Bajaj group of companies supported mega vaccination drives which administered over 1 million doses of the COVID-19 vaccine to beneficiaries in the districts of Pune and Aurangabad. In addition, the Bajaj group contributed ₹ 170 crore to support the nation wide fight against COVID-19, alleviate the immediate on-ground challenges, and enhance capabilities and resources. This included the installation of 12 oxygen plants to provide more than 5,000 LPM of oxygen supply to rural and urban hospitals plus respiratory support equipment like oxygen concentrators, ventilators and BiPaps to help augment their capacity in treating COVID-19 patients.

The pandemic took a toll in FY2022, with your Company losing 25 employees to COVID-19. Support was extended to the families of the deceased employees under the 'Family Assistance Program', which covered financial support to these families for 48 months and educational assistance to children till the age of 21.

As of today, none of us know when the next strain of the COVID-19 virus will arrive and how infectious it may be. However, with the success of our nation-wide vaccination programme, sufficient stocks of oxygen and adequate hospital beds, plus the fact that all Indians of 18 years and above can now get their booster shots, I think we have reasons to believe that the next round may not lead to the kind of personal and economic devastation brought about by the Delta variant. As a nation, we seem to have learnt how to cope with this pandemic. And your Company is certainly organisationally and digitally well prepared to ensure that it will continue growing its businesses as expected.

Therefore, I am optimistic of your Company's growth, and of its ability to deliver superior performance and greater shareholder value.

May we as a nation do better than before.

Yours sincerely,

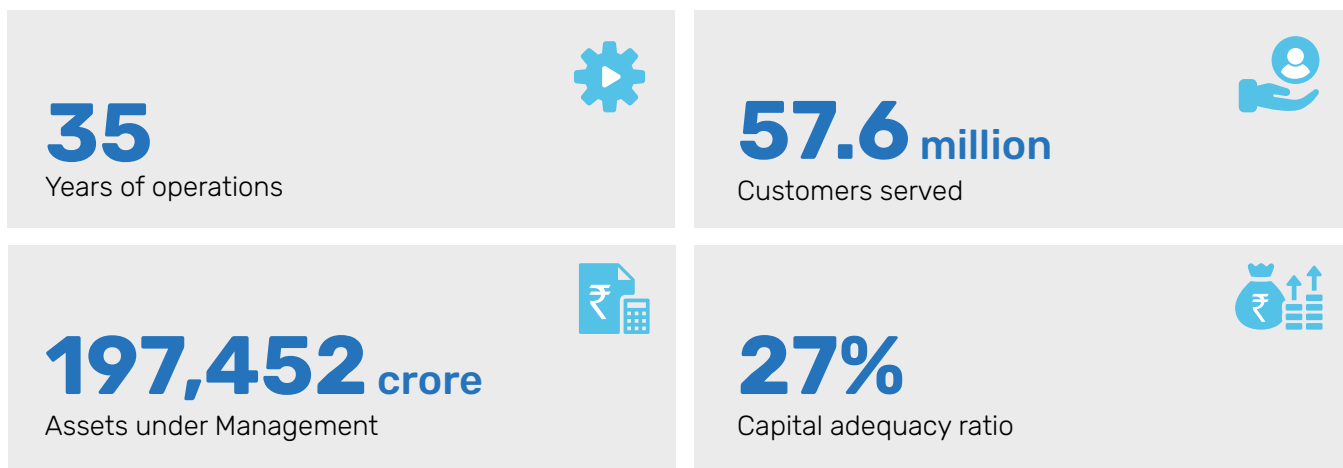


**Sanjiv Bajaj**  
Chairman

# BAJAJ FINANCE AT A GLANCE

Bajaj Finance is among India’s leading and most diversified non-banking financial companies (NBFCs). In our thirty-five years of journey, we have transformed our operations by building a diversified product portfolio, establishing a strong geographic presence, and serving a large customer base. We have also rapidly expanded our presence on e-commerce channels and are at the forefront of adopting digital technology to meet shifting customer preferences.

Our business model is strengthened by our robust risk management and portfolio monitoring framework. This is reflected in our gross and net non-performing assets (NPAs) being among the lowest in the industry and our capital adequacy ratio being well above the regulatory norms.



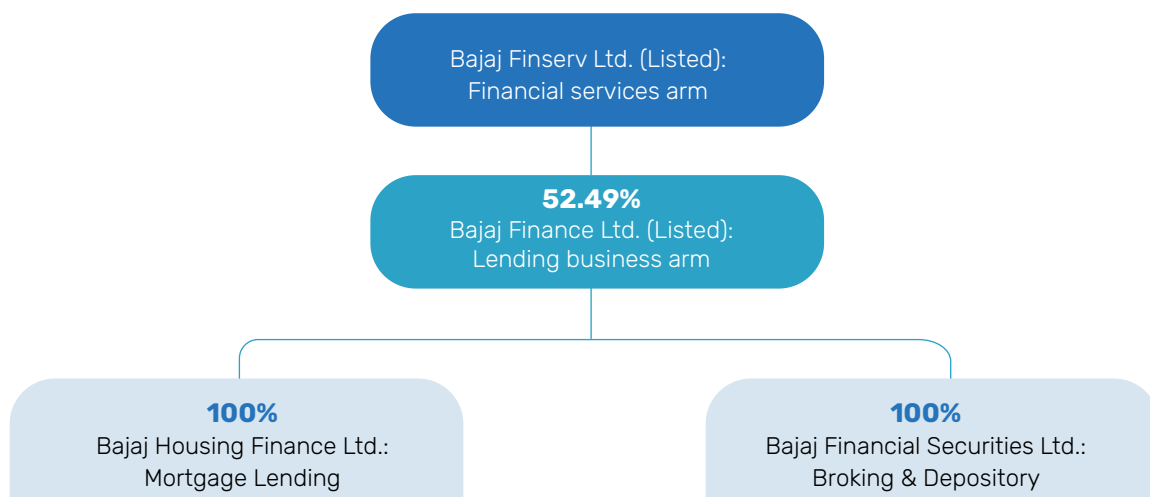
## Structure

Bajaj Finance is a subsidiary of Bajaj Finserv Ltd. We have two wholly-owned subsidiaries:



## Product Offering

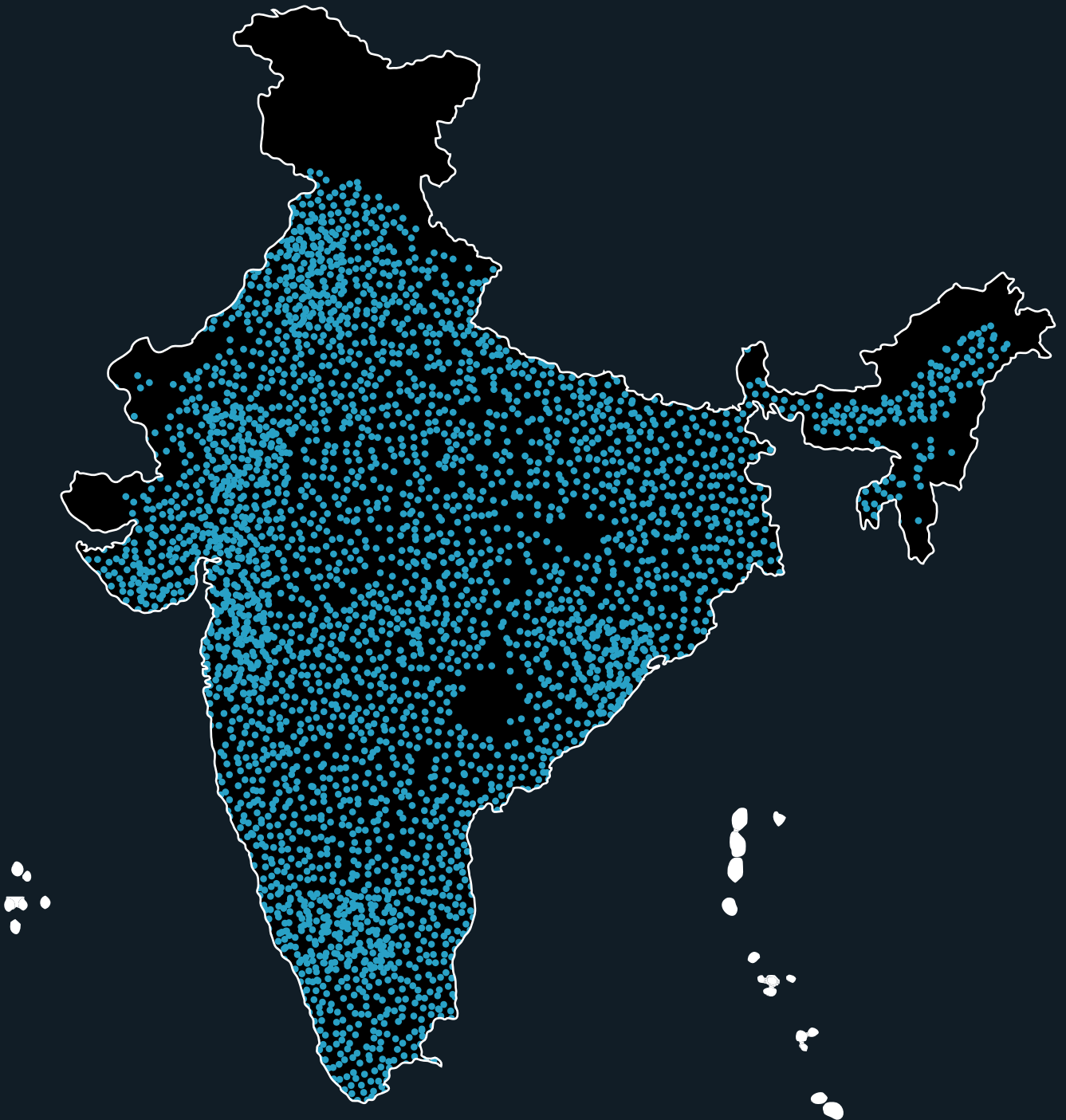
- Consumer Lending
- SME Lending
- Commercial Lending
- Rural Lending
- Public and Corporate Deposits
- Partnerships and Services





## Our Geographic presence

Our geographic presence spans 3,504 locations across the country, including 2,136 locations in rural/smaller towns and villages. Our overall distribution network is 133,200+.



*Map not to scale. For illustrative purposes only*

# MANAGEMENT DISCUSSION AND ANALYSIS

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

BFL has two wholly owned subsidiaries i.e. (i) Bajaj Housing Finance Ltd. ('BHFL' or 'Bajaj Housing') which is registered with National Housing Bank as a Housing Finance Company (HFC); and (ii) Bajaj Financial Securities Ltd. ('BFinsec'), which is registered with the Securities and Exchange Board of India (SEBI) as a Stock Broker and Depository Participants.

Bajaj Finance was originally incorporated as Bajaj Auto Finance Ltd. on 25 March 1987 as a Non-Banking Financial Company primarily focused on providing two and three-wheeler finance. After over a decade in the auto finance market, it launched its initial public offering of equity share and listed on the Bombay Stock Exchange and National Stock Exchange of India. Subsequently, the Company ventured into consumer lending, SME (small and medium-sized enterprises) lending, commercial lending, rural lending, deposits, and wealth management.

BFL, a thirty-five-year old enterprise, has now become a leading player in the NBFC sector in India. On a consolidated basis, it has a franchise of 57.6 million customers; its assets under management stands at ₹ 197,452 crore; it earned a net interest income of ₹ 21,892 crore; profit after tax of ₹ 7,028 crore; and enjoys capital adequacy in excess of 27%, which is well above the RBI norms.

## The COVID-19 Pandemic

The beginning of financial year 2021-22 (FY2022) was once again dominated by the COVID-19 pandemic as new waves of infection swept across the world. In India, the second wave (called 'Delta') proved far more lethal than the first that struck in 2020. After a shaky start in some places, the vaccine immunisation programme by the Indian Government and Governments across the world has been exemplary. It saved lives and livelihood.

The highly transmissible variant 'Omicron' in early January 2022 (the third wave) spread rapidly across the world. During this wave, India's daily number of reported cases peaked to nearly 350,000 on 20 January 2022. Faced with the prospect of yet more lockdowns, there was fear that the world would face yet another year of slow economic growth. Fortunately, while highly transmissible, Omicron was not as lethal as Delta. So, while many got infected, fatality rate was fortunately low.

The world did not see a re-run of massive drop in GDP as witnessed in financial year 2020-21 (FY2021). Thanks to a huge vaccination drive and the preparedness to deal with COVID-19 as a way of life people, firms and both the Central and State Governments sensibly dealt with the virus. Consequently, the strong link between COVID-19 waves and fall in GDP growth seem to have considerably reduced. As long as the new variants are like Omicron, we should have less to worry about mass hospitalisations, high mortality, multiple lockdowns and lower growth.

This pandemic has inflicted enormous pain and suffering to individuals and corporates alike across the world. However, it gave the world an opportunity to reinvent itself to adapt to new ways of life and business. COVID-19 was a real test of resilience and agility for every business. Corporations that have successfully adapted the challenges thrown by COVID-19 have become more resilient and prepared to weather future disruptions. It was not just the corporate sector that has been forced to rapidly adapt. Public services organisations, regulators, governments, and local administrations have demonstrated their potential to adapt and overcome.



## Macroeconomic Overview

The Indian economy had begun to recover since the second half of FY2021. Thus, FY2022 began with an expectation that we would soon see GDP surpass the pre-pandemic level of the financial year 2019-20 (FY2020). That has just about been the case, as Chart A shows. Despite the recovery, we as a nation have still lost two years of GDP growth.

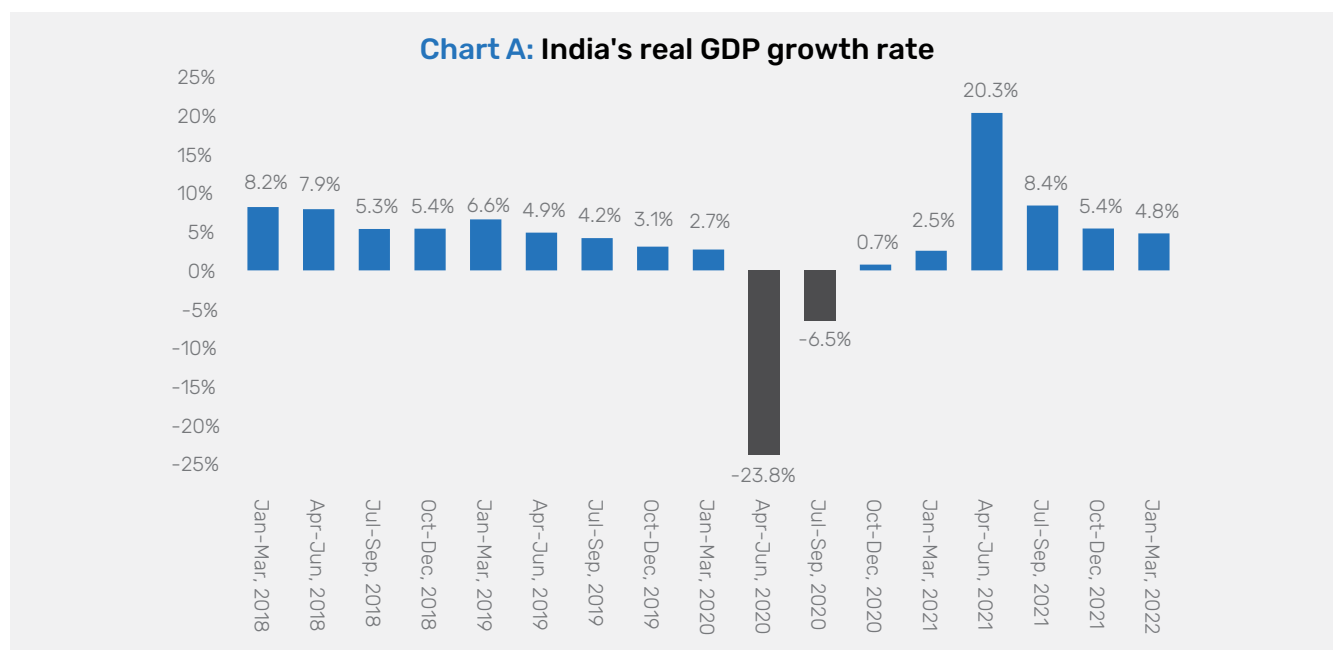
Table 1 gives the data on real GDP and Gross value added (GVA) and growth for the last four financial years.

**Table 1: Real GDP and GVA and growth, India**

	FY2019 (2 <sup>nd</sup> RE)	FY2020 (2 <sup>nd</sup> RE)	FY2021 (1 <sup>st</sup> RE)	FY2022 (2 <sup>nd</sup> AE)
Real GDP (₹ in trillion)	140.0	145.2	135.6	147.7
Real GVA (₹ in trillion)	127.4	132.2	125.9	136.2
Real GDP growth	6.5%	3.7%	(6.6%)	8.9%
Real GVA growth	5.9%	3.7%	(4.8%)	8.3%

**Source:** Government of India, Central Statistics Office (CSO). AE denotes Advance estimate and RE denotes revised estimate.

Chart A depicts India's real GDP growth over the same period by quarters for the last four financial years.



The second advance estimates of national income for FY2022 released by the Central Statistics Office on 28 February 2022 expect GDP growth in FY2022 to be 8.9%. Sectoral growth estimates show that all three sectors – agriculture, manufacturing, and services – grew well. In absolute terms, the economic output of all the three sectors crossed the pre-pandemic levels of FY2020. RBI in its monetary policy report dated 8 April 2022 projected a real GDP growth of 7.2% for the financial year 2022-23 (FY2023).

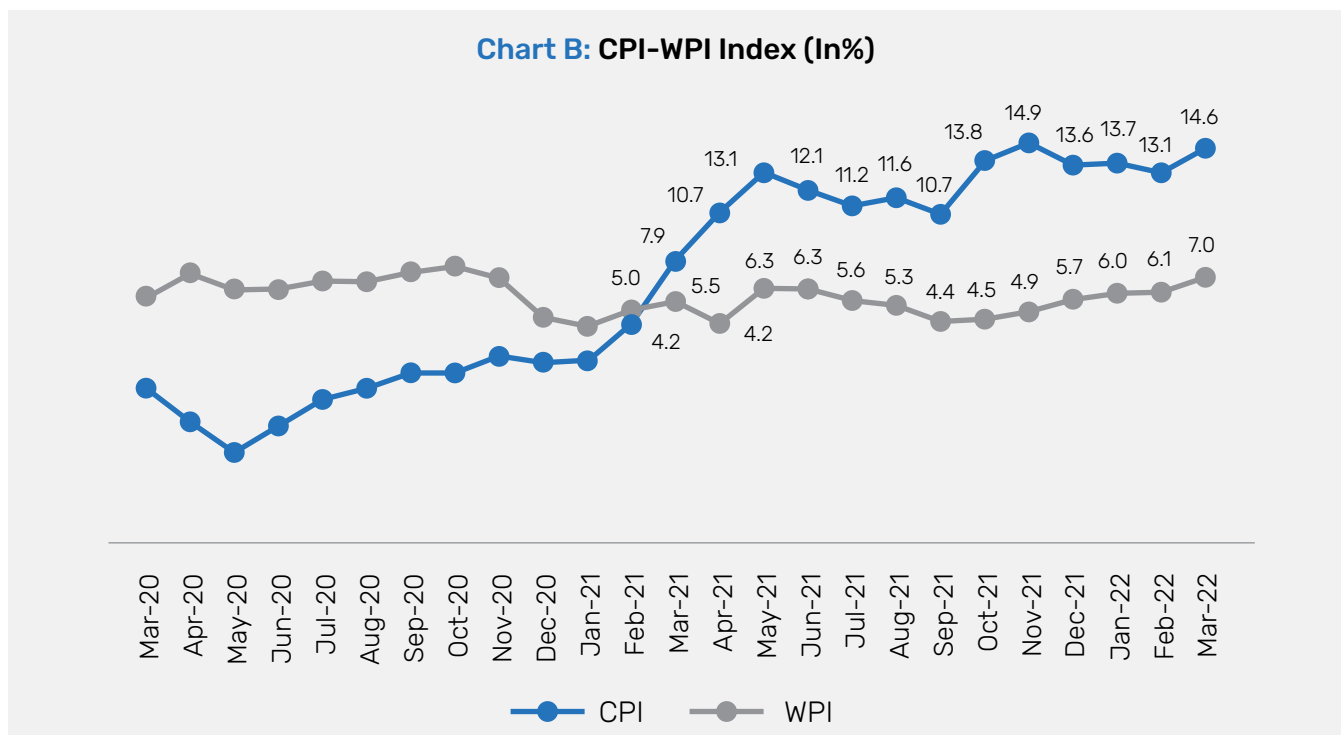
The service sector which accounts for more than half the Indian economy was most impacted on account of the COVID-19 restrictions especially for activities that needed human contact. Although the overall service sector now contributes to 54% of the GDP as against the pre-pandemic levels of 55%, there is a wide dispersion of performance among the different sub-sectors. The financial, real estate and the public administration segments are now well above the pre-pandemic levels. However, contact sensitive segments like travel, trade and hotels are yet to reach the pre-pandemic levels of value added.

Although private consumption expenditure barely crossed the pre-pandemic levels, growth of government consumption expenditure and gross fixed capital formation made up for the muted private consumption expenditure. GST collection is a good indicator to assess country’s growth and economic recovery, it increased by over 30% in FY2022 to ₹ 14.83 lakh crore, indicating revival and growth momentum.

The Government of India announced a growth oriented and expansionary budget for the FY2023 with a strong push on investments to lift economic growth. The compounded annual growth rate for capital expenditure of FY2023 over FY2020 is projected at 28% while revenue expenditure is contained at 12%. The budget’s expectation is that such capex-led growth would take India on a growth path even at the cost of a fiscal deficit of 6.4% in FY2023, coming on top of 6.8% in FY2022.

Unfortunately, the conflict in Ukraine has led to chaos in global commodity markets. Crude prices are oscillating between USD100 to USD120 posing a threat to India’s economic recovery. How increased commodity prices will unfold is yet to be seen. What is sure, however, is that there will be a considerable impact on inflation which was already a cause of concern.

Inflation has emerged as a global challenge owing to the surge in energy prices, non-food commodities, input prices disruptions of global supply chains and rising freight costs. In India, retail inflation measured by the Consumer Price Index (CPI) edged up to 6.95% in March 2022 from 5.66% in December 2021. The food group registered a significant decline in prices primarily on account of vegetables, meat and fish, edible oils, and fruits. Fuel inflation eased in December 2021 but remained in double digit and remains a serious cause of worry. Chart B depicts India’s Inflation rate and wholesale price index (WPI).



Non-food credit growth of the scheduled commercial banks was 7.9% as of 25 February 2022 over 26 February 2021 as against 6.6% for the same period in the previous year. Credit growth to industry accelerated to 6.5% in February 2022 from 1% in February 2021. Credit growth within industry was the largest in the medium scale industry which recorded a 71.4% growth in the period followed by a 19.9% growth to micro and small industries. In contrast, large-scale industries saw a meagre 0.5% growth. Credit growth in personal loan segment was 7.9%. Fortnightly data released by the RBI on 21 April 2022 reflected credit growth of the scheduled commercial banks crossed 10% as of 8 April 2022.



The RBI introduced its Resolution Framework-2.0 in May 2021 during the outbreak of the deadly second wave which gave impacted and vulnerable borrowers breathing space to meet their repayment obligations. Simultaneously, the RBI maintained adequate liquidity to support its accommodative stance throughout the year. It resorted to rebalancing liquidity on a dynamic basis without compromising systemic liquidity. Moreover, the RBI kept its key policy rates including repo rate, reverse repo rate and bank rate unchanged at 4%, 3.35% and 4.25% respectively throughout FY2022.

On balance, we believe that the Indian economy is well positioned to counter the challenges posed by any new waves of the pandemic. The inflation challenge needs to be tackled carefully without resorting to sharp interest rate hikes, as it may dampen the pace of economic recovery. The other serious risk relates to major disruptions in the global supply chains mostly emanating from China; and, more recently, with the Ukraine conflict, from Russia. It is difficult to predict how these will play out. So, we need to be prepared for continuous volatility and external disruptions.

## Industry Overview

NBFCs have become important constituents of the financial sector and have been recording higher credit growth than scheduled commercial banks (SCBs) over the past few years. NBFCs are leveraging their superior understanding of regional dynamics and customised products and services to expedite financial inclusion in India. Lower transaction costs, quick decision making, customer orientation and prompt service standards have typically differentiated NBFCs from banks. Considering the reach and expanse of NBFCs, they are well-suited to bridge the financing gap in a large country like India. Systemically Important NBFCs have demonstrated agility, innovation, and frugality to provide formal financial services to millions of Indians.

The systemic importance of the NBFC sector can be gauged by the following facts:

- The NBFC sector (including HFCs) has assets worth more than ₹ 54 lakh crore as of 31 March 2021, equivalent to about 25% of the balance sheet size of the banking sector – up from 12% of the balance sheet size of banks in 2010.
- Over the last five years, NBFC's assets have grown at cumulative average growth rate of 17.9%.
- NBFCs were the largest net borrowers of funds from the financial system, with gross payables of ₹ 12.06 lakh crore and gross receivables of ₹ 1.65 lakh crore as of 30 September 2021. HFCs were the second largest net borrowers of funds from the financial system, with gross payables of ₹ 7.38 lakh crore and gross receivables of ₹ 0.61 lakh crore as of 30 September 2021.
- Credit delivery growth of NBFCs in terms of the share of GDP has grown from 8.6% in FY2013 to 13.7% in FY2021.

This is an enviable track record despite the business models of the NBFCs being severely tested by four large external events in the last few years, namely, (i) demonetisation, (ii) GST implementation, (iii) failure of few large NBFCs, and (iv) the pandemic. The fact that many NBFCs have managed to overcome these stresses without significant impact on financial position is a testimony to their resilience and agility.

Given the systemic risks that the sector poses, the RBI issued 'Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs' on 22 October 2021 to make the financial sector sound and resilient while allowing a majority of NBFCs to continue under the regulation-light structure. The objective behind this scale-based approach is the principle of proportionality for regulating the non-banking financial companies. The purpose is to calibrate the degree of regulatory prescriptions based on the systemic importance of NBFCs and the contagion risk they pose to other entities in the financial system.

The regulatory vigil over the NBFCs continues with focus on four key cornerstones of (i) responsible financial innovation, (ii) accountable conduct, (iii) responsible governance, and (iv) centrality of the customer.

We believe that NBFCs with superior capital adequacy, better margins, frugal cost management, prudent risk management and those incorporating above four key cornerstones in their business models will continue to deliver sustainable growth in the foreseeable future.

## The Company

BFL has its presence in 3,504 locations across the country, including 2,136 locations in rural/smaller towns and villages. Geographical expansion, large customer franchise and adoption of digital technology continues to be critical pillars of the Company's growth. It focuses on six broad categories: (i) Consumer Lending, (ii) SME Lending, (iii) Commercial Lending, (iv) Rural Lending, (v) Deposits; and (vi) Partnerships and Services.

The pandemic induced disruptions continued in FY2022 as well. The first half of FY2022 witnessed a significant impact of the lethal second wave (Delta) of the pandemic – impacting performance of both business and portfolio quality. The third wave (Omicron) strain was more transmissible; however, its impact on BFL's operation was limited.

Drawing from its experience of FY2020 and the fact that the lockdowns were curtailed in FY2022, the Company remained open for business with a nuanced strategy on new business acquisition and underwriting across all its businesses.

As a result, BFL recorded a 29% growth in AUM (core AUM growth is 26%) and 59% growth in profit after tax on a consolidated basis in FY2022 as against a 4% growth in AUM and 16% degrowth in profit after tax in FY2021. Return on average assets (ROA) and return on average equity (ROE) for FY2022 was 4.2% and 17.4% respectively on a consolidated basis. This performance was despite the continued disruption in business and debt management services in the first half of the year, elevated level of credit costs and higher liquidity buffers.

The Company's business model continues to generate healthy pre-impairment operating profits enabling it to withstand higher credit costs in times of stress. It remains well capitalised with a capital-to-risk weighted asset ratio (CRAR) of 27.22% as on 31 March 2022 – making it among the best capitalised large NBFCs in India.

On the liability side, BFL continued to maintain conservative liquidity buffers. The consolidated liquidity buffer was ₹ 10,110 crore as on 31 March 2022. While maintaining higher liquidity buffers, the Company took several initiatives to bring down its cost of borrowings resulting in a decrease of 103 bps over FY2021. As on 31 March 2022, BFL's consolidated borrowings stood at ₹ 165,232 crore.

As a result of its deeply embedded risk culture and robust risk management practices, the Company's portfolio quality as of 31 March 2022 continues to remain strong despite of repeated waves of COVID-19. BFL's consolidated Gross NPA at 1.60% and Net NPA at 0.68% are amongst the lowest in the industry.

Using its robust risk management and portfolio monitoring framework, BFL took enhanced credit costs based on emerging trends across its different portfolios. It holds a management overlay provision for macroeconomic factors and COVID-19 of ₹ 1,060 crore as on 31 March 2022.



The consolidated performance highlights for FY2022 are given below.

### Consolidated Performance Highlights, FY2022

- Number of new loans booked was 24.7 million.
- Customer franchise grew by 19% to 57.6 million.
- Assets under management (AUM) increased by 29% to ₹ 197,452 crore.
- Core AUM (net of short-term IPO financing receivable) increased by 26% to ₹ 192,087 crore.
- Total income increased by 19% to ₹ 31,640 crore.
- Net interest income (NII) rose by 27% to ₹ 21,892 crore.
- Total operating expenses (Opex) grew by 43% to ₹ 7,585 crore.
- Opex to NII stood at 34.6%.
- Pre-impairment operating profit increased by 20% to ₹ 14,307 crore.
- Impairment on financial instruments decreased by 20% to ₹ 4,803 crore.
- Profit before tax (PBT) increased by 59% to ₹ 9,504 crore.
- Profit after tax (PAT) increased by 59% to ₹ 7,028 crore.
- Capital adequacy ratio as of 31 March 2022 was 27.22%, Tier I adequacy was 24.75%, which is well above the RBI norms.

Resilience and agility are deeply embedded in BFL's culture. These cultural anchors have enabled BFL to make swift and calibrated changes to its risk and debt management practices to regain business momentum while maintaining strong vigil on portfolio quality and adapting to changing customer preferences of post pandemic world.

With the strong financial position, well provisioned balance sheet, omnichannel business strategy and strong entry momentum into FY2023, the Company is optimistic about its growth prospects in FY2023.

## Omnichannel Strategy

BFL is one of the largest and most diversified NBFCs in India. It has the experience of acquiring and serving 57.6 million customers since it started its transformational journey in FY2008 from a mono-line captive lender to a diversified financial service business that it has become today. During this period, the Company expanded its presence to 3,504 locations with a distribution network of over 133,200 points of sale. It has also rapidly expanded its presence in ecommerce space by onboarding 140 partners and creation of marketplaces for financing of electronics and ancillary products, insurance distribution and investments distribution.

Over the next few years, BFL intends to become a dominant payments and financial services company in India. Strategy is to be an 'Omnipresent' financial services company dominant across all mediums of consumer presence covering physical, app, web, social and virtual. BFL will continue its approach of 'acquire and cross-sell' across payments, assets, deposits, insurance, investments, and broking products to its Consumer, SME, Commercial and Rural consumers. And it remains committed to build businesses with a long-term view anchored on prudence and risk management to deliver 'through the cycle' 18-20% shareholder returns.

The Omnichannel strategy pre-dated COVID-19. It was articulated in 2019 as a part of its long-range plan to create a new phase of sustainable growth strategy for BFL. COVID-19 accelerated this transformation and galvanised the Company to make 'Omnichannel strategy' the new way of doing business. It will enable customers to move between online to offline and vice-versa in a frictionless manner. The Omnichannel model starts with customer and ends with products/processes as against the traditional approach which starts from products/processes and ends with customers. It's been a huge structural shift for the Company, and

we are reinventing the way we do everything, everyday. Once implemented, it will evolve BFL into a customer centric digital enterprise.

All business transformations need time, teams, and technology. BFL is committed to invest time and effort in making significant changes to its operating processes. It has made lots of progress in the last 18 months in optimising its processes to make them digital ready. In the last 18 months, BFL has onboarded 911 employees with relevant skills to accelerate its Omnichannel strategy. BFL has also made significant structural changes to its technology stack to evolve itself into a customer centric digital enterprise.

In FY2022, the Company made significant progress in the following domains of Omnichannel strategy:

- **Geographic expansion** remains an important driver of growth and portfolio management. BFL expanded its geographic presence by adding 516 locations in FY2022 taking its presence to 3,504 locations. Its ambition is to be present in 5,000 locations over the next few years. The Company has well defined geographical expansion programme and it considers GDP contribution as an important parameter for selection of new locations. The Company monitors portfolio contribution of regions across the country against their GDP contribution.
- BFL has completely rebuilt its customer facing **mobile app** with (a) refreshed interface layer; (b) inclusion of payments stack - wallets, UPI, bill pay service, single payment check out gateway; (c) enhanced and new customer engagement features - in-app programs, rewards, offers, deals and location based services; (d) enhanced service features and information with robust search mechanism for loans and deposits; (e) frictionless purchase journeys for loans, investments and insurance; (f) marketplaces for financing and distribution across electronics, insurance, investment and health; (g) capabilities of digitisation of EMI card and Co-brand credit card with improved service features. All these encompassing over 55 core features were delivered in the new customer interface in FY2022.

During FY2022, over 14 million customers have installed the new mobile app. The Company is currently observing eight million distinct monthly active users and almost one million daily distinct active users. In FY2023, BFL plans to build additional 50 features which would cover new and enhanced purchase journeys of loans, investments and insurance, personalised marketing, promotions, and data led features, integrated rewards in the loan journeys, augmented reality, and virtual reality features and more.

- **Payments** is core to delivering Omnichannel strategy. It will drive higher engagement and retention of customers on BFL's new digital platforms. BFL plans to build a full-service payments business across all formats of issuance and acquiring. BFL has built a robust payments stack encompassing wallets, UPI, bill pay service and single payment check out gateway.

During FY2022, i) 6.4 million customers have created wallet account with the Company; ii) 2 million customers have created UPI handles; and iii) 2.3 million bill payment transactions were executed by the customers using BFL's bill pay service. Along with the payments journey for customers, the Company has also progressed on creating merchant solutions and capabilities to enable merchant onboarding, payments and business one view for merchants, and marketing campaign solutions and rewards for merchants.

In FY2023, BFL plans to deploy Electronic Data Capture ('EDC') terminals with on-us and off-us payment methods, Quick Response ('QR') solutions as well as its own payment gateway. This will enable BFL to offer omnichannel payment solutions to its customers thereby enabling higher business growth and larger market shares.

- **Web** remains an extremely important driver of customer traffic, business volumes and service to customers in the digital space. As part of its Omnichannel strategy, BFL is committed to provide platform agnostic experience across all digital mediums. In pursuit of this strategy in FY2022, BFL has invested in domain talent and technologies to build a large web platform. Further, the Company has also invested in expanding its presence in search ecosystem thereby laying a strong foundation for one billion web traffic over the medium term.



In FY2023, the Company plans to completely transform web experience by revamping the entire UI/UX of the web platform thereby offering a consistent experience across both app and web ('web' = 'app'). As a result, BFL customers will be able to initiate journey on one platform and complete the same on the other platform. All the three marketplaces of the Company viz. electronics, insurance, and investments, will be tightly integrated into the web platform. The web platform will also enable customers to manage all relationships and avail all related services.

- BFL has also built **Sales One App** and **Debt Management One App** to provide a single gateway to customers for online and offline transactions and a unified experience for sales and debt management teams. These platforms will significantly help improve the business productivity and controllership, customer engagement, integration of various business and functions and enabling frictionless purchase and servicing experience for customers.

**Sales One app** enables BFL sales teams with capabilities such as lead management, performance management dashboards, customer service, debt management, sales helpline, and incentives and training. In FY2023, the Company plans to further improvise the 'Sales One app' with additional features like merchant onboarding, calculators, interactive reports, and others.

**Debt Management One app** enables the Company's debt management teams with host of capabilities and features like mobile receipting, settlement workflow, call management and recording, debt management and customer service-related trainings, options for customer service, customer feedback score, code of conduct and others. In FY2023 the Company plans to enable debt management teams with features like agent onboarding, performance dashboards, agency allocation, meeting calendars, repossession module, debt management helpline and others. In addition to large operating benefits, this will significantly strengthen BFL's compliance and controllership.

- **Customer data platform** ('CDP'), a key to the omnichannel experience, was implemented in the second quarter of FY2022. CDP enables multi-channel orchestration, customer communication, call governance with an integrated multi-dialler, multi-lingual architecture. BFL has also migrated from a centralised Pune-based call centre infrastructure to eight regional call centres to deliver multi-lingual sales and service support to its customers.

In FY2023, the Company will accelerate execution of Omnichannel strategy. The Company has plans to open 400 to 450 locations to further deepen its presence across India. On the app platform, the Company will optimise the app and deliver new features and services to make it more customer centric. It will build a web platform and deliver a consistent experience across platforms to its customers.

## Business Update

In FY2022, BFL disbursed 24.7 million loans, representing a growth of 46% over FY2021. It is present in 3,504 locations across the country, including 2,136 locations in rural/smaller towns and villages. It operates through more than 133,200 distribution points across India. The Company acquired over 9 million new customers in FY2022 taking its existing customer franchise to 57.6 million as on 31 March 2022, a growth of 19% over 31 March 2021.

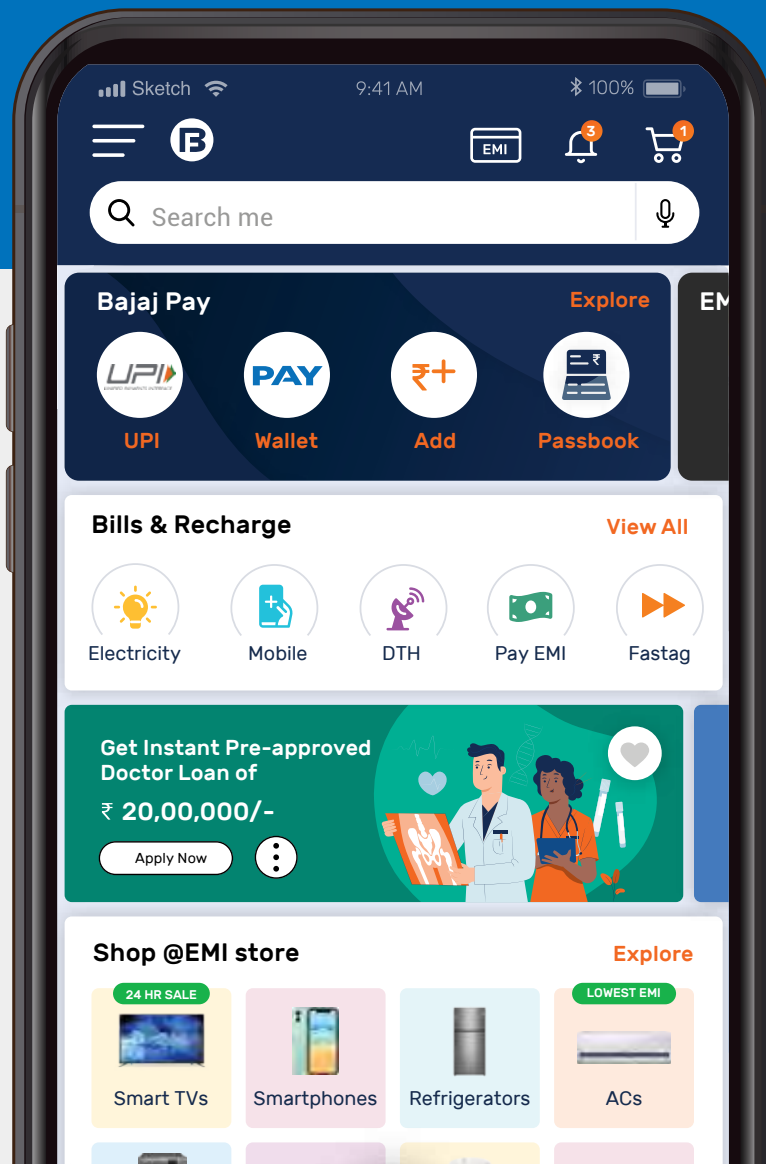
In FY2022, as part of its product strategy, the Company has further expanded its product offering for customers:

- BFL has announced the launch of two-wheeler financing across all manufacturers in addition to financing of Bajaj Auto two-wheelers. The Company plans to start this business in the second quarter of FY2023.
- On 19 January 2021, BFL received approval of the RBI for issuance of co-branded credit card in association with DBS Bank (India) Ltd. ('DBS Bank'). The Company launched co-branded credit card with DBS Bank on 5 April 2022.
- To grow its market share in the used car financing business, the Company has entered into a strategic tie-up with Cars24 for providing end-to-end digital financing experience for customers transacting on Cars24 platform.

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

BFL continues to be the dominant lender for consumer electronics, furniture, and digital products in India. It financed 12.7 million consumer electronics and digital products purchases in FY2022.

This segment saw some shift in consumer preferences as a result of changed lifestyles amidst the pandemic.

There has been a sizeable shift towards premium range across product categories. Laptops and mobiles have grown by 47%, over last year, as a result of work from home and online classes for students. As in FY2021, the second wave of the pandemic impacted April–June demand for air conditioners and refrigerator as a result of which air conditioner and refrigerator volume was 16% lower compared to FY2020.

BFL's unique Existing Member Identification (EMI) card, with about 29.9 million cards in force, enables customers to avail instant finance after the first purchase across more than 122,000 points of sale. In FY2022, EMI cards enabled the Company to finance over 13.1 million purchases across all sales finance categories: consumer electronics, digital products, lifestyle products, lifecare, e-commerce and other retail spends.

Bajaj Finance remained the largest financier of Bajaj Auto motorcycles and three wheelers in FY2022. However, it continued to remain cautious of new acquisitions due to increased credit costs during the pandemic. During the year, it financed over 637,000 two wheelers and about 72,000 three wheelers. This constituted 37% of domestic sale of Bajaj two-wheelers and 44% of domestic sale of Bajaj three-wheelers. BFL has announced the launch of financing of two-wheelers of other brands as well. The Company plans to start this business in the second quarter of FY2023.

The Company's lifestyle finance is based on discretionary spends with large ticket size and witnessed higher demand in FY2022. It has financed over 461,000 accounts which represents growth of over 60% vs FY2021. BFL focuses on driving adoption of digital acquisition through its marketplace. It has onboarded 51 large OEMs on its marketplace and has listed more than 10,000 products for its large existing customer franchise.

The Company finances its existing EMI card customers for their purchases through e-commerce platforms. It financed over 2.5 million transactions in FY2022 – representing a growth of 48% versus the previous year. BFL increased its online franchise by onboarding around 140 online partners during the year taking the overall franchise to about 210 partners. 13 of these partners are already part of the new Bajaj Finserv App, giving our customers a seamless shopping experience.

The retail spends financing business offers easy instalment options to customers for small ticket purchases like fashion, eyewear, cycles, insurance, tyres, car accessories and servicing, and small appliances. This business continues to focus on building and managing distribution in select geographies and higher ticket spends categories which are more economically viable. It is now operational in 60 locations with a footprint of over 34,000 partner stores across India. BFL financed nearly 656,000 such purchases in FY2022.

## Personal Loans

Personal Loan Cross Sell (PLCS) business is a pre-approved loan origination programme for existing customers of BFL. It relies on risk analytics, campaign management and digital acquisition strategy. BFL has completely revamped its loan origination, underwriting and loan booking system for PLCS business. It has also invested in a campaign management tool on CDP (the customer data platform) for horizontal campaign governance and promotional campaign management. The PLCS business has now migrated to eight new regional call centres with multi-linguistic capability across India. Further, it launched a new three-click self-service 'get it now' disbursement process for customers on its new platforms. About 824,700 customers were sourced through the PLCS business in FY2022. AUM for the business grew by 24% over FY2021 to ₹ 21,374 crore.

Salaried personal loans (SPL) are offered to affluent salaried customers with average annual gross earnings of over ₹ 600,000. The SPL business AUM grew by 32% over FY2021 to ₹ 16,031 crore.



## SME Lending

SME lending offers unsecured and secured loans to small businesses. It consists of working capital loans and term facilities to SMEs, MSMEs and professionals. Secured loans to SME and MSME customers are offered against their residential property, commercial property or used four-wheeler. The SME segment witnessed disruptions on account of the pandemic induced slowdown. While demand for SME loans bounced back from the second quarter in FY2022, this second wave of pandemic has had an adverse impact on the loan losses.

### For Businesses

Unsecured SME Loans to businesses is present in over 1,500 locations in India. Its AUM in FY2022 grew by 25% to ₹ 14,203 crore.

### For Professionals

BFL offers secured and unsecured loans to doctors, chartered accountants, and other professionals under this category – consisting mainly of working capital loans and term facilities. The business is present in over 1,500 locations in India. Its unsecured AUM grew by 17% over FY2021 to ₹ 9,420 crore.

In FY2022, our medical equipment financing business gained traction through field distribution, OEM network and dealer network. Currently the business has 100+ empanelled dealers and 10 OEMs for sourcing. This business is ancillary to the professional loans business.

### Secured loans to SME and MSME customers

BFL offers secured loans to SME and MSME customers against their residential property, commercial property or used four-wheeler. AUM of secured loans against residential or commercial property grew by 53% over FY2021 to ₹ 1,804 crore. Used car finance AUM grew by 84% over FY2021 to ₹ 1,170 crore. BFL has expanded its used car finance presence from 14 to 28 locations in FY2022. It has entered into a tie-up with Cars24 for providing end-to-end digital financing experience for customers transacting on Cars24 platform.

## Rural Lending

BFL offers all its lending and deposits products which includes consumer B2B lending, personal loans, gold loan, retail deposits and others in small towns and villages through its rural lending business. In FY2022, BFL expanded its rural lending footprint by adding 446 locations. At the end of FY2022, it was present in over 2,136 locations across 21 states and union territories in India. During the year, BFL expanded its product offering by launching co-branded credit card and EMI cards for customers in rural markets. It opened 50 financial inclusion branches in unbanked rural centres in FY2022.

The rural lending business recorded an AUM growth of 32% over FY2021 and closed with an AUM of ₹ 19,430 crore as on 31 March 2022.

## Commercial Lending

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

Barring April–June quarter, when manufacturing sector and supply chain faced disruptions due to lockdowns, the impact of the pandemic was minimal during FY2022. BFL continues to have sharp focus on acquiring quality corporate clients, deepening relationships, and ensuring value add by offering products in the form of working and growth capital loans. Commercial lending recorded an AUM growth of 39% over FY2021 to ₹ 11,498 crore.

## Loan Against Securities

Loan against securities business offers medium-term and short-term financing against shares, bonds, mutual funds, insurance policies and deposits to customer across retail, high net-worth individuals (HNIs) and promoter categories. It is operational in 15 locations through physical branches and also offers financing solution through a digital medium.

BFL has completed its product suite for its retail and HNI customers through its 100% subsidiary, BFinsec, which offers various investment services like demat services, broking, margin trade financing and financing of offer for sale.

The business grew strongly in FY2022 and closed the financial year with AUM of ₹ 10,536 crore, recording a growth of 79%. This was excluding the short-term IPO financing AUM, which stood at ₹ 5,365 crore as of 31 March 2022.

## Deposits

BFL accepts deposits from retail and corporate clients. The deposits book as on 31 March 2022 stood at ₹ 30,800 crore, representing a growth of 19% y-o-y. BFL's deposit book now contributes to 25% of its standalone borrowings and 19% of its consolidated borrowings as on 31 March 2022, compared to 26% and 20% respectively, as on 31 March 2021.

BFL continues to grow retail deposits in calibrated manner. However, given higher amount of liquidity buffer, the Company temporarily reduced its focus on large ticket corporate deposits. To provide retail customers an option to place deposits in a seamless manner, BFL launched digital deposits on its 3-in-1 App in February 2022.

Retail deposits now contribute to 69% of total deposits, versus 73% as of 31 March 2021.

## Partnerships and Services

In partnership with various financial service providers, BFL offers variety of products to its customers which includes life insurance, health insurance, extended warranty, comprehensive asset care, co-branded credit card and financial fitness reports.

BFL is registered with Insurance Regulatory and Development Authority of India (IRDAI) as a corporate agent for distribution of life, health and general insurance products across nine insurance partners. Working with various insurance companies, it has developed a small ticket insurance product (called 'pocket insurance') for very specific customer needs. It distributed over 623,100 pocket insurance policies in FY2022 versus 272,900 in FY2021, registering a growth of 128%.

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

In partnership with the RBL Bank, BFL's co-branded credit card business continued to grow robustly in FY2022. These credit cards are now offered across 400+ locations in India. The number of cards-in-force stood at over 2.80 million as on 31 March 2022. The credit card alliance agreement with RBL Bank has been further renewed for a period of 60 months.

On 19 January 2021, BFL received approval of the RBI for issuance of co-branded credit card in association with DBS Bank (India) Ltd. ('DBS Bank'). The Company launched co-branded credit card with DBS Bank on 5 April 2022.

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

## Assets under Management (AUM): A Snapshot

BFL closed FY2022 with AUM of ₹ 197,452 as compared to ₹ 152,947 crore as at the end of FY2021, a growth of 29%. Core AUM as on 31 March 2022 net of ₹ 5,365 crore of short-term IPO financing receivables was ₹ 192,087 crore, representing a growth of 26%. BFL delivered this growth despite the disruption caused by the second wave of pandemic in first quarter of the year. Chart C depicts BFL's consolidated AUM over the last five years.

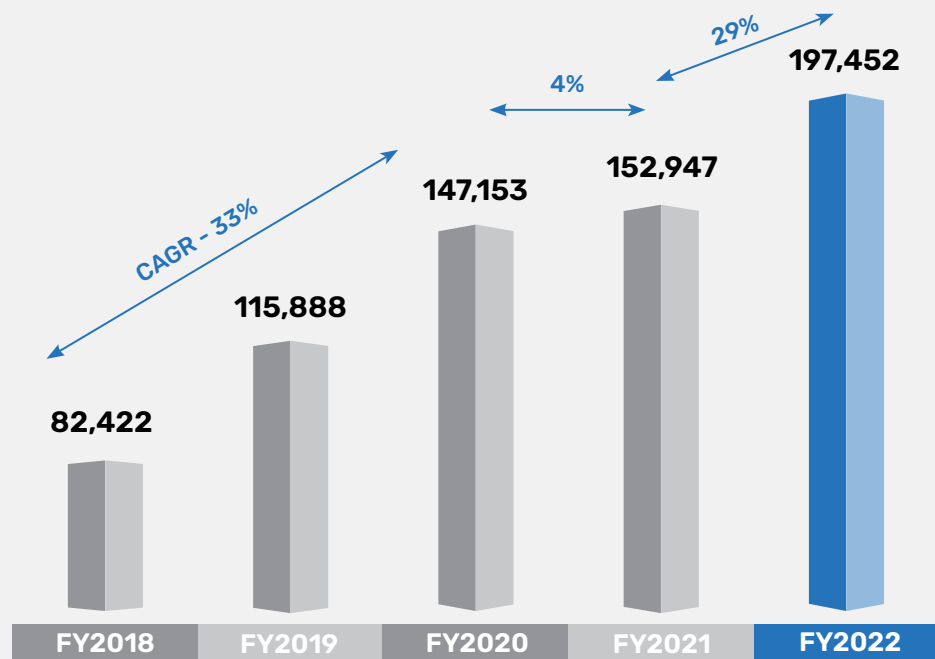
**Chart C: BFL's Consolidated Asset under Management (₹ in crore)**

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

**Table 2: Assets under Management**

(₹ in crore)

Particulars	Standalone			Consolidated		
	FY2022	FY2021	Change	FY2022	FY2021	Change
Consumer B2B - auto finance business	10,194	12,111	(16%)	10,194	12,111	(16%)
Consumer B2B - sales finance	14,977	11,525	30%	14,977	11,525	30%
Consumer B2C businesses	37,302	29,310	27%	38,772	30,450	27%
SME Lending	24,896	20,057	24%	24,979	20,217	24%
Rural B2B - sales finance businesses	4,129	2,883	43%	4,129	2,883	43%
Rural B2C businesses	15,301	11,822	29%	15,301	11,822	29%
Commercial lending business	11,498	8,293	39%	11,498	8,293	39%
Loan against securities	9,816	5,705	72%	10,536	5,889	79%
IPO financing	5,365	165		5,365	165	
Mortgages	13,265	13,546	(2%)	61,701	49,591	24%
<b>Total</b>	<b>146,743</b>	<b>115,418</b>	<b>27%</b>	<b>197,452</b>	<b>152,947</b>	<b>29%</b>



## Financial Performance

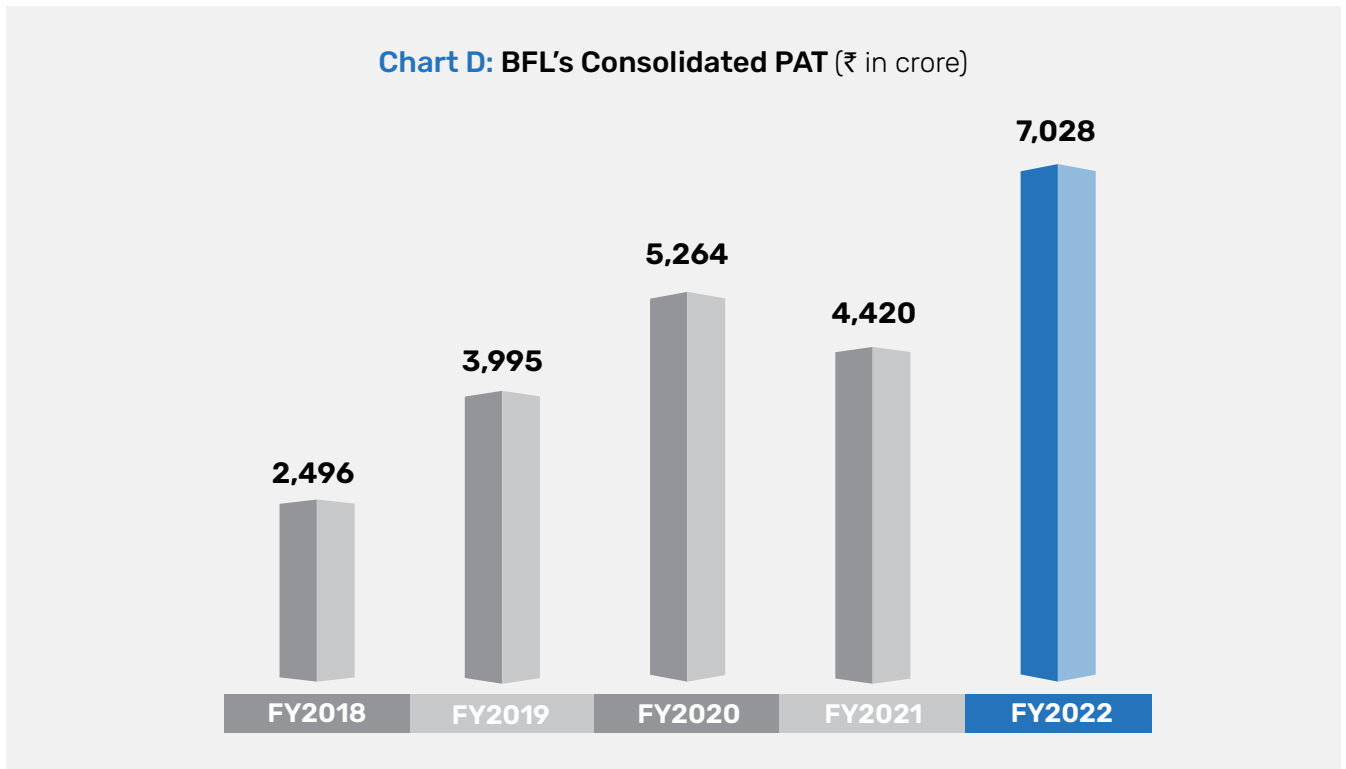
Table 3 gives BFL's standalone and consolidated financial performance for FY2022 vis-à-vis FY2021.

**Table 3: BFL's Standalone and Consolidated Financials**

(₹ in crore)

Particulars	Standalone			Consolidated		
	FY2022	FY2021	Change	FY2022	FY2021	Change
Total income	27,871	23,546	18%	31,640	26,683	19%
Interest and finance charges	7,573	7,446	2%	9,748	9,414	4%
<b>Net interest income (NII)</b>	<b>20,298</b>	<b>16,100</b>	<b>26%</b>	<b>21,892</b>	<b>17,269</b>	<b>27%</b>
Employee benefit expenses	3,222	2,242	44%	3,590	2,499	44%
Depreciation and amortisation	355	302	18%	385	325	18%
Other expenses	3,513	2,472	42%	3,610	2,484	45%
<b>Pre-impairment operating profit</b>	<b>13,208</b>	<b>11,084</b>	<b>19%</b>	<b>14,307</b>	<b>11,961</b>	<b>20%</b>
Impairment on financial instruments	4,622	5,721	(19%)	4,803	5,969	(20%)
<b>Profit before tax (PBT)</b>	<b>8,586</b>	<b>5,363</b>	<b>60%</b>	<b>9,504</b>	<b>5,992</b>	<b>59%</b>
<b>Profit after tax (PAT)</b>	<b>6,350</b>	<b>3,956</b>	<b>61%</b>	<b>7,028</b>	<b>4,420</b>	<b>59%</b>
Other comprehensive income/(expenses)	35	(58)	(160%)	34	(57)	(160%)
<b>Total comprehensive income</b>	<b>6,385</b>	<b>3,898</b>	<b>64%</b>	<b>7,063</b>	<b>4,363</b>	<b>62%</b>
Earnings per share (EPS) basic, in ₹	105.39	65.85		116.64	73.58	
Earnings per share (EPS) diluted, in ₹	104.63	65.33		115.79	73.00	
Book value per share, in ₹	699.34	597.85		726.71	614.11	

Chart D depicts BFL's consolidated PAT.



## Key Ratios

Table 4 gives a summary of key ratios for FY2022 vis-a-vis FY2021.

**Table 4: BFL's Key Ratios on a Consolidated Basis**

Ratios	FY2022	FY2021
Net interest income to average loans receivable	12.95%	11.99%
Total operating expenses to net interest income	34.65%	30.74%
Return on average loans receivable (ROA)	4.16%	3.07%
Return on average equity (ROE)	17.43%	12.77%
Capital to risk-weighted assets ratio (CRAR)*	27.22%	28.31%
Tier I*	24.75%	25.11%
Tier II*	2.47%	3.20%
Gross NPA	1.60%	1.79%
Net NPA	0.68%	0.75%
Provisioning coverage ratio (PCR)	58%	58%
EPS - Basic (₹)	116.64	73.58
Diluted (₹)	115.79	73.00

\* These ratios are on standalone basis.

## Risk Management, Debt Management and Portfolio Quality

### Risk Management

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

BFL promotes a strong risk culture that is embedded across the organisation. At the highest level, the Board of Directors has established a Risk Management Committee (RMC), which assists the Board in maintaining oversight and review of the risk management principles and policies, strategies, risk appetite, processes and controls. This is enabled by a robust governance system and review mechanisms which include quarterly risk management review. The RMC met six times in FY2022.

The COVID-19 pandemic tested the Company's risk management and debt management services framework through its severe impact on life and livelihood. To overcome this, BFL focused on capital management, maintaining abundant liquidity, reducing operating expenses, expansion of collections and servicing capability, strengthening of underwriting norms combined with a very sharp view on risk metrics.

### Credit risk

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

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

Through prevention and deterrence actions, the risk containment and fraud control unit is responsible for preventing frauds perpetrated by customers, sourcing channels and internal employees either alone or in connivance with others. It ensures that most fraud checks are performed well before any disbursement of

loan through an inbuilt advanced fraud controls analytics in its loan origination system. The fraud rules are periodically updated based on emerging learnings.

BFL has enabled all its employees and agencies to flag any suspicious activity or transaction on the core lending system which then go through extensive checks by the fraud control unit. This is further supported by a dedicated BPO and a 351-member field structure spread across 240 locations for faster response to frauds.

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 there was 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. Adequate investment in debt management services in FY2021 also helped in curtailing the impact on the portfolio amidst the second wave.

In a calibrated manner throughout the year, the Company 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 not only enabled the Company to weather the pandemic well but also provide a strong foundation to deliver balance sheet growth in line with its medium-term guidance of 25%-27%.

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

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

BFL saw elevated level of loan losses of ₹ 4,803 crore in FY2022 owing to the disruption caused by the second wave. While the gross and net NPAs have reverted back to pre-covid levels, BFL has chosen to carry a higher management overlay loan loss provision of ₹ 1,060 crore as on 31 March 2022 compared to ₹ 840 crore as on 31 March 2021 to account for any tail risk which may emerge from the pandemic.

Despite such accelerated provisioning, BFL delivered a consolidated pre-tax profit of ₹ 9,504 crore, registering a growth of 59%. In doing so, the Company once again demonstrated the resilience of its business model which generates strong pre-impairment profitability to absorb higher losses emanating from a crisis.

While keeping a close watch on risk emanating from COVID-19, the Company is tracking emerging macro risks which may emerge from Russia-Ukraine conflict, worldwide monetary policy stance of central banks, continued supply chain disruptions and commodity prices. Their impact on inflation over the mid-term and slowdown on GDP growth/recovery are areas that BFL continues to monitor and respond with adequate credit actions.

BFL's balance sheet composition continues to diversify with a higher composition of low risk businesses like mortgages and other secured businesses and a lower concentration in the auto finance business which bore the brunt of the pandemic.

The business transformation which focuses on building an 'omnichannel' model to deliver significant business velocity, reduction in operating costs and significant improvement in customer experience, will also enable



positive credit selection and a further improvement in growth in its 'good' portfolio. BFL has evolved its risk practices to manage different risks that a digital platform is exposed to.

BFL takes guarantee cover for its portfolios across B2C, MSME and three-wheeler financing business under Credit Guarantee Fund Scheme for NBFCs (CGS-II) from Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) governed by the SIDBI. As on 31 March 2022, the Company has covered ₹ 5,266 crore of its loan assets under this scheme. This has helped BFL to offset ₹ 148 crore worth of credit losses till FY2022 with further claims maturing over FY2023 and FY2024.

To sum up, the Company's balanced approach to portfolio management coupled with rigorous portfolio review has enabled it to identify early warning signals and take corrective actions. With use of sophisticated analytics, BFL has maintained a healthy new business portfolio quality and taken risk mitigating policy actions with agility and precision. On the back of improved stage-2 assets, gross NPA at 1.60% and net NPA at 0.68%, representing pre-covid metrics and strong macro and management overlay provision of ₹ 1,060 crore, BFL has entered FY2023 with healthy risk metrics.

### **Liquidity risk**

BFL manages its liquidity risk in accordance with its Board approved Liquidity Risk Management Framework and ALM Policy which incorporates the stipulations laid down by the RBI. The policy framework and the operational parameters are regularly reviewed by the Asset and Liability Management Committee (ALCO) setup in line with guidelines issued by the RBI, which ensures that there are no material imbalances or excessive concentrations on either side of the balance sheet. The Company follows a prudent approach for managing liquidity and ensures availability of adequate liquidity buffers to overcome mismatches in case of stressed market environment.

BFL regularly monitors the gap between maturing assets and liabilities in the near term and across all time buckets. The Company's robust liquidity management framework ensured that it had enough liquidity throughout FY2022 to meet its debt service obligations and balance sheet growth.

Further, BFL exceeds the regulatory requirement of liquidity coverage ratio (LCR) introduced by the RBI in FY2020. Currently, the LCR requirement is at 60% for the Company which will increase to 70% from 1 December 2022. In comparison to these norms, BFL's LCR as on 31 March 2022 was 134%.

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

### **Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems, human factors or from external events. This is further elaborated in the section 'Operational Risk Management'.

### **Market risk**

To effectively manage market risk on its investment portfolio, BFL follows a prudent investment policy which guide its investment decisions. The Company has invested its surplus funds mainly in government securities; liquid and arbitrage funds; and deposits with banks and highly rated financial institutions. The Company calibrates the duration of investment portfolio to balance the twin objectives of maintaining liquidity for business and minimum adverse fair value change on its investment portfolio.

### **Interest rate risk**

BFL is exposed to interest rate risk on its investment portfolio and interest rate sensitivity on fixed and floating rate assets and liabilities with differing maturity profiles. The Company raises funds from diversified sources like deposits, money market borrowings, term loans and short-term borrowings from banks and financial institutions, foreign currency borrowings, among others. In view of the financial nature of assets and liabilities, changes in market interest rates may adversely affect its financial condition. Fluctuations in interest rates can occur due to both internal and external factors. Internal factors include composition of assets

and liabilities, maturities profile, pricing of borrowings, and fixed and floating nature of assets and liabilities. External factors include macro-economic developments, competitive pressures, regulatory developments, and global factors.

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

The Company's risk management framework is further detailed in note no. 48 of standalone financial statement and consolidated financial statement

## Debt Management

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

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

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

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

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

In an endeavour to follow a non-intrusive debt management practice, BFL collects an electronic clearing mandate from its customers. In case of dishonour of bank instrument, BFL provides customers with over 22 different digital payment options such as NEFT, RTGS, Bharat Bill Payment Service (BBPS), Unified Payment Interface (UPI), CC Avenue, Wallets, Google pay, payment banks etc. These digital channels, along with branch walk-ins, account for approximately 51% of collections volume.

Over years, BFL has taken following measure to strengthen its debt management process:

- It has set up a centralised call monitoring infrastructure for its outsourced debt management services agency network to improve controllership. All agencies are supposed to make collection calls only through this infrastructure. All calls are now being recorded and monitored periodically to ensure compliance of debt management code of conduct.

- It has opened dedicated debt management service desks across the top 25 branches to address debt related queries of walk-in customers. The Company is committed to expand coverage of this model across more cities in future.
- It has set up a centralised helpdesk for assisting and processing debt management services related requests.
- It has formed a dedicated in-house team and a centralised calling unit to enable speedier resolution of debt management related complaints of aggrieved customers.
- It has implemented a Debt Recovery Agent (DRA) certification process for its agents.
- It has started a DMSCA (debt management services change agent) training programme for its agents using four modules.
- It has expanded the scope of interaction experience score (NPS) to seek the customers rating on the debt management services agent interaction.
- It has significantly strengthened its compliance framework to ensure strict adherence by the debt management services agencies of its code of conduct policy and fair practice code. This framework lays down a penal staircase for non-compliance. BFL investigates every customer complaint pertaining to debt management services and takes appropriate corrective and penal action.
- It developed 20 situational videos in eight vernacular languages which form part of the training module on its debt management services mobility app. These provide clear understanding to agents on the do's and don'ts while interacting with a customer.

## Portfolio Quality

BFL has experience of lending and servicing to 57.6 million customers. Most businesses are focused on acquiring mass affluent customers – who represent bigger wallets, larger cross-sell opportunities, and acceptable risk. The Company has not only diversified risk across millions of customers and product categories but has also diversified its risk and portfolio in 3,504 urban and rural locations in India.

BFL has continued to pursue a diversification and granularity strategy, which is represented in the product, customer, and geographical mix. Product diversity has further strengthened over the past years with build-up of used car financing, medical equipment finance etc. and the portfolio continues to shift the mix towards secured lending: for instance, mortgages now form 31% of the overall portfolio. Simultaneously, high risk products like auto finance now contribute less to the overall portfolio now at 5%. The Company also continues to deepen its geographical presence and has added 516 locations to take our total presence to 3,504 locations. BFL's rural businesses now contribute 10% of the overall portfolio and are growing at a faster pace than metros and larger geographies. BFL continues to re-pivot its mix towards lower risk assets like mortgages. It also continues its strategy of 'acquire and cross-sell' to manage cost and portfolio risk, based on its experience of an existing customer demonstrating significantly lower credit risk than a new customer and ensures acceptable risk across portfolios over the cycle.

Different segments got impacted by COVID-19. Salaried individuals impacted by loss of income or even job losses. Self-employed and SME segments faced the brunt of reduced economic activity which impacted cash flows. The Company's diverse portfolio across products, customer class and geographic distribution was severely tested by the disruptions caused by the pandemic. These developments, in turn, tested risk management frameworks across the financial sector; and BFL was no exception. To provide relief on debt servicing obligations, the RBI permitted financial institutions to provide moratorium to its borrowers during March to August 2020, followed by One Time Restructuring 1 and 2 and guaranteed lending support through Emergency Credit Line Guarantee Scheme (ECLGS).

In a calibrated manner throughout the year, the Company continued to relax the underwriting norms it had tightened during the first wave. It has brought back underwriting norms to pre-covid standards from the second half of the year. This calibrated and gradual relaxation of underwriting norms and sharp vigilance on portfolio quality has ensured that risk performance of portfolio remains in line or better than pre-covid risk metrics.

BFL ended the year with improved stage-2 assets of 1.97%, gross NPA of 1.60% and net NPA of 0.68% on consolidated basis, representing pre-covid metrics. The Company's macro and management overlay provision was ₹ 1,060 crore as on 31 March 2022 compared to ₹ 840 crore as on 31 March 2021. The provision coverage on non-NPA assets, excluding the management overlay provision, stood at 98 bps; and at 134 bps including the management overlay provision. BFL has entered FY2023 with portfolio quality better than pre-covid.

## Operational Risk Management

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

BFL has in place an internal Operational Risk Management Framework to manage the operational risk in an effective and efficient manner. This framework aims at assessing and measuring the magnitude of risks, its monitoring and mitigation. The key objective is to enable the Company to ascertain an increased likelihood of an operational risk event occurring in a timely manner to take steps to mitigate the same. It starts with identifying and defining Key Risk Indicators ('KRI')/Key Performance Indicators ('KPI') through process analysis and ending with formulation of action plans in response to the observed trends in the identified metrics. This is achieved through determining key process areas, converting these to measurable and quantifiable metrics, setting tolerance thresholds for the same and monitoring and reporting on breaches of the tolerance thresholds in respect of these metrics. Corrective actions are initiated to bring back the breached metrics within their acceptable threshold limits by conducting the root cause analysis to identify the failure of underlying process, people, systems, or external events.

The businesses, along with support units and operations, play a critical part in managing operational risk daily, in addition to implementing internal control related policies and procedures. Continuous monitoring of risk is carried out at multiple levels through 'KRI'/'KPI' control chart.

- To enhance the effectiveness of internal processes, system and controls and to ensure compliance with regulations and instructions, BFL has defined well over 5,000 KPIs that it monitors across various business and functions regularly.
- It ensures complete process adherence at the time of customer onboarding and formed compliance teams across businesses to monitor adherence to policies and process. As part of this, BFL concurrently reviews four areas: info-security, process lapse, misinformation, and mis-selling.
- It has established a 'Customer Complaints Root Cause Analysis' team under the customer experience officer to fix policy and process gaps leading to customer complaints.
- It has also established cross-functional teams to identify and implement processes changes keeping customer expectations in mind. Such initiatives also involve a combination of process, policy, and system level changes.
- The operations unit has a dedicated process compliance team for concurrent audits to monitor adherence to laid down policies and processes.
- Controls on operations processes executed from branches and the Head Office have been strengthened through defined processes to be adhered to by customer facing and operations staff.
- As a part of the control governance, the operations compliance team conducts periodic audits and actions are taken in accordance with the Company policy.
- It has also established hind-sighting processes and control charts to monitor operations compliance and adherence.

BFL has opted for a bottom-up approach of risk identification where internal compliance teams have been created in respective businesses/functions to drive ownership and culture of minimising operational risk by developing a strong control culture by making first line of defence, which owns the risk.



Internal compliance units consist of following which cover the length and breadth of the customer life cycle.

- **Sales Compliance:** Embedded in business units with focus on increasing controls in the sales units to assist onboarding of customers. It ensures complete process adherence at the time of customer onboarding and has formed compliance teams across businesses to monitor adherence to policies and process. As part of this, BFL concurrently reviews four areas: information security, process lapse, misinformation, and mis-selling.
- **Process Compliance Unit:** Embedded in operations and debt management services to monitor processes focused on customer transaction, services, and debt management related services. In the previous year, BFL had established a 'Customer Complaints Root Cause Analysis' team under the customer experience officer to fix policy and process gaps leading to customer complaints. This has led to significant reduction in customer complaints in FY2022.
- **Technology Compliance Unit:** Embedded in the information technology unit with focus on internal environment (network, applications, quality, cloud services, data management and security) and on external environment (review of rules and regulations).
- **Risk Unit:** Focus on product programme and related credit policy adherence in the loan book. The activity aims at making sure that loans which are disbursed adhere to the policies and procedures put in place by the organisation.

## Technology

Technology is at the forefront of BFL's business transformation journey and it has continuously leveraged existing and emerging technologies to launch new products, accelerate customer acquisition and improve customer experience along with simplifying the back-office processes. The Company has embarked on a major business transformation journey i.e. the 'omnichannel' model to build dominance across all mediums of consumer presence covering physical, app, web and social. This model is expected to deliver significant business velocity, reduction in operating costs and significant improvement in customer experience.

The Company has made significant changes to its enterprise technology architecture to deliver the 'omnichannel' model and meet the on-demand scaling requirement for high velocity transaction volumes. The Company has re-built its customer facing mobility app with:

- A refreshed interface layer;
- Payments stack: wallets, UPI, bill pay service, single payment checks out gateway;
- Customer engagement features: through its app programs, rewards, offers, deals, location-based services;
- Enhanced service engagement features and information with robust search mechanism for loans and deposits;
- Frictionless loans, investments and insurance buy journeys;
- Digitised EMI card and co-brand credit card with improved service features; and
- An all-encompassing, 55+ core features in the new customer interface.

To deliver this new customer experience, the Company has also made significant upgrades in the integration, data and core platform layer. BFL has built and migrated over 600 APIs (Application Program Interface) to a more robust micro services based technology infrastructure to ensure minimal latency. This infrastructure is built to handle significantly higher transaction velocities. Further, the underlying transaction data layer has been migrated from relational database schema to No SQL database for scale and high user loads.

BFL has developed four proprietary marketplaces. These are: (i) the 'EMI Store'; (ii) the 'Insurance Marketplace'; (iii) the 'Investment Marketplace'; and (iv) the 'Broking App' with the help of group companies.

These apps provide customers with an option to review, compare and buy host of financial products and services across electronics, insurance and investments category.

Payments is core to delivering Omnichannel strategy. BFL has launched its own wallet called 'Bajaj Pay,' which offers payment options via UPI, EMI card, or credit card. This payments piece sits as the frontline engagement tool for customers on a day-to-day basis and the payments offering is linked with a unique reward system— offering called 'Triple Reward' — a customer can choose between cashback, Bajaj coins or vouchers. The Company is in process of creating a 'Bajaj Pay' payments solution for its over 120,000 merchant partners.

Payments is the main engagement tool both for BFL's customers and merchants. While making progress on its payments journey from customers perspective, BFL is also deploying merchant solutions and capabilities which will enable merchant onboarding, payments one view, business one view, marketing campaigns execution and rewards. In FY2023, the Company has plans to deploy POS machines, QR solutions and its own payment gateway.

The core premise of building the Omnichannel strategy is to make customers move seamlessly between online and offline channels. To provide a single gateway for online and offline customer transactions and to improve the productivity, engagement, collaboration within the team, BFL has built the Sales One App and the Collection One App which will leverage underlying platforms and bring a unified experience for the sales and debt management teams.

The Company has migrated to integrated marketing cloud and customer data platform for digital marketing and sales campaigns. This is enabling communication and calling governance apart from digital channel orchestration and campaign management.

BFL continuous to invest in various capabilities in the data science space such as search facility on our various digital properties, Optical Character Recognition (OCR), Natural Language Processing (NLP), and machine learning based models. These technologies are enabling frictionless customer experience at various touch points.

To improve its cyber security posture, BFL has migrated all its critical internet facing properties behind a well-known cloud based web application firewall to safeguard against web application and DDOS attacks. We will continue our focus on automation of security orchestration for timely response to cyber incidents through our security operations centre.

## **Analytics**

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

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

Adoption of evolving technologies and analytical tools like big data, cloud computing and open source software like R and Python have continued to deepen — which have allowed access to statistical techniques that were not possible in the past. These have taken analytics and portfolio insights to a level where solutions are much more nuanced and specific.

The Company has started to build and implement multiple machine learning (ML) models. Investments made towards capabilities like OCR, unstructured to structured data etc. have now started to go live and get integrated with business processes. These state-of-the-art technologies enable decision engines with real

time processing capabilities. These also enable unique customer propositions like 'get it now' and 'straight through processing' to constantly push towards a smoother and frictionless experience for our customers. In doing so, BFL is conscious of customer's privacy and ensures customer consent is obtained for any cross-sell offerings.

These capabilities have given the confidence to commit significant investments to further the use of these new domains. Here are some examples:

- BFL's entire data ecosystem and analytic workloads are now hosted on the Microsoft Azure platform. This allows computational flexibility to develop and deploy big data workloads. Over 1,000+ users are actively using the infrastructure.
- BFL continue to expand its suite of statistical models for risk management across all stages of the credit lifecycle – acquisition, account management and debt management. Capabilities like OCR have enabled structuring of unstructured data, providing new sets of variables for further refining risk models, and making these more granular to capture specific nuances as we expand and go deeper in geographies.
- BFL's capability on risk analytics and scorecards helps adherence to the expected credit loss (ECL) based provisioning requirement. This has also led BFL to redefine and strengthen its governance and processes around model monitoring and build controls around continuous validation of risk scorecards.
- Analytics solutions on product recommendation at point-of-sale, response propensity for targeted cross-sell, call volume forecasting for efficient capacity planning and the like are embedded in the Company's business processes. BFL continues to refine these solutions on an on-going basis.
- The developments in data infrastructure has enabled the risk and process units to run real time controls across multiple decisioning and operational processes to further strengthen the credit and operations risk management framework.
- BFL continues to explore and test latest analytical tools and solutions and are currently working in areas like knowledge graphs. Exploration of potential use cases across businesses are being evaluated to test the new analytical capabilities.
- We are continuously developing the culture of data orientation and analysis to solve day-to-day problems through data democratisation of the analytical, data science and centre of excellences across multiple businesses and functions. Multiple data science training and practitioner programs have also been implemented. We also have an active campus hiring framework with focus on technology and data science through the BFL Bajaj Young Technical Engineers (BYTE) program.

## Customer Service

BFL is constantly striving to provide best experiences to its customers while ensuring that complaints are reduced. The Company regularly captures 'Customer Feedback' and 'Employee Feedback on Customer VOC' to simplify its processes and bring delight to its customers. It always aims to reduce the time to disburse loans with minimal documentation and has enhanced and introduced varied communication and service channels to keep its customers regularly informed and to instantly address their queries and requests.

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

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

communication reach and effectiveness, the Company also communicates with the customer through mobile messaging apps.

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

BFL has a dedicated team for customer relationship that deals with the concerns or complaints raised by the customers. It has implemented the grievance redressal mechanism, the RBI Ombudsman scheme, and Internal Ombudsman (IO) scheme within the organisation to deal with the unresolved concerns and complaints. More recently, the RBI introduced the Internal Ombudsman scheme extended to NBFCs on a selective basis in which the IO at the apex of the NBFC's shall independently review the resolution provided by the NBFC in the case of wholly or partially rejected complaints. BFL has appointed two IOs, who will independently review the resolution provided by the Company in the case of wholly or partially rejected complaints.

### **Complaints and grievance redressal**

Complaint reduction was a major theme in FY2022. A dedicated 'Customer Complaints Root Cause Analysis' team has been created to identify and fix policy and process gaps leading to customer complaints.

### **Communications**

A dedicated team to work on customer communications was created to:

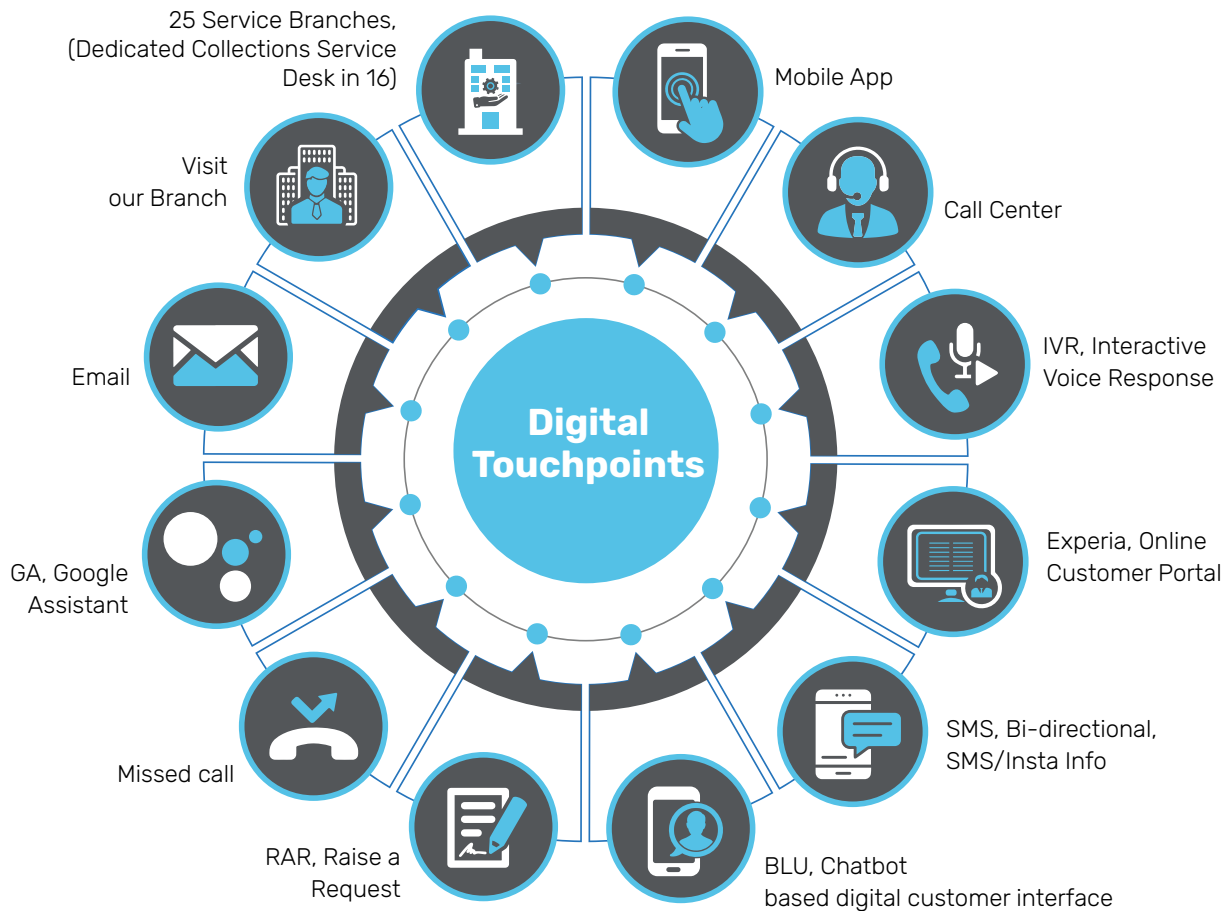
- Standardise communications across businesses, channels and platforms;
- Ensure that customers are informed sufficiently in advance with respect to various lifecycle events to avoid communication gap. This was done by reviewing customer's journey across products and businesses; and
- Ensure maximum coverage in terms of customers receiving intended communications.

22 mini educational videos were created and disseminated to front-end teams (at branches/call centres) to be further disseminated to customers over email/SMS. These videos explain how to use different modules in the app. These videos are also made available on YouTube for wider coverage. Training was provided to all call centres and rural/urban branches. These mini videos have had over 40 million views with about 6.5 million users on monthly basis.

### **Service channels**

BFL envisages to be an omnipresent financial company and having a strategy will enable its existing and new customer to engage, transact and be serviced online to offline and vice-versa. Below are the channels where customer can reach out to the Company for raising concerns, queries and Complaints related to their loans, products, services etc.





## Credit Rating and Asset Liability Management (ALM)

BFL enjoys the highest credit rating of AAA/stable from CRISIL, ICRA, CARE and India Rating for its long-term debt programme and A1+ from CRISIL, ICRA and India Ratings for its short-term debt programme. The Company's deposits programme is also rated the highest with credit rating of FAAA/Stable from CRISIL and MAAA(Stable) from ICRA. These ratings reaffirm the high reputation and trust that BFL has earned for its sound financial management and ability to meet financial obligations.

BFL had been initially assigned a long-term issuer credit rating of 'BBB-/stable' and a short-term issuer credit rating of 'A-3' by S&P Global Ratings for its external commercial borrowings (ECB) programme. On 26 June 2020, S&P downgraded the long-term rating of BFL to 'BB+/Stable' and short-term rating to 'B' owing to tough operating conditions arising out of the COVID-19 pandemic. Subsequently, on account of the Company's performance during FY2022, S&P has revised its outlook from 'Stable' to 'Positive' on 30 March 2022 while retaining the Long-Term Rating at 'BB+' and short-term rating at 'B'.

The Company's consolidated total borrowing was ₹ 165,232 crore as on 31 March 2022. Its Asset Liability Management Committee (ALCO), set up in line with the guidelines issued by the RBI, monitors asset liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the balance sheet. BFL business model lends itself to having an inherent ALM advantage due to large EMI inflow emanating from short tenor businesses which puts it in an advantageous position for servicing of its near-term obligations.

BFL's robust liquidity management framework has ensured that enough liquidity was available throughout FY2022 to meet its debt service obligations and business growth requirements.

At a consolidated level, BFL maintained an average liquidity buffer of ₹ 13,052 crore in FY2022, representing 9% of its average outstanding borrowings in FY2022. It had a consolidated liquidity surplus of ₹ 10,110 crore as on 31 March 2022, representing 6% of outstanding borrowings.

Despite maintaining higher liquidity buffers, BFL calibrated its finance cost by resorting to incremental low-cost borrowings from the money markets and reduction in interest rate of existing facilities from banks. These actions enabled the borrowings cost for FY2022 to decrease by 103 bps compared to FY2021.

The Company exceeds the regulatory requirement of liquidity coverage ratio (LCR) introduced by the RBI in FY2020. This requirement stipulates that all deposit taking NBFCs are required to maintain 50% of its 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 BFL, which will move to 70% from 1 December 2022. For BHFL, the current LCR requirement is at 50% and will move to 60% from 1 December 2022.

As of 31 March 2022, BFL maintained LCR of 134%. BHFL maintained LCR of 131%. Both are well above the RBI's stipulated norms.

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

**Table 5: Behaviouralised ALM snapshot as on 31 March 2022**

(₹ in crore)

Particulars	1 to 7 days (one month)	8 to 14 days (one month)	15 to 30/31 days (one month)	Over one month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to one year	Over one year to 3 years	Over 3 to 5 years	Over 5 years	Total
<b>A. Inflows</b>											
Cash and investments	641	1,266	1,704	1,112	205	4,948	3	2,387	641	8,863	21,771
Advances	10,145	1,593	4,032	6,773	6,632	16,296	24,253	46,580	18,731	12,652	147,685
Trade receivable and others	2,967	79	201	95	696	115	1,084	38	242	2,635	8,151
<b>Total inflows</b>	<b>13,752</b>	<b>2,938</b>	<b>5,936</b>	<b>7,980</b>	<b>7,532</b>	<b>21,359</b>	<b>25,340</b>	<b>49,004</b>	<b>19,615</b>	<b>24,150</b>	<b>177,607</b>
<b>B. Cumulative total inflows</b>	<b>13,752</b>	<b>16,690</b>	<b>22,627</b>	<b>30,607</b>	<b>38,139</b>	<b>59,498</b>	<b>84,838</b>	<b>133,843</b>	<b>153,457</b>	<b>177,607</b>	
<b>C. Outflows</b>											
Borrowings repayment	6,450	3,364	1,051	2,964	6,114	10,404	25,940	48,931	10,092	11,374	126,685
Other outflows	4,826	293	1,351	1,500	54	2	46	113	287	395	8,866
Capital reserves and surplus										42,056	42,056
<b>Total outflows</b>	<b>11,276</b>	<b>3,657</b>	<b>2,402</b>	<b>4,464</b>	<b>6,168</b>	<b>10,406</b>	<b>25,986</b>	<b>49,044</b>	<b>10,379</b>	<b>53,825</b>	<b>177,607</b>
<b>D. Cumulative total outflows</b>	<b>11,276</b>	<b>14,933</b>	<b>17,335</b>	<b>21,799</b>	<b>27,966</b>	<b>38,372</b>	<b>64,359</b>	<b>113,402</b>	<b>123,781</b>	<b>177,607</b>	
<b>E. Gap (A - C)</b>	<b>2,476</b>	<b>(719)</b>	<b>3,535</b>	<b>3,516</b>	<b>1,365</b>	<b>10,954</b>	<b>(647)</b>	<b>(39)</b>	<b>9,236</b>	<b>(29,676)</b>	
<b>F. Cumulative gap (B - D)</b>	<b>2,476</b>	<b>1,757</b>	<b>5,291</b>	<b>8,808</b>	<b>10,172</b>	<b>21,126</b>	<b>20,479</b>	<b>20,440</b>	<b>29,676</b>	<b>-</b>	
<b>G. Cumulative gap (%) (F/D)</b>	<b>22%</b>	<b>12%</b>	<b>31%</b>	<b>40%</b>	<b>36%</b>	<b>55%</b>	<b>32%</b>	<b>18%</b>	<b>24%</b>	<b>-</b>	
<b>H. Permissible cum. gap (%)</b>	<b>(10%)</b>	<b>(10%)</b>	<b>(20%)</b>								

The assigned portfolio outstanding as on 31 March 2022 stood at ₹ 2,466 crore on a standalone basis and of ₹ 6,029 crore on a consolidated basis.

BFL's judicious strategy of maintaining a longer duration for liabilities than assets, coupled with an optimal mix of borrowings between banks, money markets, external commercial borrowings and deposits have helped the Company to effectively manage its net interest margin throughout FY2022.



# Borrow when you need, pre-pay when you can

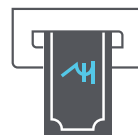
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Multiple withdrawals  
and part payments

\*T&C apply

## Human Resources

People are our key pillars of strength. This belief was further strengthened as our people showed tremendous resilience and extraordinary commitment during the pandemic times to bring the Company back to its core performance.

We have adopted people practices that enable us to attract and retain talent in an increasingly competitive market; and to foster a work culture that is always committed to providing the best opportunities to employees to realise their potential. We are committed as an equal opportunity employer.

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

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

We provide our employees opportunities to learn, grow and take their career forward through transparent Internal Job Posting (IJP) and Auto-Promotion policies. IJP allows employees to apply for a role of their interest, thus giving them the choice to acquire multi-disciplinary skills to shape their career. It also leads to development of well-rounded talent for the Company. Over 13,000 employees grew through the ranks under the aegis of these programs.

Several key initiatives were undertaken during the year as part of the HR Zero Based Budgeting framework. Recognising the importance of structured onboarding and training of new joiners, a new framework of On-the-Job-training (OJT) has been launched. This provides for planned conversations between a new employee and the manager for a period of one year to ensure hand holding, training and support. A platform, Employee 360 has been built to facilitate and record these conversations and feedbacks.

To support the digital transformation agenda of the Company, the need for tech talent was recognised and a young talent programme called Bajaj Young Technical Engineers (BYTE) was launched. A campus program, BYTE aims to attract and build ground-up tech talent for the Company. In the current year, 260 new engineers have been offered to join BFL from seven chosen campuses. This programme will become a foundational frame for the Company with the objective to staff over 60% of the technical manpower requirements over the next few years.

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

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

- A fortnightly salary policy enables an employee to take salary on fortnightly basis instead of a monthly credit.
- Money-on-call policy allows an employee to take salary in advance in situation of urgent cash requirement for personal reasons.
- A spouse consultant policy encourages qualified spouses to work on special projects in the Company on a flexible timing basis to fulfil their career aspirations while balancing the family demands at home.



- A spectrum policy provides benefits to women employees covering safety, cab facility, travel policy, flexible working hours, preferential transfer policy, maternity linked benefits, creche benefits etc. Our corporate office has over 25% female employees.
- Differentiated skill enhancement training programs for employees in rural locations are imparted through our 'Rural Training Centre'.

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

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

COVID-19 created an unprecedented health crisis, especially during the second wave. We at BFL took multiple initiatives to ensure safety and well-being of employees and their families and extended financial and logistical support towards diagnosis and treatment. These include a dedicated 24x7 helpline to track the health of our employees, assistance for doctor consultation and financial aid. As vaccines became available, the Company supported employees in completing their vaccination. Further, the Bajaj group of companies supported mega vaccination drives through which we were able to administer over 1 million doses of the COVID-19 vaccine to beneficiaries of Pune and Aurangabad districts.

Below are some key highlights of the mega vaccination drives, which started in August 2021:

- Delivered by more than 600 COVID-19 Vaccination Centres (CVCs). This was spread across the city, rural and slum areas of Pune and Aurangabad.
- Over 5,000 frontline healthcare workers were deployed on-ground to support the initiative.
- The Bajaj group of companies contributed ₹ 170 crore to support the nationwide fight against COVID-19, alleviate the immediate on-ground challenges, build capabilities and resources. This included the installation of 12 oxygen plants to provide more than 5,000 LPM of oxygen supply to rural and urban hospitals, respiratory support equipment like oxygen concentrators, ventilators and BiPaps to help augment their capacity in treating COVID-19 patients.

These drives were supported by mass awareness and engagement programs to encourage the participation of eligible population for their first and second doses of the vaccine.

The pandemic took a toll in the current year with the Company losing 25 colleagues to COVID-19. Support was extended to the families of the deceased employees under the 'Family Assistance Program'. This covers financial support to the impacted family for 48 months and educational assistance to children till the age of 21.

BFL is committed to create a vibrant and inclusive workplace for all its employees and actively takes steps to ensure these are well enshrined in our policies and practices. We remain an equal opportunity employer and

follow non-discrimination in all our practices. As on 31 March 2022, BFL, including its subsidiaries, had 35,425 full-time employees. It added 6,876 employees in FY2022.

## Awards and Recognition

During the year, BFL and its key personnel received the following prestigious awards:

- Bajaj Finance has been recognised in the top 30 best places to work for in the BFS Sector 2022 by the 'Great Place to Work' Institute.
- Bajaj Finance bagged Gold for 'Digital Marketing Excellence in Financial Services' for its Fixed Deposit digital campaign at the DIGIXX 2019 Awards by Adgully.
- Rajeev Jain, Managing Director, was conferred with the 'Champion of Champions', honour in the prestigious Business Today-PwC India's Best CEOs rankings.
- Sandeep Jain, Chief Financial Officer, was lauded as one of the best CFOs in the country at the highly acclaimed FE CFO Awards, 2022, in the category of Large Enterprises - Servicing Sector

## Internal Control Systems and their Adequacy

BFL has robust internal controls system in place, driven through various procedures and policies which are reviewed and tested periodically, across all processes, units and functions. Our risk and credit teams have the eye on the market; have inbuilt processes to identify the existing and probable risks and to mitigate the identified risks. Senior management also monitor the mitigating measures. The Company has various committees including Risk Management Committee and the Asset and Liability Committee, with participation from various functions, which are designed to review and oversee critical aspects of the Company's operations.

BFL has instituted the three lines of defence model, viz.

- First Line of Defence - Internal Operation Management and Management Controls
- Second Line of Defence - Risk and Compliance function
- Third Line of Defence - Internal Audit function

BFL has a dedicated control functions for testing design and efficiency of ICOFR on regular basis and timely remediation of control deficiencies identified, if any. Further, the Company monitors Information and Technology General Controls (ITGC) on a periodic basis. The Company has formed specialised units within IT and operations function for carrying out regular checks to ensure process set for these functions are complied with and gaps, if any, identified are set right on regular basis. The control functions implement, review and monitor the standards and lay down standard policies and procedures by which the functions manage risks including compliance with regulatory guidelines and applicable laws, adherence to operational controls and relevant standards of conduct.

The Company has implemented required controls through systems and processes ensuring a robust control framework. It has an Information Systems Audit team, as a part of its Internal Audit team, to identify and address technology and IT-related security issues commensurate with the nature and complexities of its operations. The Internal Audit department and compliance function review the business unit's adherence to internal processes and procedures as well as to regulatory and legal requirements providing timely feedback to Management for corrective action, including minimising the design risk, if any.

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

The Audit Committee of the Board also reviews the performance of the audit and compliance functions and reviews the effectiveness of controls and compliance with regulatory guidelines. In the opinion of Board of Directors and the senior management, internal control systems are well placed and working in an efficient manner.

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

## Fulfilment of the RBI's Norms and Standards

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

During the recent period, the RBI has issued following important circulars: -

- Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs dated 22 October 2021 was issued by the RBI, which has given an implementation timeline of up to October 2022. Subject to some clarifications and detailed guidelines to be issued by the RBI, BFL is confident of implementing these before the deadline.
- Prompt Corrective Action (PCA) Framework for NBFCs issued on 14 December 2021. We analysed the Company's performances; and as per the PCA framework issued by the RBI, BFL doesn't fall into any risk threshold category.
- Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances: clarifications issued on 12 November 2021 with respect to classification and upgradation of non-performing accounts. Further, RBI vide its circular dated 15 February 2022 allowed deferment of implementation of Para 10 of circular dated 12 November 2021 with respect to upgradation of NPA accounts of till 30 September 2022. As a matter of prudence, BFL has not opted for this deferment and implemented the 12 November 2021 circular in entirety with effect from the third quarter ended on 31 December 2021.
- Risk-Based Internal Audit (RBIA) dated 3 February 2021. The Company was required to implement the RBIA methodology by 31 March 2022. BFL opted for advance implementation with effect from 1 April 2021

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

Particulars	Bajaj Finance Ltd.		Bajaj Housing Finance Ltd.	
	As of 31 March 2022	RBI stipulation	As of 31 March 2022	RBI stipulation
Capital to Risk-weighted Assets Ratio (CRAR)	27.22%	15%	19.71%	15%
Of which Tier-I	24.75%	10%	18.95%	10%
Statutory Liquidity Ratio	18.70%	15%	NA	NA
Liquidity Coverage Ratio	134%	60%	131%	50%
Assets liability mismatch				
1-7 days	22%	(-)10%	7%	(-)10%
8-14 days	12%	(-)10%	8%	(-)10%
15-30 days	31%	(-)20%	7%	(-)20%

## Bajaj Housing Finance Ltd. (BHFL)

Bajaj Housing Finance Ltd. (BHFL), a wholly owned subsidiary of BFL, was granted a Non-Deposit taking Housing Finance Company license by the National Housing Bank (NHB) in September 2015 to carry the business of housing finance. BHFL started its lending operation from July 2017.

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

BHFL enjoys the highest credit rating of AAA/stable from CRISIL and India Rating for its long-term debt programme and A1+ from CRISIL and India Ratings for its short-term debt programme. These reaffirm the reputation and trust BHFL has earned for its sound financial management and ability to meet financial obligations.

In FY2022, BHFL crossed a milestone of ₹ 50,000 crore of assets under management. Having reached this scale, the key focus of BHFL is to build scale across all its portfolios through process excellence and consistent customer experience. To continue its growth momentum across retail and commercial businesses, BHFL is continuously investing in geographic expansion and deepening of its structures.

BHFL focuses on low risk segments across its portfolio. Individual housing loans, a low risk segment, contribute to about 65% of the portfolio. Even within the low risk individual housing loans segment, nearly 95% of AUM consists of loans given to salaried and self-employed professional segments for fresh housing loan acquisitions. Going forward, it intends to also grow self-employed and affordable housing segment with a calibrated risk strategy to cover full spectrum of housing loan market.

BHFL is committed to building an optimal mix of housing and non-housing loan portfolio to balance risk and returns. BHFL has created a prudent developer financing model with an immaculate portfolio performance. Going forward, BHFL plans to: (i) deepen relationship with existing developers; (ii) expand reach to new developers with granular exposure strategy; (iii) expand its developer financing offerings to new geographies; and (iv) create presence with the large developers.

In the commercial real estate portfolio, BHFL continues to expand its product suite by adding new product variants like commercial construction finance, lease rental discounting for build to suit warehousing and lease rental discounting for industrial properties. Going forward, BHFL plans to further deepen relationship with its customers and create customised products with highest standards of service.

BHFL offers highest standards of engagement and service to its retail and corporate customers. BHFL is continuously investing in creating frictionless processes to provide seamless and consistent experience to its customer throughout the loan lifecycle.

## Business Update

COVID-19 negatively affected the economy throughout FY2021; and BHFL's operations were hampered as well. FY2022 also started with the first quarter seeing subdued disbursements due to trailing effect of the second wave. Post the first quarter, business resumed its momentum quarter by quarter and ending the year with the highest level of business activity.

BHFL utilised the pandemic period to streamline and automate its processes to help improve turnaround time to its customers as well as customer experience. AUM attrition remained at elevated levels throughout the year due to significantly increased levels of competitive activity in the industry with banks becoming more aggressive on acquiring retail mortgage assets at some of the lowest interest rate levels seen in recent past. However, BHFL was able to navigate through the year with the support of its lower cost of funds which helped it to remain competitive and acquire new customers for growth.



In the second half of the year, BHFL made significant investments in people and in expanding its geo-footprint to support its future business growth. To fund the growth plans of next couple of years, Board of Directors of BHFL approved raising of additional ₹ 2,500 crore through rights issue to Bajaj Finance Ltd. This got infused on 7 April 2022. With this seventh round of capital raise, BHFL now has a capital base of ₹ 9,241 crore.

During the year, BHFL achieved a significant milestone of crossing ₹ 50,000 crore of Assets under Management (AUM) in just the fourth full year of operations. BHFL's AUM grew by 37% to ₹ 53,322 crore as on 31 March 2022. It also seeded a new business line focusing on the affordable segment. The business is in nascent stage and currently in pilot mode across two cities and is expected to start delivering from second half of FY2023.

## Home Loans

BHFL offers home loans for ready to move in homes as well as those under construction to mass affluent salaried customers in 62 locations across India with an average loan value of ₹ 4.7 million. It follows a micro-market presence strategy using a mix of direct and indirect channels. It is the only housing finance company that, on a proactive basis, started offering its customers external benchmark (repo) linked home loans, which is published by the RBI. At the end of FY2022, the home loans business had AUM of ₹ 33,515 crore, a growth of 40% compared to the end of FY2021.

## Loan Against Property

BHFL offers Loans Against Property (LAP) to SMEs, MSMEs, self-employed individuals and professionals against mortgage of their residential and commercial properties. The LAP business is operational in 31 locations across India with an average loan value of ₹ 5.6 million. The LAP business ended FY2022 with AUM of ₹ 6,181 crore, or a growth of 30% over FY2021.

## Lease Rental Discounting (LRD)

BHFL focuses on high net-worth individuals (HNIs) and developers for their lease rental discounting needs with loan amounts ranging from ₹ 5 crore to ₹ 550 crore. This entails financing against lease rental cashflows of commercial properties occupied by prominent lessees under a long-term lease contract. During the current year, BHFL also started offering construction finance for commercial properties to existing LRD customers as well as warehousing LRD. These products are offered across 10 cities in India. The AUM from lease rental discounting grew by 49% in FY2022 to ₹ 7,224 crore.

## Developer Loans

BHFL offers construction and inventory finance to small and mid-size developers with strong track records of timely delivery of projects and loan repayments with average loan value of ₹ 25 to ₹ 30 crore. It is present in eight locations across the country. Developer relationships enable BHFL to acquire retail customers for home loans. BHFL also offers inventory finance to developers against their unsold completed construction inventory. Repayments for these loans are secured through escrow arrangements. The AUM of this business stood at ₹ 2,875 crore as on 31 March 2022.

## Rural Mortgage Loans

BHFL offers home loans and loans against property to salaried and self-employed customers across 85 small towns in India. During the year, it expanded its presence to Tier III locations by opening 24 centres as a part of the geo-expansion plan. Rural mortgages business operates at an average loan value of nearly ₹ 1.5 million per customer. This business helps BHFL widen its geographic reach and reduce portfolio concentration. This business closed FY2022 with AUM of ₹ 1,923 crore.

## Partnerships and Services

In partnership with various financial service providers, BHFL offers life insurance, general insurance, health insurance, online primary healthcare assistance services and other financial services products to its customers.

**Table 7: BHFL's Standalone Financials**

Particulars	(₹ in crore)		
	FY2022	FY2021	Change
Total income	3,767	3,155	19%
Interest and finance charges	2,155	1,966	10%
<b>Net interest income</b>	<b>1,612</b>	<b>1,189</b>	<b>36%</b>
Total operating expenses	471	329	43%
<b>Pre-impairment operating profit</b>	<b>1,141</b>	<b>860</b>	<b>33%</b>
Impairment on financial instruments	181	247	(27%)
<b>Profit before tax (PBT)</b>	<b>960</b>	<b>613</b>	<b>57%</b>
<b>Profit after tax (PAT)</b>	<b>710</b>	<b>453</b>	<b>57%</b>
Other comprehensive income/(expenses)	(1)	1	
<b>Total comprehensive income</b>	<b>709</b>	<b>454</b>	<b>56%</b>
Earnings per share (EPS) basic, in ₹	1.45	0.93	

**Table 8: BHFL's Assets Under Management**

Particulars	(₹ in crore)		
	FY2022	FY2021	Change
Housing loans (including top ups)	33,515	23,943	40%
Loan against property	6,181	4,753	30%
Lease rental discounting	7,224	4,838	49%
Developer finance	2,875	2,057	40%
Rural mortgage loans	1,923	1,980	(3%)
Other loans	1,604	1,300	23%
<b>Total</b>	<b>53,322</b>	<b>38,871</b>	<b>37%</b>

## Bajaj Financial Securities Ltd. (BFinsec)

Bajaj Financial Securities Ltd. ('BFinsec'), a wholly owned subsidiary of BFL, is registered with the SEBI as a stock broker and depository participant. BFinsec started its business operations from August 2019 with a strategy to ring fence loan against securities (LAS) customers of BFL by providing them a full suite of investment products and services. During the year, BFinsec expanded its presence from three branches to seven. It offers demat, broking, margin trade financing and financing for offer for sale to retail and HNI clients. It offers spread financing to its customers through BFL. It also offers various financing solution through BFL to its customers. These include financing for new equity listing (IPO finance), financing for employee stock option plan (ESOP finance) and spread financing. During the year, BFinsec started offering US investment option to its customers through a third-party service provider.

With a view to provide better trading experience to its customers, BFinsec upgraded its website and mobile trading app to add the following major capabilities:

- Global Indices: Feature to allow our users to track leading Global Index at one place.
- Multiple Charts: Support four charts simultaneously to offering charting solution to client needs.
- E-collect Feature: Quick and hassle-free fund addition via IMPS/RTGS and NEFT payment.
- Square Off all: Single click square off of all open positions and holdings.
- Application for IPO and NCDs through BFinsec's trading app.
- Stock Alerts and notifications.
- Guest Login with virtual trading feature.

BFinsec launched the SAMADHAN platform oriented towards offering customer services via self-help Q&As and ticket-based query resolution for various customers queries. It also launched its Partner Portal aimed at acquiring and servicing partner network for driving customer acquisition. It has expanded its Independent Business Associate ('IBA') channel to drive low cost customer acquisition across all geographies and also to cross-sell third party products including that of BFL.

With a base of approximately 331,000 customers as of 31 March 2022, BFinsec offers the following:

### **HNI Demat and Broking**

BFinsec offers demat and broking services to affluent HNI clients, who get an option of call-in-trade service through dedicated traders. It offers customised brokerage plans to such clients which can be availed based upon their trading needs. HNI clients with high trading volumes are provided an option of a trading terminal. As on 31 March 2022, BFinsec had over 5,550 HNI clients.

### **Retail Demat and Broking**

BFinsec offers demat and broking services to retail clients through a set of customised discount broking plan to choose from based upon the trading needs. BFinsec offers trading facility over a web portal and a mobile app. Retail client can also avail value added services of call-in-trade from BFinsec. During first half of the year BFinsec accelerated its retail customer acquisition and added over 159,750 customers. In second half of the year, BFinsec shifted its focus on customer activation. As on 31 March 2022, BFinsec had over 325,700 such customers.

### **Margin Trade Financing (MTF)**

BFinsec offers MTF facility to both HNI and retail clients, who can purchase approved securities by paying required margin and the balance amount is funded by BFinsec. As on 31 March 2022, the MTF AUM stood at ₹ 720 crore.

During the year, BFL infused ₹ 400 crore of additional share capital in BFinsec to fund its near-term growth plans. BFinsec generated total income of ₹ 124 crore and profit after tax of ₹ 17 crore in FY2022.

Table 9 give the snapshot of BFinsec's operations in FY2022.

**Table 9: BFinsec's Standalone Financials**

Particulars	(₹ in crore)	
	FY2022	FY2021
Total income	124	36
Interest and finance charges	29	3
<b>Net interest income</b>	<b>95</b>	<b>33</b>
Total operating expenses	72	24
<b>Pre-impairment operating profit</b>	<b>23</b>	<b>9</b>
Impairment on financial instruments [₹ 0.27 crore, FY2021 ₹ 0.09 crore]		
<b>Profit before tax (PBT)</b>	<b>23</b>	<b>9</b>
<b>Profit after tax (PAT)</b>	<b>17</b>	<b>6</b>
Other comprehensive income/(expenses) [₹ (0.12) crore, FY2021 ₹ (0.01) crore]		
<b>Total comprehensive income</b>	<b>17</b>	<b>6</b>
Earnings per share (EPS) basic, in ₹	0.54	0.42

## Concluding Comments

BFL had to steer through a very difficult FY2021 and then got back to its growth profile in FY2022. During the hiatus, the Company focused on building efficiencies, applications, systems, and processes across the Board to transform its journey into an omnipresent financial services NBFC. This journey, though well on its way, has just begun. We are extremely excited about this transformation journey. While doing so, the Company has generated excellent operational and financial results for FY2022.

It is almost tempting to say that the worst is over. And that we are set on a solid path of sustainable growth – as was the case for 13 years prior to FY2020. But it is better to let our performance speak for itself. As we believe, it will in the years to come.

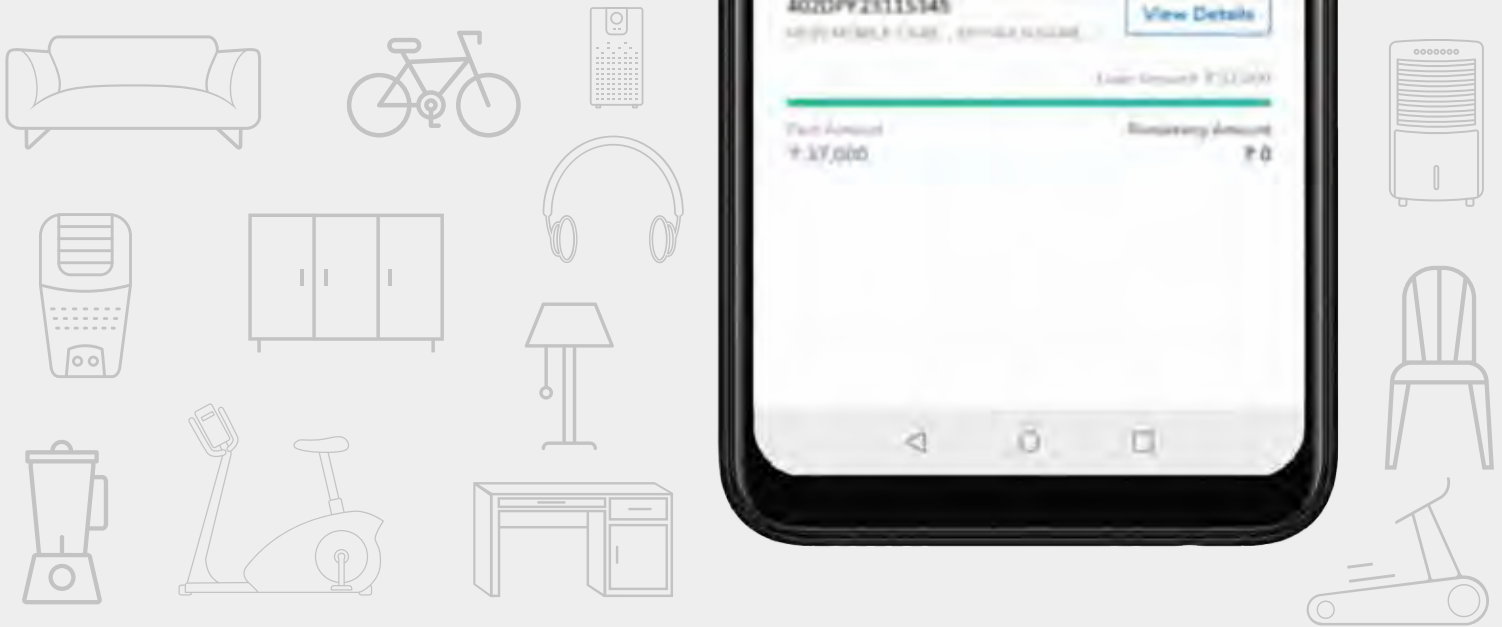
Even so, it is worth letting the facts speak. Table 10 depicts BFL's key indicators for the last 15 years. Let the numbers talk, as these will.





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**Table 10: Key Financial Indicators: Last 15 years**

Financial year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	CAGR
Assets under Management	2,478	2,539	4,032	7,573	13,107	17,517	24,061	32,410	44,229	60,196	82,422	1,15,888	1,47,153	1,52,947	1,97,454	37%
Income from operations	503	599	916	1,406	2,172	3,110	4,073	5,418	7,333	9,989	12,757	18,500	26,386	26,683	31,639	34%
Interest expenses	170	164	201	371	746	1,206	1,573	2,248	2,927	3,803	4,614	6,623	9,473	9,414	9,748	34%
Net interest income (Nil)	332	435	715	1,035	1,426	1,904	2,500	3,170	4,406	6,186	8,143	11,877	16,973	17,269	21,892	35%
Operating expenses	193	220	320	460	670	850	1,151	1,428	1,898	2,564	3,270	4,197	5,662	5,308	7,585	30%
Loan losses and provision	109	164	261	205	154	182	258	385	543	804	1,030	1,501	3,929	5,969	4,803	31%
Profit before tax	30	51	134	370	602	872	1,091	1,357	1,965	2,818	3,843	6,179	7,322	5,992	9,504	51%
Profit after tax	21	34	89	247	406	591	719	898	1,279	1,837	2,496	3,995	5,264	4,420	7,028	51%
<b>Ratios</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
Opex to Nil	58.1%	50.6%	44.8%	44.4%	47.0%	44.6%	46.0%	45.0%	43.1%	41.4%	40.2%	35.3%	33.5%	30.7%	34.6%	
Return on assets	0.7%	1.4%	2.8%	4.4%	4.2%	4.1%	3.6%	3.3%	3.5%	3.7%	3.7%	4.2%	4.1%	3.1%	4.2%	
Return on equity	2.0%	3.2%	8.0%	19.7%	24.0%	21.9%	19.5%	20.4%	20.9%	21.6%	20.1%	22.5%	20.2%	12.8%	17.4%	
Net NPA *	7.0%	5.5%	2.2%	0.8%	0.12%	0.19%	0.28%	0.45%	0.28%	0.44%	0.43%	0.63%	0.65%	0.75%	0.68%	
NPA provisioning coverage	30%	32%	55%	79%	89%	83%	76%	71%	77%	74%	70%	60%	60%	58%	58%	
CRAR (standalone)	40.7%	38.4%	25.9%	20.0%	17.5%	21.9%	19.1%	18.0%	19.5%	20.3%	24.7%	20.7%	25.0%	28.3%	27.2%	
Leverage ratio	2.6	2.5	3.8	5.9	6.4	5.3	6.2	6.8	6.3	6.6	5.4	6.3	5.1	4.7	4.9	

Note:

- As per RBI regulations, NNPA percentages for up to 2015 are at 6 months overdue, 2016 is at 5 months overdue, 2017 is at 4 months overdue, 2018 to 2021 are at 3 months overdue and 2022 is at 91 days overdue.
- All figures till including FY2017 are as per previous GAAP, whereas for FY2018 onwards are as per IndAS
- All figures from FY2018 onwards are on consolidated basis except

## Cautionary Statement

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

# REPORT ON CORPORATE GOVERNANCE

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

In accordance with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto, (the 'SEBI Listing Regulations'), given below are the corporate governance policies and practices of Bajaj Finance Ltd. (the 'Company', 'Bajaj Finance' or 'BFL') for FY2022.

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

## Philosophy

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

## Key elements of Bajaj Finance's Corporate Governance

- Compliance with applicable law.
- Number of Board and Committee meetings more than the statutory requirement, including meetings dedicated for discussing strategy, operating plans and risks.
- Board comprises of directors from diverse backgrounds and substantial experience, who are able to provide appropriate guidance to the executive management as required.
- Panel of independent directors with outstanding track record and reputation.
- Pre-Audit Committee meetings of the Committee's Chair with statutory auditors, internal auditor and members of executive management who are the process owners.
- Separate meeting of independent directors without presence of non-independent directors or executive management.
- Confidential Board evaluation process where each Board member evaluates the performance of every director, Committees of the Board, the Chairman of the Board and the Board as a whole.
- Presentations by key senior management team ('SMT') members of the Company and its subsidiaries to familiarise the directors with key elements of each of the businesses.
- Complete and detailed information provided to Board members in advance to enable them to evaluate matters carefully for meaningful discussions.
- Representation of the Company via non-executive and independent directors on the Board of its material subsidiary which ensures an institutionalised structure of control over subsidiary.
- Half-yearly communication from the Chairman to all shareholders of the Company giving an update on the Company's performance.

- Adoption of key governance policies and codes by the Board in line with best practices, which are made available to stakeholders for downloading/viewing from the Company's website. These include:
  - Whistle Blower Policy/Vigil Mechanism;
  - Policy of Materiality of Related Party Transaction specifying thresholds;
  - Code of Conduct for Direct Selling Agent and Direct Marketing Agent;
  - Dividend Distribution Policy;
  - Policy on Prevention of Sexual Harassment at Workplace;
  - Fair Practices Code in English and all vernacular languages;
  - Employee Charter on Human rights;
  - Equal Employment Opportunity & Non-Discrimination Policy.
- The weblinks of key policies are given as an annexure to this report.

## Board of Directors

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

The responsibilities of the Board, *inter alia*, include formulation of overall strategy for the Company, reviewing major plan of actions, setting performance objectives, laying down the Code of Conduct for all members of the Board and SMT, formulating policies, performance review, monitoring due compliance with applicable laws, reviewing and approving the financial results, enhancing corporate governance practices and ensuring the best interest of the shareholders, the community, environment and its various stakeholders.

### Composition

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

As on 31 March 2022, the Board of the Company consisted of eleven directors, of whom one was executive (Managing Director), seven were non-executive independent (including one-woman independent director) and three were non-executive non-independent. The Board does not have any institutional nominee director.

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

### Number of meetings of the Board

The calendar for the Board and Committee meetings, in which the financial results would be considered in the ensuing year, as well as major items of the agenda are fixed in advance for the entire year. Besides the quarterly Board meetings, meetings are also scheduled in the month of March and September every year to facilitate the Board to devote additional time on long range planning and strategic issues. The Board and Committee meetings are scheduled for one full day to enable adequate time for deliberations.

During FY2022, the Board met six times, viz., 27 April 2021, 20 July 2021, 16 September 2021, 26 October 2021, 18 January 2022 and 14 March 2022. The gap between two consecutive meetings has been less than one hundred and twenty days.



## Attendance record of directors

**Table 1: Composition of the Board and attendance record of directors for FY2022**

Name and Category	Relationship with other directors	No. of Shares held in the Company	No. of Board Meetings		Whether attended the AGM	% of meetings attended in last 3 years
			Entitled to attend	Attended		
<b>NON-EXECUTIVE CHAIRMAN</b>						
Sanjiv Bajaj	Brother of Rajiv Bajaj	530,792	6	6	✓	100
<b>MANAGING DIRECTOR</b>						
Rajeev Jain	-	169,950	6	6	✓	100
<b>NON- EXECUTIVE DIRECTORS</b>						
Madhur Bajaj	-	2,000	6	6	✓	76.19
Rajiv Bajaj	Brother of Sanjiv Bajaj	1,000	6	5	✓	76.19
<b>INDEPENDENT DIRECTORS</b>						
Dipak Poddar*	-	-	6	6	✓	71.43
Ranjan Sanghi**	-	-	6	6	✓	95.24
D J Balaji Rao	-	-	6	6	✓	90.48
Dr. Gita Piramal**	-	-	6	5	✓	90.48
Dr. Naushad Forbes	-	-	6	6	✓	95.24
Anami N Roy	-	-	6	6	✓	90.48
Pramit Jhaveri***	-	-	4	4	NA	-

\* Ceased to be a Director and ID w.e.f. 31 March 2022 (close of business hours).

\*\* Ceased to be a Director and ID w.e.f. 30 April 2022 (close of business hours).

\*\*\* Appointed with effect from 1 August 2021. Hence % of attendance for last 3 years not given.

The Company has not issued any convertible instruments and none of the Directors hold any convertible instrument. Rajeev Jain, Managing Director is entitled to Employee Stock Options as per SEBI Regulations and Employee Stock Option Scheme, 2009.

### Resignation of Independent Director

Dr. Omkar Goswami who was holding office for a second term till 31 March 2024, resigned with effect from 9 July 2021, on account of increasing personal commitments and additional professional work.

Further, Ranjan Sanghi who was holding office for a second term till 31 March 2024, has stepped down as director and independent director of the Company in view of his age and ill health with effect from close of business hours on 30 April 2022.

Dr. Gita Piramal has also tendered her resignation as director and independent director due to health reasons with effect from close of business hours on 30 April 2022. She was appointed as an Independent Director for a second term till 15 July 2024.

They have also confirmed that there are no material reasons for resignation other than those mentioned in respective resignation letters. The letters which have been furnished to stock exchanges can be accessed at <https://www.bajajfinserv.in/finance-stock-exchange-filings>

### Board diversity

In compliance with the provisions of the SEBI Listing Regulations, the Board through Nomination and Remuneration Committee ('NRC') has devised a policy on Board Diversity. The Board comprises of adequate

number of members with diverse experience and skills, such that it best serves the governance and strategic needs of the Company. The present composition broadly meets this objective. The directors are persons of eminence in areas such as profession, business, industry, finance, law, administration, research, banking, etc. and bring with them experience/skills which add value to the performance of the Board. The directors are selected purely on the basis of merit with no discrimination on race, colour, religion, gender or nationality.

### Core skills/expertise/competencies

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

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

The chart/matrix of such core skills/expertise/competencies, along with the names of directors who possess such skills is given below:

#### Sr. No. Core skills/expertise/competencies

1.	Management & Governance
2.	Financial Services
3.	Consumer behaviour, sales, marketing and customer experience
4.	Technology and Innovation
5.	Understanding of accounting and financial statements
6.	Risk, Assurance and Internal Controls
7.	Regulatory, Public policy and economics
8.	Human Resource
9.	Business Transformation & Strategy

#### Sr. No. Name of the director Core skills/expertise/competencies

1.	Sanjiv Bajaj	Management & Governance, Financial Services, Technology and Innovation, Consumer behaviour, sales, marketing and customer experience, Understanding of accounting and financial statements, Risk, Assurance and Internal Controls, Regulatory, Public policy and economics, Human Resources and Business Transformation & Strategy.
2.	Rajeev Jain	Management & Governance, Financial Services, Consumer behaviour, sales, marketing and customer experience, Understanding of accounting and financial statements, Risk, Assurance and Internal Controls, Regulatory, Public policy and economics and Business Transformation & Strategy.
3.	Madhur Bajaj	Management & Governance, Financial Services, Consumer behaviour, sales, marketing and customer experience, Regulatory, Public policy and economics, Human Resources and Business Transformation & Strategy.
4.	Rajiv Bajaj	Management & Governance, Consumer behaviour, sales, marketing and customer experience, Technology and Innovation, Understanding of accounting and financial statements, Risk, Assurance and Internal Controls, Human Resources and Business Transformation & Strategy.
5.	Dipak Poddar	Management & Governance, Financial Services, Consumer behaviour, sales, marketing and customer experience, Understanding of accounting and financial statements and Human Resource.

<b>Sr. No.</b>	<b>Name of the director</b>	<b>Core skills/expertise/competencies</b>
6.	Ranjan Sanghi	Management & Governance, Financial Services, Consumer behaviour, sales, marketing and customer experience, Understanding of accounting and financial statements and Human Resource.
7.	D J Balaji Rao	Management & Governance, Financial Services, Consumer behaviour, sales, marketing and customer experience, Understanding of accounting and financial statements, Risk, Assurance and Internal Controls and Business Transformation & Strategy.
8.	Dr. Gita Piramal	Management & Governance, Financial Services, Understanding of accounting and financial statements, Human Resources and Business Transformation & Strategy.
9.	Dr. Naushad Forbes	Management & Governance, Consumer behaviour, sales, marketing and customer experience, Technology and Innovation, Understanding of accounting and financial statements, Risk, Assurance and Internal Controls, Regulatory, Public policy and economics, Human Resources and Business Transformation & Strategy.
10.	Anami N Roy	Management & Governance, Financial Services, Risk, Assurance and Internal Controls, Understanding of accounting and financial statements, Regulatory, Public policy and economics and Human Resources.
11.	Pramit Jhaveri	Management & Governance, Financial Services, Consumer behaviour, sales, marketing and customer experience, Technology and Innovation, Understanding of accounting and financial statements, Risk, Assurance and Internal Controls, Regulatory, Public policy and economics, Human Resources and Business Transformation & Strategy.

## Opinion of the Board

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

## Non-executive directors' compensation

During FY2022, sitting fee of ₹ 100,000 per meeting was paid to non-executive directors (independent and non-independent) for every meeting of the Board and/or Committee of the Board (of which they are members) attended by them.

The members of the Company vide an ordinary resolution passed at the annual general meeting ('AGM') of the Company held on 19 July 2017 have, approved the payment of commission up to a sum not exceeding one percent of the net profits of the Company, calculated in accordance with the provisions of sections 197 and 198 of the Act, to one or more or to all the non-executive directors as may be decided by the Board of Directors at its discretion from time to time during the five years commencing from 1 April 2017 till 31 March 2022.

Further, approval of the members is being sought, at the upcoming AGM for payment of similar commission not exceeding one percent of the net profits of the Company for a further period of five years commencing from 1 April 2022. The resolution in respect of the same and related details form a part of the Notice convening the 35th AGM.

Presently, the non-executive directors of the Company are being paid commission at the rate of ₹ 250,000 per meeting of the Board and/or its Committees attended by them.

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

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

### Information placed before the Board

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

In terms of quality and importance, the information supplied by Management to the Board is far ahead of the mandate under the SEBI Listing Regulations. The independent directors of the Company met on 14 March 2022 and expressed their satisfaction on the quality, quantity and timeliness of flow of information between the Company's Management and the Board.

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

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

### Directors and Officers liability insurance ('D&O policy')

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

### Orderly succession to Board and Senior Management

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

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



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

## Directorships and memberships of Board Committees

**Table 2: Number of directorship/committee positions of directors as on 31 March 2022 (including the Company)**

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

\* Managing Director of Bajaj Housing Finance Ltd. ('BHFL'), a high value debt listed and wholly owned subsidiary of the Company. He does not draw any remuneration from BHFL. He has relinquished his position as Managing Director of BHFL w.e.f. close of business hours on 30 April 2022.

Note: For the purpose of considering the limit of committees in which a director can serve, all public limited companies, whether listed or not, have been included; whereas all other companies including private limited companies, foreign companies and companies under section 8 of the Act/section 25 of the Companies Act, 1956 have been excluded. Only the Audit Committee and the Stakeholders Relationship Committee are considered for the purpose of reckoning committee positions.

None of the directors hold office as a director, including as an alternate director, in more than twenty companies at the same time. None of them has directorships in more than ten public companies. For reckoning the limit of public companies, directorships of private companies that are either holding or subsidiary companies of a public company are included; while directorships in dormant companies and section 8 of the Act/section 25 of the Companies Act, 1956 are excluded. For the purpose of reckoning the directorships in listed companies, only equity listed companies have been considered.

As per declarations received, no director serves as an independent director in more than seven equity listed companies or in more than three equity listed companies if he/she is a whole-time director/managing director in any listed company. The independent directors also confirmed that they are not on the Board of more than three NBFCs (NBFC-Middle Layer or NBFC-Upper Layer) at the same time in line with RBI Scale Based Regulations.

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

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

## Directorship in listed companies (including debt listed companies)

**Table 3: Name of listed entities where directors of the Company held directorships as on 31 March 2022 (including the Company)**

Name of director	Name of listed entity	Category
Sanjiv Bajaj	Bajaj Auto Ltd.	Non-executive, non-independent
	Bajaj Finance Ltd.	Chairman, non-executive, non-independent
	Bajaj Finserv Ltd.	Chairman and Managing Director, executive
	Bajaj Holdings & Investment Ltd.	Managing Director and CEO, executive
	Bajaj Housing Finance Ltd. (high value debt listed)	Chairman, non-executive, non-independent
	Maharashtra Scooters Ltd.	Chairman, non-executive, non-independent
Rajeev Jain	Bajaj Finance Ltd.	Managing Director, executive
	Bajaj Housing Finance Ltd. (high value debt listed)	Managing Director, executive
Madhur Bajaj	Bajaj Auto Ltd.	Vice-Chairman, non-executive, non-independent
	Bajaj Electricals Ltd.	Non-executive, non-independent
	Bajaj Finance Ltd.	Non-executive, non-independent
	Bajaj Finserv Ltd.	Non-executive, non-independent
	Bajaj Holdings & Investment Ltd.	Non-executive, non-independent
Rajiv Bajaj	Bajaj Auto Ltd.	Managing Director and CEO, executive
	Bajaj Electricals Ltd.	Non-executive, non-independent
	Bajaj Finance Ltd.	Non-executive, non-independent
	Bajaj Finserv Ltd.	Non-executive, non-independent
	Bajaj Holdings & Investment Ltd.	Non-executive, non-independent
Dipak Poddar	Bajaj Finance Ltd.	Non-executive, independent
	Poddar Housing and Development Ltd.	Chairman, executive
Ranjan Sanghi	Bajaj Finance Ltd.	Non-executive, independent
D J Balaji Rao	Bajaj Auto Ltd.	Non-executive, independent
	Bajaj Finance Ltd.	Non-executive, independent
	Bajaj Finserv Ltd.	Non-executive, independent
	Bajaj Holdings & Investment Ltd.	Non-executive, independent
Dr. Gita Piramal	Bajaj Auto Ltd.	Non-executive, independent
	Bajaj Finance Ltd.	Non-executive, independent
	Bajaj Finserv Ltd.	Non-executive, independent
	Bajaj Holdings & Investment Ltd.	Non-executive, independent

**Table 3: Name of listed entities where directors of the Company held directorships as on 31 March 2022 (including the Company)**

<b>Name of director</b>	<b>Name of listed entity</b>	<b>Category</b>
Dr. Naushad Forbes	Bajaj Auto Ltd.	Non-executive, independent
	Bajaj Finance Ltd.	Non-executive, independent
	Bajaj Finserv Ltd.	Non-executive, independent
	Bajaj Holdings & Investment Ltd.	Non-executive, independent
	Zodiac Clothing Co. Ltd.	Non-executive, independent
Anami N Roy	Bajaj Auto Ltd.	Non-executive, independent
	Bajaj Finance Ltd.	Non-executive, independent
	Bajaj Finserv Ltd.	Non-executive, independent
	Bajaj Holdings & Investment Ltd.	Non-executive, independent
	Bajaj Housing Finance Ltd. (high value debt listed)	Non-executive, independent
	Finolex Industries Ltd.	Non-executive, independent
	Glaxosmithkline Pharmaceuticals Ltd.	Non-executive, independent
Pramit Jhaveri	Bajaj Finance Ltd.	Non-executive, independent

### Certificate from practicing company secretary

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

### Review of legal compliance reports

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

### Code of Conduct

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

Accordingly, the Company has a Board approved Code of Conduct for Board members and senior management of the Company. This Code has been placed on the Company's website and can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/code-of-conductpdf?scl=1&fmt=pdf>

All the Board members and senior management personnel have affirmed compliance with the Code for the year ended 31 March 2022. A declaration to this effect signed by the Managing Director forms a part of this Annual Report.

### Maximum tenure of independent directors

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

## Formal letter of appointment to independent directors

The Company issued a formal letter of appointment/re-appointment to independent directors in the manner provided in the Act. As per regulation 46(2) of the SEBI Listing Regulations, the terms and conditions of appointment/re-appointment of independent directors are placed on the Company's website and can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/appointment-letter-independent-director-v1?scl=1&fmt=pdf>

## Familiarisation programme

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

During FY2022, the directors were updated extensively on the following through presentations at Board meetings:

- Risk Management Framework including technological risk, operational risk, financial risk, market risk, compliance risk, etc.;
- Regulatory changes having a bearing on industry and Company's business model; and
- Information Technology Management including cyber security.

Details of familiarisation programmes are placed on the Company's website and can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/bfi-familiarisation-programmepdf?scl=1&fmt=pdf>

## Whistle Blower Policy/Vigil Mechanism

The Company has a Whistle Blower Policy encompassing Vigil Mechanism pursuant to the requirements of the section 177(9) of the Act and regulation 22 of the SEBI Listing Regulations and meeting the requirements under applicable RBI regulations.

The Whistle Blower Policy/vigil mechanism enables directors, employees and value chain partners to report confidentially to the Management, without fear of victimisation, any unacceptable and/or unethical behaviour, suspected or actual fraud, violation of the Company's Code of Conduct or ethics policy and instances of leak or suspected leak of unpublished price sensitive information which are detrimental to the organisation's interest. It provides safeguards against victimisation of directors/employees/value chain partners who avail of the mechanism and allows direct access to the Chairman of the Audit Committee in exceptional cases. It also allows them to share their inputs or raise their concerns anonymously at the dedicated link provided for it.

The policy has been appropriately communicated to the employees within the organisation and has also been hosted on the Company's website which can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/whistle-blower-policy-v2pdf?scl=1&fmt=pdf>

Employees of the Company are required to undergo mandatory online learning module on Code of Conduct including Whistle Blower Policy and affirm that they have understood and are aware of vital aspects of the policy.

During FY2022, no employee was denied access to the Chairman of Audit Committee under this policy. During FY2022, 80 complaints were received by Company out of which 4 are pending for resolution as on 31 March 2022.

## Subsidiary companies

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

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

BHFL is a material subsidiary within the meaning of the SEBI Listing Regulations. The policy on 'material subsidiaries', as approved by the Board, is available on the Company's website and can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/policy-for-determining-material-subsidiariespdf?scl=1&fmt=pdf>

The Board of BHFL presently, comprises of four directors out of which two are independent directors viz., Lila Poonawalla and Anami N Roy. Dr. Arindam Bhattacharya has been inducted as an additional independent director with effect from 1 May 2022. It is a professional Board comprising of highly qualified and eminent persons. The profile of the directors can be accessed at <https://www.bajajhousingfinance.in/directors-board>

## Share Capital

As at 31 March 2022, the paid-up capital of the Company was ₹ 121.09 crore consisting of 605,429,233 equity shares of face value of ₹ 2 fully paid up. For details of shares issued during FY2022 please refer the [Directors' Report](#).

The Company has not issued any convertible securities and there are no outstanding convertible securities as on 31 March 2022.

## Utilisation of funds raised through preferential allotment/qualified institutions placement

The Company has not raised funds by issue of equity shares either on preferential basis or through qualified institutions placement during FY2022. Therefore, there are no details to be disclosed as per regulation 32(7A) of SEBI Listing Regulations.

## Related party transactions

All related party transactions entered during FY2022 were on an arm's length basis and were not material under the SEBI Listing Regulations.

Approval of the Audit Committee was obtained for all related party transactions entered during FY2022. Details of such transactions were placed before the Audit Committee for its noting/review on a quarterly basis.

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

During FY2022, there were no materially significant related party transactions that may have potential conflict with the interest of the Company at large. The policy is given below as required pursuant to Master Direction - Non-Banking Financial Company- Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended. It is also hosted on the Company's website at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/policy-of-materiality-and-dealing-with-related-party-transactionpdf?scl=1&fmt=pdf>

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

### Quote

#### 1. Background:

Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations'), the Board of Directors of Bajaj Finance Ltd (the Company) at its



meeting held on 15 October 2014 had approved a Policy on Materiality of and dealing with related party transactions. Pursuant to SEBI circular dated 9 May 2018, which notified certain amendments effective from 1 April 2019, the Policy was revised by the Board at its meeting held on 12 March 2019.

SEBI, vide circular dated 9 November 2021, has notified further amendments necessitating changes to be made in the policy, which will be effective from 1 April 2022, unless stated otherwise.

## 2. Policy:

In supersession of the existing Policy, the Policy on Materiality of and dealing with Related Party Transactions, which is to be read together with Regulation 23 of the said Regulations and relevant provisions of the Companies Act, 2013 is accordingly being revised as under:

1. The terms 'Related Party', 'Related Party Transactions', 'Relative', 'Material RPTs', 'Arms' length transaction', 'Omnibus Approval' and such other terms will carry the meaning as stated under the Companies Act, 2013 or SEBI Listing Regulations as amended from time to time.
2. Related Party Transactions (RPTs), including subsequent material modifications thereof of the Company covered under the Companies Act, 2013 and Regulation 23 of the SEBI Listing Regulations will be approved by the Audit Committee of the Board from time to time, subject to such exceptions as are provided therein.

For the above purpose, 'material modifications' as defined by the Audit Committee would refer to the following:

Material modification will mean and include any modification to an existing RPT having variance of 20% of the existing limit or ₹ 1 crore whichever is higher, as sanctioned by the Audit Committee/ Shareholders, as the case may be. Provided further that:

- A related party transaction to which the subsidiary of the Company is a party, but the Company is not a party, shall require prior approval of the Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company;
  - With effect from 1 April 2023, a related party transaction to which the subsidiary of a listed entity is a party, but the listed entity is not a party, shall require prior approval of the Audit Committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
3. Prior Consent of the Board and the Shareholders would be taken in respect of all RPTs, including material modifications thereof, except in the following cases:
    - i. Where the transactions are below the threshold limits specified in the Companies Act, 2013 and Rules thereunder or the SEBI Listing Regulations, as may be applicable;
    - ii. Where the transactions are entered into by the Company in its ordinary course of business and are on arms' length basis;
    - iii. Payments made with respect to brand usage or royalty where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, do not exceed five percent of the annual consolidated turnover as per the last audited financial statements of the Company;
    - iv. Where the transactions to be entered into individually or taken together with previous transactions during a financial year do not exceed ₹ 1,000 crore or ten percent of the annual

consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower;

- v. Transactions entered into between the Company and any of its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval;
  - vi. transactions entered into between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
4. Notwithstanding the above, approval of the Board and shareholders would be necessary, where the RPTs exceed the following threshold limits:

Sr. No.	Description	Threshold limits (₹ in crore)
1.	Sale, purchase or supply of any goods or materials or securities	
2.	Borrowing including by way of deposits	
3.	Selling or otherwise disposing off or buying of any property including by way of leave and license arrangement	1,000
4.	Availing or rendering of any services including lending	

The Chairman of Board and of Audit Committee are jointly authorised to make changes to this Policy as they may deem fit and expedient, taking into account the law for the time being in force.

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

## Unquote

## Audit Committee

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

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

The terms of reference of the Committee are in accordance with the Act, SEBI Listing Regulations and NBFC Regulations. These broadly include oversight of the Company's financial reporting process and disclosure of its financial information, review of financial statements, review of compliances and review of systems and controls, approval or any subsequent modification of transactions with related parties, review compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended. The detailed terms of reference of the Committee can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/terms-of-reference-for-audit-committeepdf-1?scl=1&fmt=pdf>

## Meetings and attendance

During FY2022, the Committee met six times viz., on 27 April 2021, 20 July 2021, 16 September 2021, 26 October 2021, 18 January 2022 and 14 March 2022. The meetings were scheduled well in advance and not more than one hundred and twenty days elapsed between any two consecutive meetings.

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

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

Consequent to the resignation of Dr. Omkar Goswami on 9 July 2021, the Board of Directors appointed Anami N Roy as member and Chairman of the Committee with effect from 10 July 2021. He was present at the AGM which was held through video conferencing ('VC') on 20 July 2021 to answer members' queries.

Ranjan Sanghi stepped down as member of the Committee effective 31 July 2021.

Further, the Board of Directors inducted Pramit Jhaveri as member of the Committee effective 1 August 2021.

**Table 4: Composition of the Audit Committee and attendance record of the members for FY2022**

Name of director	Category	No. of Meetings held during FY2022 (6)	
		Entitled to attend	Attended
Dr. Omkar Goswami	Chairman, non-executive, independent (up to 9 July 2021)	1	1
Anami N Roy	Chairman, non-executive, independent (effective 10 July 2021)	5	5
Sanjiv Bajaj	Non-executive, non-independent	6	6
Dr. Naushad Forbes	Non-executive, independent	6	6
Ranjan Sanghi	Non-executive, independent (up to 31 July 2021)	2	2
Pramit Jhaveri	Non-executive, independent (effective 1 August 2021)	4	4

During FY2022, the Board had accepted all recommendations of the Committee.

## Nomination and Remuneration Committee

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

The terms of reference of the Committee, *inter alia*, includes formulation of criteria for determining qualifications, positive attributes and independence of a director, recommendation of persons to be appointed to the Board and senior management and specifying the manner for effective evaluation of performance of Board, its Committees, Chairperson and individual directors, recommendation of Remuneration Policy for directors, key managerial personnel and other employees, formulation of criteria for evaluation of performance of independent directors and the Board, devising a policy on Board diversity and such other matters as may be prescribed by Companies Act, Listing Regulations and NBFC Regulations.

SEBI vide notification dated 3 August 2021 amended the SEBI Listing Regulations. Vide the said amendment, it has introduced following additional term of reference of NRC with effect from 1 January 2022:

*For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:*

- a. use the services of an external agencies, if required;
- b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
- c. consider the time commitments of the candidates.

In view of the above amendment, the terms of reference of NRC were suitably amended to incorporate the above. The detailed terms of reference of the Committee can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/terms-of-reference-for-nomination-and-remuneration-committeepdf?scl=1&fmt=pdf>

The Committee acts as the Compensation Committee for administration of the Company's Employee Stock Option Scheme, 2009.

### Meetings and attendance

During FY2022, the Committee met four times viz., on 27 April 2021, 20 July 2021, 17 December 2021 and 14 March 2022.

Anami N Roy, Chairman of the Committee, was present at the AGM held through VC on 20 July 2021 to answer members' queries.

**Table 5: Composition of the NRC and attendance record of the members for FY2022**

Name of director	Category	No. of Meetings held during FY2022 (4)	
		Entitled to attend	Attended
Anami N Roy	Chairman, non-executive, independent	4	4
Late Rahul Bajaj	Non-Executive, non-independent (up to 30 April 2021)	1	0
Sanjiv Bajaj	Non-Executive, non-independent	4	4
Dr. Omkar Goswami	Non-Executive, independent (up to 9 July 2021)	1	1
Ranjan Sanghi	Non-Executive, independent	4	4

Ranjan Sanghi consequent to his resignation ceases to be a member of NRC with effect from close of business hours on 30 April 2022. Radhika Haribhakti was inducted as member of the Committee in his place from 1 May 2022.

During FY2022, the Board had accepted all recommendations of the Committee.

The Company has in place performance evaluation criteria for Board, Committees, Chairperson and Directors. The criteria for evaluation of independent directors, *inter alia*, includes attendance and participation, acting in good faith, openness to ideas, pro-active and positive approach with regard to Board and senior management particularly the arrangements for management of risk and the steps needed to meet challenges from the competition, independence and independent views and judgment, etc.

The said criteria is hosted on the website of the Company and can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/performance-evaluation-criteria-for-board-committees-of-board-chairperson-and-directorspdf?scl=1&fmt=pdf>

## Risk Management Committee

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

SEBI, vide its notification dated 5 May 2021, has introduced roles and responsibilities of RMC. In addition to the existing terms of reference which, *inter alia*, include managing the integrated risk, laying down procedures to inform the Board about risk assessment and minimisation procedures in the Company, and framing, implementing, monitoring the risk management plan for the Company including cyber security, the Board at its meeting held on 20 July 2021 has amended the terms of reference of the Committee to include the following:

1. *To formulate a detailed Risk Management Policy which shall include:*
  - a) *A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee;*
  - b) *Measures for risk mitigation including systems and processes for internal control of identified risks;*
  - c) *Business continuity plan.*
2. *To review and guide the Management on reputational and market (investment) risk;*
3. *To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;*
4. *To monitor and oversee implementation of the Risk Management Policy, including evaluating the adequacy of risk management systems;*
5. *To periodically review the Risk Management Policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;*
6. *To keep the Board of Directors informed about the nature and content of its discussions, recommendations and actions to be taken;*
7. *The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.*

The terms of reference of the Committee can also be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/terms-of-reference-for-risk-management-committeepdf-1?scl=1&fmt=pdf>

The Company has a risk management framework duly approved by its Board. The details of the same are furnished in [Directors' Report](#).

RBI through its circular dated 16 May 2019 mandated NBFCs with asset size of more than ₹ 5,000 crore to appoint a Chief Risk Officer ('CRO'). Pursuant to the same, Fakhari Sarjan has been appointed as CRO to hold office up to 30 June 2022. The Board at its meeting held on 26 April 2022 has re-appointed Fakhari Sarjan as CRO for a further period of 3 years till 30 June 2025.

## Meetings and attendance

During FY2022, the Committee met six times viz., on 27 April 2021, 20 July 2021, 16 September 2021, 26 October 2021, 18 January 2022 and 14 March 2022.

Consequent to the resignation of Dr. Omkar Goswami on 9 July 2021, the Board of Directors appointed Anami N Roy as member and Chairman of the Committee with effect from 10 July 2021.



Further, the Board of Directors inducted Prमित Jhaveri as member of the Committee effective 1 April 2022 in place of Dipak Poddar.

**Table 6: Composition of the RMC and attendance record of the members for FY2022**

Name of director/ senior executive	Category	No. of Meetings held during FY2022 (6)	
		Entitled to attend	Attended
Dr. Omkar Goswami	Chairman, non-executive, independent (up to 9 July 2021)	1	1
Anami N Roy	Chairman, non-executive, independent (from 10 July 2021)	5	5
Sanjiv Bajaj	Non-executive, non-independent	6	6
Rajeev Jain	Managing Director, executive	6	6
Dipak Poddar	Non-executive, independent (up to 31 March 2022)	6	6
Sandeep Jain	Chief Financial Officer	6	6
Fakhari Sarjan	Chief Risk Officer	6	6
Deepak Bagati	President - Debt Management Services	6	5

During FY2022, the Board had accepted all recommendations of the Committee.

## Stakeholders' Relationship Committee ('SRC')

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

The terms of reference of the Committee, *inter alia*, includes review of measures taken for effective exercise of voting rights by shareholders and review of adherence to the service standards in respect of various services rendered by the Registrar and Share Transfer Agent ('RTA'). The terms of reference of the Committee can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/terms-of-reference-for-stakeholders-relationship-committeepdf-1?scl=1&fmt=pdf>

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

## Meetings and attendance

During FY2022, the Committee met once on 18 January 2022 to review the status of investors' services rendered. The secretarial auditor as well as the Company Secretary were present at the said meeting.

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

During FY2022, meeting of senior executives of RTA viz., KFin Technologies Ltd., ('KFin') with few Committee members was organised to discuss on service standards and operations at KFin.

**Table 7: Composition of the SRC and attendance record of the members for FY2022**

Name of director	Category	No. of Meeting held during FY2022 (1)	
		Entitled to attend	Attended
Dr. Gita Piramal	Chairperson, non-executive, independent	1	1
Sanjiv Bajaj	Non-executive, non-independent	1	1
Ranjan Sanghi	Non-executive, independent	1	1

Dr. Gita Piramal consequent to her resignation ceases to be Chairperson and member of SRC with effect from close of business hours on 30 April 2022. D J Balaji Rao was inducted as Chairman of the Committee from 1 May 2022.

Ranjan Sanghi consequent to his resignation ceases to be a member of SRC with effect from close of business hours on 30 April 2022. Radhika Haribhakti was inducted as a member of the Committee from 1 May 2022.

**Table 8: Details of the investor complaints received during FY2022**

No. of complaints outstanding at the beginning of the year	No. of complaints received	No. of complaints not solved to the satisfaction of the shareholders	No. of complaints solved	No. of pending complaints at the end of the year
0	15	0	14	1

R Vijay, Company Secretary acts as the Compliance Officer.

Dr. Gita Piramal, Chairperson of the Committee, was present at the AGM of the Company held through VC on 20 July 2021, to answer shareholders' queries.

## Duplicate Share Certificate Issuance Committee

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

As a measure to enhance ease of dealing in securities market by the investors, SEBI through its circular dated 25 January 2022 has mandated listed entities to issue of securities in dematerialised form only while processing any service request including issue of duplicate share certificate.

## Meeting and Attendance

During FY2022, the Committee met once on 14 March 2022.

**Table 9: Composition of the Duplicate Share Certificate Issuance Committee and attendance record of the members for FY2022**

Name of director	Category	No. of Meeting held during FY2022 (1)	
		Entitled to attend	Attended
Sanjiv Bajaj	Chairman, non-executive, non-independent	1	1
Rajeev Jain	Managing Director, executive	1	1
Dr. Naushad Forbes	Non-executive, independent	1	0

### Information Technology (IT) Strategy Committee

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

The Committee met twice during FY2022 as required under the above Master Direction.

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

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

The terms of reference of the Committee can also be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/terms-of-reference-for-it-strategy-committeepdf?scl=1&fmt=pdf>

During FY2022, the Committee was apprised, *inter alia*, on IT Infrastructure Projects, Information Security Projects, new business applications, data analytics, further strengthening of data control, data recovery drills, application security framework, security incident monitoring overview, threat functioning and forensics, and information system audit.

### Customer Service Committee

To strengthen the customer engagement and monitoring process, the Board of Directors at its meeting held on 14 March 2022 have voluntarily constituted a Customer Service Committee, in line with the requirements applicable to Banks. It is headed by an independent director.

**Table 10: Composition of the Customer Service Committee is as under:**

<b>Name of director</b>	<b>Category</b>
Pramit Jhaveri	Chairman, non-executive, independent
Sanjiv Bajaj	Non-executive, non-independent
Dr. Naushad Forbes	Non-executive, independent
Rajeev Jain	Managing Director, executive

The terms of reference of the Committee, *inter alia*, includes adherence to Fair Practices Code, review of awards under Ombudsman scheme and implementation of internal ombudsman policy, etc.

## Review Committee for Wilful Defaulter's Identification ('Review Committee')

In line with RBI Guidelines, the Company is required to constitute a Committee for identifying a non-cooperative borrower as specified in the guidelines. To review the decision of this Committee, a Review Committee of the Board has been constituted. The order shall become final only after it is confirmed by the said Review Committee.

During FY2022, there have been no instances of declaration of any borrower as non-cooperative.

## Asset Liability Management Committee

Pursuant to the RBI Guidelines, the Company has in place an Asset Liability Management Committee. The Committee comprises of senior executives of the Company. The Managing Director chairs the meetings of the Committee.

The role of the Committee is to oversee the implementation of the Asset Liability Management system and review its functionality periodically covering liquidity risk management, management of market risks, funding and capital planning, profit planning etc.

The said Committee meets on a monthly basis. The decisions of the Committee are placed before the Board for their noting and review.

## Investment Committee

Pursuant to the RBI Guidelines, the Company has in place an Investment Committee. The Committee comprises of senior executives of the Company. The Managing Director chairs the meetings of the Committee.

The role of the Committee is to review the investment strategy, asset allocation, investment decision and other operating guidelines, monitor the changing environment in the money market/capital market and accordingly, recommend any changes to the investment strategy for execution and also review the audit reports on Treasury operations and provide directions for corrective actions, as applicable.

The said Committee meets on a monthly basis. The decisions of the Committee are placed before the Board for their noting and review.

## Remuneration of Directors

### Pecuniary relationship/transaction with non-executive directors

During FY2022, there were no pecuniary relationship/transactions of any non-executive directors with the Company, apart from remuneration as directors and transactions in the ordinary course of business and on arm's length basis at par with any member of general public. During FY2022, the Company did not advance any loans to any of its directors.

## Criteria of making payments to non-executive directors

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

The criteria of making payments to non-executive directors are placed on the Company's website and can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/criteria-for-payments-of-remuneration-to-non-executive-directorspdf?scl=1&fmt=pdf>

## Details of Remuneration of directors

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

## Managing Director

During FY2022, the Company paid remuneration to Rajeep Jain, Managing Director ('MD') of the Company as provided in annual return. The tenure of the MD is of five years up to 31 March 2025 with a notice period of six months or salary in lieu thereof. The performance pay/bonus of the MD is based on the performance of the Company and his contribution towards the same. During FY2022, 113,914 stock options were granted to the MD at a grant price of ₹ 4,736.55, being the closing market price on the NSE on the day preceding the day of grant. These grants will vest over a period of four years (25% every year) after a period of one year from the date of grant. The vested options will be exercisable over a period of five years from the date of vesting. MD is also entitled to other perquisites and benefits mentioned in the agreement entered into with the Company. The Company currently has no stock option plans for any of its directors other than the MD.

During FY2022, none of the directors, other than the MD, were paid any performance-linked incentive.

## Management

### Management discussion and analysis

This is given as a separate section in the [Annual Report](#).

### Disclosure of material transactions

Pursuant to the SEBI Listing Regulations, the senior management is required to make disclosures to the Board relating to all material, financial and commercial transactions, where they had or were deemed to have had personal interest that might have been in potential conflict with the interest of the Company at large. As per the disclosures submitted by the senior management, there were no such transactions during FY2022.

## Compliances regarding Insider Trading

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

Wherever non-compliance by an employee concerned was observed, penalty was levied, and the amount was remitted to the stipulated fund.

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

The Audit Committee and the Board at its meeting held on 14 March 2022 had reviewed the compliance in terms Regulation 9A(4) of SEBI PIT Regulations and confirmed that the systems for internal control with respect to Insider Trading Regulations are adequate and are operating effectively.



## Means of communication

Quarterly, half-yearly and annual financial results are published in the Business Standard, Lokmat and Sakal. An abridged version of the financial results is also published in all editions in Mint, Hindu Business Line, Economic Times, Financial Express and Ananda Bazar Patrika.

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

## Green Initiatives by MCA

Sections 20 and 136 of the Act, read with relevant Rules, permit companies to service delivery of documents electronically to the registered email ID of the members.

In compliance with the said provisions and as a continuing endeavor towards the 'Go Green' initiative, the Company proposes to send all correspondence/communications through email to those shareholders who have registered their email ID with their depository participant's/Company's RTA. The same is available on the website of the Company at <https://www.bajajfinserv.in/shareholder-green-initiative>

During FY2022, the Company sent documents, such as notice calling the annual general meeting, postal ballot notice, audited financial statements, Directors' Report, Auditors' report, credit of dividend intimation letters, etc. in electronic form to the email addresses provided by the members and made available by them to the Company through the depositories.

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

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

Details of the AGMs held during last three years:

<b>Details of AGM</b>	<b>Date and time of AGM</b>	<b>Details of special resolution(s) passed at the AGM</b>	<b>Voting percentage of shareholders participated</b>		
32nd AGM: Registered office at 12:15 p.m.	25 July 2019	1. Re-appointment of Nanoo Pamnani as an independent director of the Company for a second term of five consecutive years with effect from 1 April 2019 and continuation as director upon attaining the age of 75 years	<b>Particulars</b>	<b>% Favour</b>	<b>% Against</b>
			All shareholders	97.03	2.97
			Non-promoter category	89.11	10.89
		2. Re-appointment of Dipak Poddar as an independent director of the Company for a second term of three consecutive years with effect from 1 April 2019 and continuation as director on having already attained the age of 75 years	<b>Particulars</b>	<b>% Favour</b>	<b>% Against</b>
			All shareholders	96.64	3.37
			Non-promoter category	87.69	12.31

<b>Details of AGM</b>	<b>Date and time of AGM</b>	<b>Details of special resolution(s) passed at the AGM</b>	<b>Voting percentage of shareholders participated</b>											
		3. Re-appointment of Ranjan Sanghi as an independent director of the Company for a second term of five consecutive years with effect from 1 April 2019 and continuation as director on having already attained the age of 75 years	<table border="1"> <thead> <tr> <th>Particulars</th> <th>% Favour</th> <th>% Against</th> </tr> </thead> <tbody> <tr> <td>All shareholders</td> <td>94.77</td> <td>5.23</td> </tr> <tr> <td>Non-promoter category</td> <td>80.79</td> <td>19.21</td> </tr> </tbody> </table>	Particulars	% Favour	% Against	All shareholders	94.77	5.23	Non-promoter category	80.79	19.21		
Particulars	% Favour	% Against												
All shareholders	94.77	5.23												
Non-promoter category	80.79	19.21												
		4. Re-appointment of Balaji Rao Jagannathrao Doveton as an independent director for a second term of five consecutive years with effect from 1 April 2019 and continuation as director on attaining the age of 75 years	<table border="1"> <thead> <tr> <th>Particulars</th> <th>% Favour</th> <th>% Against</th> </tr> </thead> <tbody> <tr> <td>All shareholders</td> <td>97.51</td> <td>2.49</td> </tr> <tr> <td>Non-promoter category</td> <td>90.89</td> <td>9.11</td> </tr> </tbody> </table>	Particulars	% Favour	% Against	All shareholders	97.51	2.49	Non-promoter category	90.89	9.11		
Particulars	% Favour	% Against												
All shareholders	97.51	2.49												
Non-promoter category	90.89	9.11												
		5. Re-appointment of Dr. Omkar Goswami as an independent director for a second term of five consecutive years with effect from 1 April 2019	<table border="1"> <thead> <tr> <th>Particulars</th> <th>% Favour</th> <th>% Against</th> </tr> </thead> <tbody> <tr> <td>All shareholders</td> <td>93.54</td> <td>6.46</td> </tr> <tr> <td>Non-promoter category</td> <td>76.36</td> <td>23.64</td> </tr> </tbody> </table>	Particulars	% Favour	% Against	All shareholders	93.54	6.46	Non-promoter category	76.36	23.64		
Particulars	% Favour	% Against												
All shareholders	93.54	6.46												
Non-promoter category	76.36	23.64												
		6. Re-appointment of Dr. Gita Piramal as an independent director for a second term of five consecutive years with effect from 16 July 2019	<table border="1"> <thead> <tr> <th>Particulars</th> <th>% Favour</th> <th>% Against</th> </tr> </thead> <tbody> <tr> <td>All shareholders</td> <td>99.75</td> <td>0.25</td> </tr> <tr> <td>Non-promoter category</td> <td>99.09</td> <td>0.91</td> </tr> </tbody> </table>	Particulars	% Favour	% Against	All shareholders	99.75	0.25	Non-promoter category	99.09	0.91		
Particulars	% Favour	% Against												
All shareholders	99.75	0.25												
Non-promoter category	99.09	0.91												
		7. Approval for continuation of Rahul Bajaj as a non-executive and non-independent director of the Company w.e.f. 1 April 2019 on having already attained the age of 75 years	<table border="1"> <thead> <tr> <th>Particulars</th> <th>% Favour</th> <th>% Against</th> </tr> </thead> <tbody> <tr> <td>All shareholders</td> <td>99.55</td> <td>0.45</td> </tr> <tr> <td>Non-promoter category</td> <td>98.38</td> <td>1.62</td> </tr> </tbody> </table>	Particulars	% Favour	% Against	All shareholders	99.55	0.45	Non-promoter category	98.38	1.62		
Particulars	% Favour	% Against												
All shareholders	99.55	0.45												
Non-promoter category	98.38	1.62												
		8. Issue of non-convertible debentures through private placement	<table border="1"> <thead> <tr> <th>Particulars</th> <th>% Favour</th> <th>% Against</th> </tr> </thead> <tbody> <tr> <td>All shareholders</td> <td>99.44</td> <td>0.56</td> </tr> <tr> <td>Non-promoter category</td> <td>97.99</td> <td>2.01</td> </tr> </tbody> </table>	Particulars	% Favour	% Against	All shareholders	99.44	0.56	Non-promoter category	97.99	2.01		
Particulars	% Favour	% Against												
All shareholders	99.44	0.56												
Non-promoter category	97.99	2.01												
33rd AGM – Through VC Deemed Venue: Registered office	21 July 2020 at 12:15 p.m.	1. Re-appointment of Rajeev Jain as Managing Director of the Company for a period of five years with effect from 1 April 2020	<table border="1"> <thead> <tr> <th>Particulars</th> <th>% Favour</th> <th>% Against</th> </tr> </thead> <tbody> <tr> <td>All shareholders</td> <td>93.63</td> <td>6.37</td> </tr> <tr> <td>Non-promoter category</td> <td>79.48</td> <td>20.52</td> </tr> </tbody> </table>	Particulars	% Favour	% Against	All shareholders	93.63	6.37	Non-promoter category	79.48	20.52		
Particulars	% Favour	% Against												
All shareholders	93.63	6.37												
Non-promoter category	79.48	20.52												
		2. Issue of non-convertible debentures through private placement	<table border="1"> <thead> <tr> <th>Particulars</th> <th>% Favour</th> <th>% Against</th> </tr> </thead> <tbody> <tr> <td>All shareholders</td> <td>99.47</td> <td>0.53</td> </tr> <tr> <td>Non-promoter category</td> <td>98.30</td> <td>1.70</td> </tr> </tbody> </table>	Particulars	% Favour	% Against	All shareholders	99.47	0.53	Non-promoter category	98.30	1.70		
Particulars	% Favour	% Against												
All shareholders	99.47	0.53												
Non-promoter category	98.30	1.70												
34th AGM – Through VC Deemed Venue: Registered office	20 July 2021 at 3:30 p.m.	Issue of non-convertible debentures through private placement	<table border="1"> <thead> <tr> <th>Particulars</th> <th>% Favour</th> <th>% Against</th> </tr> </thead> <tbody> <tr> <td>All shareholders</td> <td>99.99</td> <td>0.01</td> </tr> <tr> <td>Non-promoter category</td> <td>99.98</td> <td>0.02</td> </tr> </tbody> </table>	Particulars	% Favour	% Against	All shareholders	99.99	0.01	Non-promoter category	99.98	0.02		
Particulars	% Favour	% Against												
All shareholders	99.99	0.01												
Non-promoter category	99.98	0.02												

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

The recording of last AGM is hosted on the website of Company at <https://www.bajajfinserv.in/corporate-bajaj-finance> and written transcript of the same can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/recorded-transcript-of-34th-annual-general-meetingpdf?scl=1&fmt=pdf>

During FY2022, the Company had sought approval of the members through postal ballot, the details of the same are given below:

## I. Postal Ballot notice dated 16 September 2021:

### Items of special business:

- i. Appointment of Pramit Jhaveri as an independent director for a term of five consecutive years with effect from 1 August 2021.
- ii. Appointment of Deloitte Haskins & Sells, Chartered Accountants, (Firm Registration No. 302009E) as a joint statutory auditor and to fix their remuneration, with effect from 17 November 2021.
- iii. Appointment of G. M. Kapadia & Co., Chartered Accountants, (Firm Registration No.104767W) as a joint statutory auditor and to fix their remuneration, with effect from 17 November 2021.
- iv. Alteration of the Object clause of the Memorandum of Association of the Company enabling the Company to operate as Payment Aggregator (PA) and Bharat Bill Payment Operating Unit (BBPOU).
  - a. Details of voting:

Sr. No.	Particulars	Voting percentage of shareholders participated		
		Particulars	% Favour	% Against
1	Appointment of Pramit Jhaveri as an independent director for a term of five consecutive years w.e.f. 1 August 2021	All shareholders	99.96	0.04
		Non-promoter category	99.88	0.12
2	Appointment of Deloitte Haskins & Sells, Chartered Accountants, (Firm Registration No. 302009E) as a Joint Statutory Auditor and to fix their remuneration, w.e.f. 17 November 2021	All shareholders	99.87	0.13
		Non-promoter category	99.62	0.38
3	Appointment of G. M. Kapadia & Co., Chartered Accountants, (Firm Registration No.104767W) as a Joint Statutory Auditor and to fix their remuneration, w.e.f. 17 November 2021	All shareholders	99.86	0.14
		Non-promoter category	99.59	0.41
4	Alteration of the Object clause of the Memorandum of Association of the Company enabling the Company to operate as PA and BBPOU.	All shareholders	99.99	00.01
		Non-promoter category	99.99	00.01

- b. Details of scrutiniser: Shyamprasad D. Limaye (FCS No. 1587, CP No. 572)
- c. Date of scrutiniser's report: 19 November 2021
- d. Date of passing the resolutions (last date for voting): 17 November 2021

## II. Postal Ballot notice dated 18 January 2022:

### Items of special business:

- i. Increase in the borrowing powers of the Company from ₹ 160,000 crore to ₹ 225,000 crore.
- ii. Creation of charge/security on the Company's assets with respect to borrowing.

## a. Details of voting:

Sr. No.	Particulars	Voting percentage of shareholders participated		
		Particulars	% Favour	% Against
1	Increase in the borrowing powers of the Company from ₹ 160,000 crore to ₹ 225,000 crore	All shareholders	99.26	0.74
		Non-promoter category	97.90	2.10
2	Creation of charge/security on the Company's assets with respect to borrowing	All shareholders	99.26	0.74
		Non-promoter category	97.90	2.10

- b. Details of scrutiniser: Shyamprasad D. Limaye (FCS No. 1587, CP No. 572)
- c. Date of scrutiniser's report: 3 March 2022
- d. Date of passing the resolutions (last date for voting): 2 March 2022

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

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

### Procedure for postal ballot

Pursuant to the provisions of the Act and SEBI Listing Regulations, the Company provides facility to the members to exercise votes through electronic voting system ('remote e-voting'), in addition to physical ballot. Postal ballot notices and forms are dispatched along with the postage pre-paid business reply envelope to members/beneficial owners through email at their registered email IDs and through physical copy to the members who have not registered their email IDs.

The Company also publishes notice in the newspapers for the information of the members. Voting rights are reckoned on the equity shares held by the members as on the cut-off date.

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

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

### Details of capital market non-compliance, if any

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

However, though not concerning the capital market, Financial Intelligence Unit-India (FIU) has levied a penalty of ₹ 3 lakh for certain non-compliances of Prevention of Money Laundering Act. Details of the order passed by FIU are provided in the notes to financial statement.

## Compliance Certificate

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

## Report on Corporate Governance

This chapter read together with the information given in the [Directors' Report](#), the section on [Management Discussion and Analysis](#) and [General Shareholder Information](#), constitute the compliance report on Corporate Governance during FY2022. The Company has been regularly submitting the quarterly corporate governance compliance report to the stock exchanges as required under regulation 27(2) of the SEBI Listing Regulations.

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

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

Number of complaints filed during FY2022	2
Number of complaints disposed of during FY2022	2
Number of complaints pending at the end of FY2022	Nil

## Fees paid to statutory auditors

S R B C & CO LLP were appointed as Statutory Auditors of the Company, its subsidiaries viz., BHFL and BFinsec till 13 November 2021 and 27 October 2021 respectively.

- A. Fees paid to S R B C & CO LLP, on a consolidated basis, including all entities in their network firm/entity of which they are a part, is given below:

Sr. No.	Particulars	Amount (In ₹)
1	Audit Fees	-
2	Fees for other services	2,262,500
	<b>Total</b>	<b>2,262,500</b>

Deloitte Haskins & Sells and G M Kapadia & Co. were appointed as joint statutory auditors of the Company effective 17 November 2021. Further, G M Kapadia & Co. were appointed as statutory auditor of BFinsec, subsidiary of the Company effective 16 November 2021.

- B. Fees paid to G M Kapadia & Co., on a consolidated basis, including all entities in their network firm/entity of which they are a part, is given below:

Sr. No.	Particulars	Amount (In ₹)
1	Audit Fees	3,100,000
2	Fees for other services	3,41,666
	<b>Total</b>	<b>3,441,666</b>



- C. Fees paid by the Company to Deloitte Haskins & Sells LLP, joint statutory auditor including all entities in their network firm/entity of which they are a part, is given below:

Sr. No.	Particulars	Amount (In ₹)
1	Audit Fees	5,500,000
2	Fees for other services	750,000
<b>Total</b>		<b>6,250,000</b>

## Auditors' certificate on Corporate Governance

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

This certificate is annexed to the [Directors' Report](#).

## Compliance of mandatory and discretionary requirements

### Mandatory

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

### Discretionary

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

#### 1. The Board

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

#### 2. Shareholder rights

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

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

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

#### 4. Separate posts of Chairperson and the Managing Director

The positions of Chairperson and Managing Director are held by two different persons who are not related to each other.

#### 5. Reporting of internal auditor

The internal auditor reports directly to the Audit Committee.

## Declaration by the Chief Executive Officer (MD)

[Regulation 34(3) read with schedule V (Part D) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,  
The Board of Directors  
**Bajaj Finance Ltd.**

I, Rajeev Jain, Managing Director of Bajaj Finance Ltd. hereby declare that all the board members and senior managerial personnel have affirmed compliance with the code of conduct of the company laid down for them for the year ended 31 March 2022.

Rajeev Jain  
Managing Director

Pune : 13 April 2022

## List of key policies of Bajaj Finance Ltd.

Sr. No.	Name of Policy	Website Link
1.	Whistle Blower Policy	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/whistle-blower-policy-v2pdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/whistle-blower-policy-v2pdf?scl=1&amp;fmt=pdf</a>
2.	Remuneration Policy	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/remuneration-policypdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/remuneration-policypdf?scl=1&amp;fmt=pdf</a>
3.	Policy of materiality and dealing with related party transactions	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/policy-of-materiality-and-dealing-with-related-party-transactionpdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/policy-of-materiality-and-dealing-with-related-party-transactionpdf?scl=1&amp;fmt=pdf</a>
4.	Policy on appointment of statutory auditors	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/policy-on-appointment-of-statutory-auditorspdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/policy-on-appointment-of-statutory-auditorspdf?scl=1&amp;fmt=pdf</a>
5.	Policy for Determining Material Subsidiaries	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/policy-for-determining-material-subsidiariespdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/policy-for-determining-material-subsidiariespdf?scl=1&amp;fmt=pdf</a>
6.	Policy on Determination of materiality for disclosure of events or information	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/policy-for-determination-of-materialitypdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/policy-for-determination-of-materialitypdf?scl=1&amp;fmt=pdf</a>
7.	Performance Evaluation Criteria for Board, Committees of Board, Chairperson and Directors	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/performance-evaluation-criteria-for-board-committees-of-board-chairperson-and-directorspdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/performance-evaluation-criteria-for-board-committees-of-board-chairperson-and-directorspdf?scl=1&amp;fmt=pdf</a>
8.	Interest Rate Model	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/interest-rate-modelpdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/interest-rate-modelpdf?scl=1&amp;fmt=pdf</a>
9.	Guidelines on Corporate Governance	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/guidelines-on-corporate-governancepdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/guidelines-on-corporate-governancepdf?scl=1&amp;fmt=pdf</a>
10.	Dividend Distribution Policy	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/dividend-distribution-policypdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/dividend-distribution-policypdf?scl=1&amp;fmt=pdf</a>
11.	Criteria for payment of remuneration to non-executive directors	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/criteria-for-payments-of-remuneration-to-non-executive-directorspdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/criteria-for-payments-of-remuneration-to-non-executive-directorspdf?scl=1&amp;fmt=pdf</a>
12.	Corporate Social Responsibility	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/corporate-social-responsibilitypdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/corporate-social-responsibilitypdf?scl=1&amp;fmt=pdf</a>
13.	Fair Disclosure Code	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/code-of-practices-procedures-for-fair-disclosure-of-upsi.pdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/code-of-practices-procedures-for-fair-disclosure-of-upsi.pdf?scl=1&amp;fmt=pdf</a>
14.	Code of Conduct for Directors and Members of Senior Management.	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/code-of-conductpdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/code-of-conductpdf?scl=1&amp;fmt=pdf</a>
15.	Code of Conduct for DSA/DMA	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/code_of_conduct-dsa_dma_rapdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/code_of_conduct-dsa_dma_rapdf?scl=1&amp;fmt=pdf</a>
16.	Archival Policy	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/archival-policypdf-1?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/archival-policypdf-1?scl=1&amp;fmt=pdf</a>
17.	Disciplinary action policy	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/disciplinary-action-policypdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/disciplinary-action-policypdf?scl=1&amp;fmt=pdf</a>
18.	Employee Charter – Human Rights	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/employee-charter-human-rights.pdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/employee-charter-human-rights.pdf?scl=1&amp;fmt=pdf</a>
19.	Equal employment opportunity & Non-discrimination policy	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/equal-employment-opportunity-and-non-discrimination-policypdf?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/equal-employment-opportunity-and-non-discrimination-policypdf?scl=1&amp;fmt=pdf</a>
20.	Prevention of sexual harassment at workplace	<a href="https://cms-assets.bajajfinserv.in/is/content/bajajfinance/prevention-of-sexual-harassment-at-workplacepdf-1?scl=1&amp;fmt=pdf">https://cms-assets.bajajfinserv.in/is/content/bajajfinance/prevention-of-sexual-harassment-at-workplacepdf-1?scl=1&amp;fmt=pdf</a>



**OVER  
50 SMART  
PRODUCTS  
THAT SUIT  
EVERY NEED**



**CONSUMER FINANCE**

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

**PAYMENTS**

- EMI Network Card
- Health EMI Card
- Co-branded Credit Card
- Co-branded Wallet
- PPI, UPI, BBPS

**SME FINANCE**

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

**INSURANCE**

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

**INVESTMENTS**

- Systematic Deposit Plan
- Mutual Fund
- Term Deposit

**COMMERCIAL LENDING**

- Loan Against Securities
- IPO Finance
- ESOP Finance
- Vendor Finance
- Financial Institutions Lending
- Light Engineering Lending
- Specialty Chemicals Lending

**SECURITIES**

- Trading Account
- Depository Services
- Margin Trading Finance
- HNI Broking
- Retail Broking

# GENERAL SHAREHOLDER INFORMATION

## 35th Annual General Meeting ('AGM')

Day and Date	Wednesday, 27 July 2022
Time	3:30 p.m. IST
Venue	Virtual, Registered Office of the Company at Akurdi, Pune – 411 035 (Deemed venue)
Financial Year	1 April 2021 to 31 March 2022

## Tentative meeting schedule for considering financial related matters for FY2023

Type of meeting	Particulars	Indicative month
Audit Committee and Board	To review and approve the unaudited financial results for the quarter ending 30 June 2022, subject to limited review	July 2022
	To review and approve the unaudited financial results for the quarter and half-year ending 30 September 2022, subject to limited review	October 2022
	To review and approve the unaudited financial results for the quarter and nine months ending 31 December 2022, subject to limited review	January/early February 2023
	To review and approve audited annual results for the year ending 31 March 2023, subject to audit	April 2023/early May 2023

In addition to the above, Board meetings are convened in March and September to discuss strategy, operating plans and other matters. Additional committee meetings are also convened as and when deemed necessary.

## Registrar and Share Transfer Agent ('RTA')

Pursuant to conversion of status from private limited company to public limited company, the name of RTA of the Company viz., KFin Technologies Private Ltd. has been changed to KFin Technologies Ltd. (hereinafter referred to as 'KFin') with effect from 24 February 2022.

In terms of regulation 7 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations') KFin continues to be the Registrar and Share Transfer Agent; and handle all relevant corporate registry services for both equity shares and debentures.

## Review of service standards adhered by KFin with respect to share related activities

The Company ('Bajaj Finance', 'Bajaj Finance Ltd.', 'BFL') has agreed service timelines and standards for various shareholder related service with KFin. On an on-going basis, the secretarial team engages with officials of KFin at various levels for review of these standards and other share related activities. Periodic meetings and discussions are held to understand the concerns of shareholders, deviations, if any, in the timelines for processing service request, best practices and other measures to strengthen shareholders related services. In addition, the activities at KFin are also reviewed by the internal audit team.

During FY2022, a meeting of Stakeholders' Relationship Committee members with a few senior officials of KFin was organised to get an overview of the activities at their end.



## Dividend and date of payment

The Board of Directors ('Board') have recommended a dividend of ₹ 20 per equity share (1000%) of the face value of ₹ 2 for FY2022, subject to approval of the members at the ensuing AGM.

Dividend on equity shares, if declared, at the AGM, will be credited/dispatched on Monday, 1 August 2022 and/or Tuesday, 2 August 2022 to all eligible shareholders holding shares as of the end of the day on Friday, 1 July 2022 (record date).

## Payment of dividend

The SEBI Listing Regulations read with SEBI circular dated 20 April 2018, require companies to use any electronic mode of payment approved by the Reserve Bank of India (RBI) for making payment to members. Accordingly, the dividend, if declared will be paid through electronic mode, where the bank account details of the members are available. Where dividend payments are made through electronic mode, intimation regarding such remittance will be sent separately to the members.

In cases where the dividend cannot be paid through electronic mode, it will be paid by account payee/non-negotiable instruments/warrants with bank account details printed thereon. In case of non-availability of bank account details, address of the members will be printed on such payment instruments.

For enabling payment of dividend through electronic mode, Members holding shares in physical mode are requested to send form ISR-1 along with requisite documents to KFin. The form can be downloaded from the website of the Company at <https://www.bajajfinserv.in/investor-request-forms> and RTA at <https://ris.kfintech.com/clientservices/isc>. In case of members holding shares in demat mode, they are requested to update details with their respective depository participant.

## Tax Deducted at Source ('TDS') on dividend

Pursuant to the changes introduced by the Finance Act, 2020, with effect from 1 April 2020, Dividend Distribution Tax will not be payable by the Company. The dividend, if declared will be taxable in the hands of the members. The TDS rate would vary depending on the residential status of the members and the documents submitted by them and accepted by the Company. For more details, members are requested to refer to the Notice of AGM.

## Unclaimed dividend

As per section 124(5) of Companies Act, 2013 (the 'Act') and section 205 of the erstwhile Companies Act, 1956, any money transferred by the Company to the unpaid dividend account and remaining unclaimed for a period of seven years from the date of such transfer shall be transferred to the Investor Education and Protection Fund ('Fund') set up by the Central Government. Accordingly, unpaid/unclaimed dividends for FY1996 to FY2014 have already been transferred by the Company to the said Fund from FY2003 onwards.

The unpaid/unclaimed dividend for FY2015 shall be transferred to the Fund in September 2022. Members are requested to verify their records and send their claim, if any, for the said year, before such amount become due for transfer. Communication are being sent to members, who have not yet claimed dividend requesting them to claim the same as well as unpaid dividend, if any, for subsequent years.

The following are the details of unclaimed dividends which are due to be transferred to the Fund in the coming years including current year.

<b>Year</b>	<b>Dividend Type</b>	<b>Date of declaration /credit</b>	<b>Last date for claiming dividend</b>	<b>Date of transfer to Fund (on or before)</b>
2014-2015	Final	22 July 2015	21 August 2022	20 September 2022
2015-2016	Interim	20 March 2016	19 April 2023	19 May 2023
2015-2016	Final	26 July 2016	25 August 2023	24 September 2023
2016-2017	Final	19 July 2017	18 August 2024	17 September 2024
2017-2018	Final	19 July 2018	18 August 2025	17 September 2025
2018-2019	Final	25 July 2019	24 August 2026	23 September 2026
2019-2020	Interim (Confirmed as Final)	9 March 2020	8 April 2027	8 May 2027
2020-2021	Final	20 July 2021	19 August 2028	18 September 2028

The Company has also hosted the details of unclaimed dividend, unclaimed deposits and unclaimed interest on deposits on its website at <https://www.bajajfinserv.in/finance-investor-relations-unclaimed-dividends> and also on website specified by the Ministry of Corporate Affairs ('MCA') at <http://www.iepf.gov.in/IEPF/services.html>

## Initiatives for reduction of unclaimed dividend

The Company with a view to reduce the quantum of unclaimed dividend has undertaken several steps as was done in the last few years. These primarily included proactively reaching out to shareholders, sending periodic communications and advising the shareholders who approach the Company/KFin for other service request to claim their dividend, if any. The amount is remitted based on the verification of the documents and bonafides of the claim.

As a result, significant amount of unclaimed dividend was remitted to the shareholders. The Company will endeavor to undertake additional initiatives in this regard.

## Transfer of shares to IEPF

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

Various steps are being taken on an ongoing basis to reach out to shareholders, through emails, and other means, whose shares are due to be transferred to IEPF during FY2023 on account of not claiming dividend for a consecutive period of seven years. In addition, the Company also publishes a notice in newspapers intimating the members regarding the said transfer. These details will also be made available on the Company's website at <https://www.bajajfinserv.in/finance-investor-relations-unclaimed-dividends>

During FY2022, the Company transferred 8,790 equity shares (previous year – 30,880 equity shares) of the face value of ₹ 2 in respect of 10 shareholders (previous year – 26 shareholders) to Demat Account of the IEPF Authority held with NSDL. Shareholder can claim such shares and unclaimed dividends transferred to the Fund by following the procedure prescribed under the IEPF Rules. As advised by MCA through their circular dated 19 July 2018, the Company has provided an access link to the refund webpage of IEPF Authority on its website at <https://www.bajajfinserv.in/finance-investor-relations-unclaimed-dividends> so as to facilitate easy refund procedure for its investors/claimants.

Members are requested to get in touch with the nodal officer for further details on the subject at [investor.service@bajajfinserv.in](mailto:investor.service@bajajfinserv.in) / [vijay.r@bajajfinserv.in](mailto:vijay.r@bajajfinserv.in).

## Share transfer system

SEBI has mandated transfer of securities only in dematerialised form with effect from 1 April 2019. Thereafter, SEBI had fixed 31 March 2021 as the cut-off date for re-lodgement of deficient transfer deeds. Accordingly, with effect 1 April 2021, share transfers in physical form are prohibited under any circumstances and the same shall be processed only in dematerialised form.

All transmission, transposition, issue of duplicate share certificate(s), etc., as well as requests for dematerialisation/rematerialisation are processed at KFin. The work related to dematerialisation/rematerialisation is handled by KFin through connectivity with NSDL and CDSL.

## Dematerialisation/Rematerialisation of shares and Liquidity

During FY2022, 105,540 shares were dematerialised (previous year - 75,771 shares). 50 shares were rematerialised during FY2022 (previous year - 5 shares). Shares held in physical and electronic mode as on 31 March 2022 are given in Table 1.

The equity shares of the Company are listed on BSE Ltd. ('BSE') and National Stock Exchange of India Ltd. ('NSE') and are frequently traded. The equity shares of the Company were not suspended from trading during the year on account of corporate actions or otherwise.

**Table 1: Shares held in physical and electronic mode**

Particulars	Position as on 31 March 2022			Position as on 31 March 2021		
	No. of shares	No. of Holders	% of total shareholding	No. of shares	No. of Holders	% of total shareholding
Demat:						
NSDL	587,094,776	291,050	96.97	586,685,768	227,168	97.36
CDSL	17,651,757	470,531	2.92	15,104,601	261,801	2.51
Sub Total	604,746,533	761,581	99.89	601,790,369	488,969	99.87
Physical	682,700	521	0.11	796,970	629	0.13
<b>Total</b>	<b>605,429,233</b>	<b>762,102</b>	<b>100.00</b>	<b>602,587,339</b>	<b>489,598</b>	<b>100.00</b>

## Listing on stock exchanges and Stock code

Name	Stock code for equity shares	Address
BSE	500034	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001
NSE	BAJFINANCE-EQ	Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai 400 051

The ISIN for Depositories (NSDL and CDSL) in respect of equity shares is INE296A01024.

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

Annual listing fees, as prescribed, have been paid to the said stock exchanges up to 31 March 2023.

The Company has also listed a secured Euro Medium Term Note Programme for USD 1.5 billion on Singapore Stock Exchange.

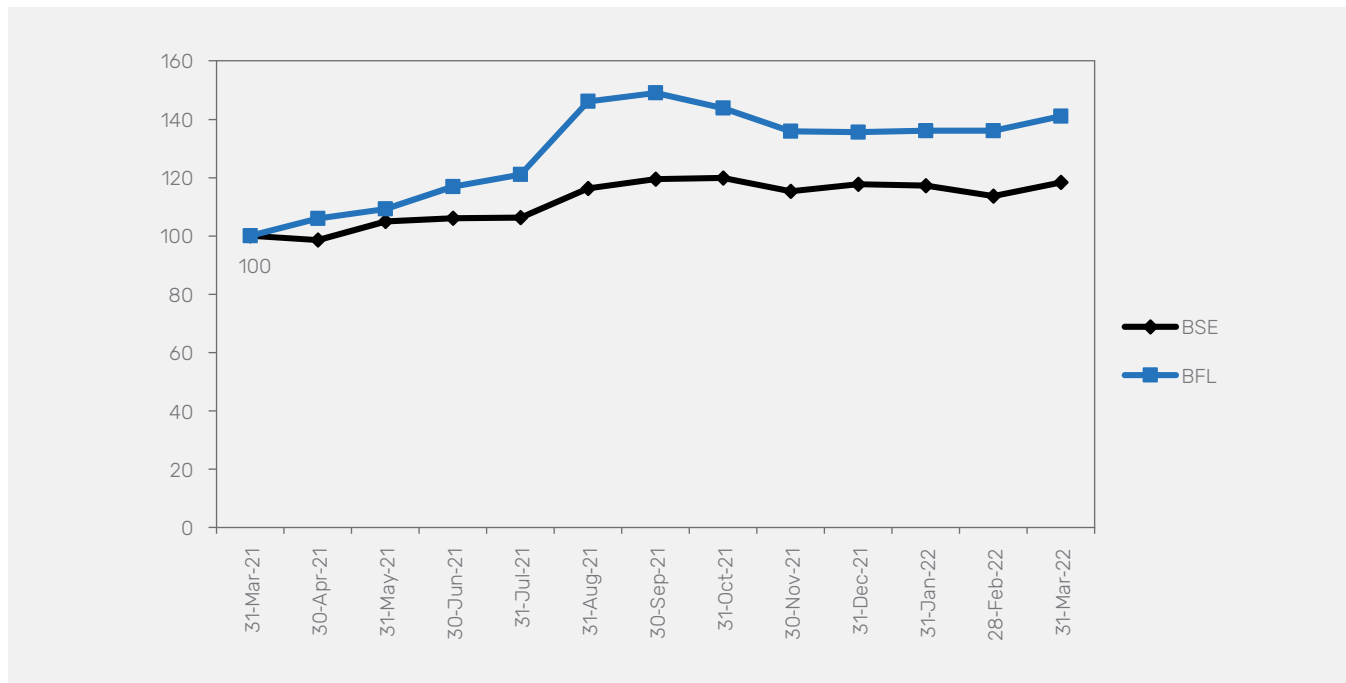
## Market price data

**Table 2: Monthly highs and lows of equity shares of Bajaj Finance Ltd. during FY2022**  
(₹ vis-à-vis BSE Sensex)

Month	BSE		NSE		Closing BSE Sensex
	High	Low	High	Low	
Apr-2021	5,525.00	4,361.60	5,525.00	4,362.00	48,782.36
May-2021	5,793.00	5,267.40	5,794.80	5,267.00	51,937.44
Jun-2021	6,250.20	5,625.00	6,249.00	5,625.40	52,482.71
Jul-2021	6,430.60	5,868.45	6,430.00	5,868.00	52,586.84
Aug-2021	7,592.30	6,060.00	7,598.80	6,057.00	57,552.39
Sep-2021	8,000.00	7,320.05	7,999.00	7,320.75	59,126.36
Oct-2021	8,020.20	7,145.75	8,050.00	7,313.05	59,306.93
Nov-2021	7,754.55	6,678.10	7,754.40	6,678.30	57,064.87
Dec-2021	7,471.80	6,493.65	7,477.00	6,492.60	58,253.82
Jan-2022	8,043.50	6,710.00	8,045.00	6,708.10	58,014.17
Feb-2022	7,298.75	6,591.95	7,287.05	6,592.45	56,247.28
Mar-2022	7,444.00	5,914.05	7,445.00	5,912.90	58,568.51

**Chart: Performance in comparison to BSE Sensex**

**Bajaj Finance Ltd. stock performance Vs BSE Sensex, indexed to 100 on 31 March 2021**



## Distribution of shareholding

Table 3 gives details about the pattern of shareholding across various categories as on 31 March 2022, while Table 4 gives the data according to size classes.

**Table 3: Distribution of shareholding across categories**

Categories	31 March 2022		31 March 2021	
	No. of shares	% to total Capital	No. of shares	% to total Capital
Promoter and Promoter Group	338,216,149	55.86	338,169,045	56.12
Resident Individuals	54,173,763	8.95	50,965,588	8.46
Bodies Corporates/NBFCs	7,185,607	1.18	6,493,106	1.07
Mutual Funds/Financial Institutions/Banks	49,282,327	8.14	38,510,644	6.40
Foreign Institutional Investor/Foreign Portfolio Investor	129,600,616	21.41	145,005,647	24.06
Non-Resident Individuals/Foreign National	4,720,986	0.78	4,757,743	0.79
Alternate Investment Funds	2,768,285	0.46	3,924,471	0.65
Others	19,481,500	3.22	14,761,095	2.45
<b>Total</b>	<b>605,429,233</b>	<b>100.00</b>	<b>602,587,339</b>	<b>100.00</b>

During the year under review, the Company has allotted 2,841,894 equity shares to the Trustees of BFL Employee Welfare Trust as per Company's Stock Option Scheme.

**Table 4: Distribution of shareholding according to size class as on 31 March 2022**

Category	No. of Members	% to total Members	No. of shares held	% to total capital
1-1000	754,497	99.00	24,311,645	4.02
1001-5000	5,302	0.70	10,827,408	1.79
5001-10000	773	0.10	5,525,947	0.91
10001-100000	1,163	0.15	36,316,266	6.00
100001-500000	290	0.04	65,395,132	10.80
500001-1000000	39	0.01	27,198,198	4.49
1000001 and above	38	0.00	435,854,637	71.99
<b>Total</b>	<b>762,102</b>	<b>100.00</b>	<b>605,429,233</b>	<b>100.00</b>

## Credit rating

During FY2022, the Company retained its credit ratings owing to high capital adequacy, strong promoter support, tightened credit acceptance criteria and robust asset liability management. It reaffirms the high reputation and trust the Company has earned for its sound financial management and its ability to meet all its financial obligations. The credit rating as at 31 March 2022 is given below:

### Long-term debt rating

- 'CRISIL AAA/Stable' for its long-term borrowing programme, which comprises of ₹ 56,909.60 crore for the NCD programme, ₹ 3,021.30 crore for the lower tier II bond/subordinate debt programme, ₹ 21,000 crore for its aggregate bank loan rating programme and 'FAAA/Stable' for the fixed deposit programme.



- 'ICRA AAA/(Stable)' for its long-term borrowing programme, which comprises of ₹ 103 crore for the NCD programme and ₹ 999.60 crore for the lower tier II bond/subordinate debt programme and 'MAAA(Stable)' for the fixed deposit programme.
- 'IND AAA/Stable' for its long-term borrowing programme, which comprises of ₹ 18,829.30 crore for the NCD programme, ₹ 2,000 crore for the subordinate debt programme and ₹ 25,000 crore for its bank loan rating programme.
- 'CARE AAA/Stable' for its long-term borrowing programme, which comprises of ₹ 386 crore for the NCD programme, ₹ 3,455 crore for the subordinate debt programme.

### Short-term debt rating

- 'CRISIL A1+' for its short-term debt programme with a programme size of ₹ 35,000 crore.
- 'CRISIL A1+' for its short-term bank loan facilities.
- 'ICRA A1+' for its short-term debt programme with a programme size of ₹ 35,000 crore.
- 'IND A1+' for its short-term bank loan facilities with a programme size of ₹ 5,000 crore.

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

### International rating

S&P Global Ratings have on 30 March 2022, revised the credit rating outlook of the Company to 'Positive' from 'Stable' while reaffirming the Long-Term Rating at 'BB+' and Short-Term Rating at 'B'.

### Shareholders' and Investors' Grievances

The Board of Directors of the Company have constituted a Stakeholders Relationship Committee to specifically look into and resolve grievances of security-holders, viz., shareholders, debenture holders and deposit holders. The Composition of the Committee and details on investor complaints received during the year are given in [Corporate Governance Report](#).

**Update of PAN, KYC and Nomination:** SEBI vide its circular dated 3 November 2021 has, *inter alia*, mandated that any service request shall be entertained only upon registration of PAN, KYC details, and nomination. The forms prescribed for these purposes are given below:

Forms	Purpose
Form ISR-1	Request for registering PAN, KYC details or Changes/Update thereof
Form SH-13	Nomination form
Form ISR-3	Declaration to Opt-out for Nomination
Form SH-14	Change in Nomination

Members may access the above forms from website of the Company at <https://www.bajajfinserv.in/investor-request-forms>

The folios wherein any one of the cited document/details are not updated on or after 1 April 2023 shall be frozen by the RTA. Such members will not be permitted to lodge grievance or avail service request from the RTA, unless the KYC details are updated. Further, such member will not be eligible to receive dividend in physical mode.

The frozen folios will then be referred by RTA/Company to the administering authority under the Benami Transactions (Prohibitions) Act, 1988 and/or Prevention of Money Laundering Act, 2002 after 31 December 2025.

In view of the above, the Company has sent communication to members holding shares in physical form requesting them to update the said details.

**Investor charter:** In order to facilitate investor awareness about various activities where an investor has to deal with RTAs for availing Investor Service Requests, SEBI vide its circular dated 26 November 2021 has developed an Investor Charter for RTAs, *inter alia*, detailing the services provided to Investors, Rights of Investors, various activities of RTAs with timelines, Do's and Don'ts for Investors, etc. In accordance with the said circular, KFin has hosted the Investor Charter on its website and has also displayed the same at prominent places in offices, etc.

Further, the said circular also mandates registered RTAs to disclose on their respective websites, the data on complaints received against them or against issues dealt by them and redressal thereof, latest by 7th of succeeding month, as per the format prescribed thereunder with effect from 1 January 2022. KFin, being registered RTA has confirmed compliances with aforesaid circular, to the extent applicable.

**Investor grievances redressal mechanism:** SEBI vide its circular dated 13 August 2020 has laid down procedure for handling complaints by the stock exchanges as well as the standard operating procedure for actions to be taken against listed companies for failure to redress investor grievances. The Company is in compliance with said circular.

**Issue of shares only in dematerialised form:** As an on-going measure to enhance ease of dealing in securities markets by investors, SEBI vide its circular dated 25 January 2022, has mandated that listed companies shall henceforth issue the securities in dematerialised form only, while processing the service requests such as issue of duplicate share certificates, claim from unclaimed suspense account, endorsement, renewal/exchange of securities certificate, sub-division, splitting of shares certificate, transmission, transposition, consolidation of securities certificate, etc.

For enabling the shareholders to demat their securities, the RTA shall issue a 'Letter of Confirmation' in lieu of physical share certificates to shareholders for enabling them to dematerialise the securities.

## Demat Suspense Account for unclaimed shares

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

Status of Unclaimed Suspense Account as on 31 March 2022 is given below:

Sr. No.	Particulars	No. of holders	No. of shares
1.	At the beginning of FY2022	67	74,260
2.	Transferred to IEPF during FY2022	0	0
3.	Transferred to claimants during FY2022	20	24,080
4.	At the end of FY2022 (4=1-2-3)	47	50,180

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

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

## Live webcast of AGM

Pursuant to regulation 44(6) of the SEBI Listing Regulations, top 100 listed entities shall, with effect from 1 April 2019, provide one-way live webcast of the proceedings of their AGM. Accordingly, the Company has entered into an arrangement with KFin to facilitate live webcast of the proceedings of the ensuing AGM scheduled on 27 July 2022.

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

Pursuant to MCA Circulars, the Company will also provide two-way video conferencing or webex facility to the members for participating in the 35th AGM. The modalities for participation in the AGM are spelt out in Notice convening 35th AGM.

## Outstanding convertible instruments/ADRs/GDRs/Warrants

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

## Commodity price/foreign exchange risk and hedging activities

The Company is exposed to foreign currency exchange rate fluctuation risk for its External Commercial Borrowing ('ECB'). The Company's borrowings in foreign currency are governed by RBI guidelines (RBI master direction RBI/FED/2018-19/67 dated 26 March 2019) which requires entities raising ECB for an average maturity of less than 5 years to hedge minimum 70% of its ECB exposure (principal and coupon).

The Company hedges its entire ECB exposure for the full tenure of the ECB as per Board approved Interest Rate Risk and Currency Risk Hedging Policy.

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

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

## Plant location

Bajaj Finance Ltd. being a non-banking financial company does not have any manufacturing plant.

## Address for correspondence

### Share Transfer Agent

KFin Technologies Ltd.  
Unit: Bajaj Finance Ltd.  
Selenium Building,  
Tower-B, Plot No 31 & 32,  
Financial District, Nanakramguda,  
Serilingampally, Hyderabad,  
Telangana- 500 032

### Contact details:

Toll free no.: 1800 309 4001  
Email ID: [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com)  
Website: [www.kfintech.com](http://www.kfintech.com)

### Company

Corporate Office Extn.  
Secretarial Department  
3rd Floor, Panchshil Tech Park,  
Viman Nagar, Pune-411 014

### Contact details:

Phone No. (020) 7157 6072/6337  
Fax No. (020) 7157 6364  
Email ID: [investor.service@bajajfinserv.in](mailto:investor.service@bajajfinserv.in)  
Website: [www.bajajfinserv.in/corporate-bajaj-finance](http://www.bajajfinserv.in/corporate-bajaj-finance)

Weblinks of few important circulars referred in this report are given below:

<b>Sr. No.</b>	<b>Date of the circular</b>	<b>Particulars</b>
1.	18 October 2021	<a href="#">SEBI   Transmission of Securities to Joint Holder(s)</a>
2.	3 November 2021	<a href="#">SEBI   Common and Simplified Norms for processing investor's service request by RTAs and norms for furnishing PAN, KYC details and Nomination</a>
3.	26 November 2021	<a href="#">SEBI   Publishing Investor Charter and Disclosure of Complaints by Registrar and Share Transfer Agents (RTAs) on their Websites</a>
4.	14 December 2021	<a href="#">SEBI   Clarifications with respect to circular dated November 03, 2021, on 'Common and simplified norms for processing investor's service request by RTAs and norms for furnishing PAN, KYC details and Nomination'</a>
5.	25 January 2022	<a href="#">SEBI   Issuance of Securities in dematerialized form in case of Investor Service Requests</a>

# Give your business the support it deserves

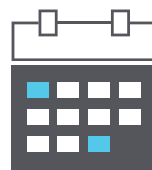
With a Business Loan up to Rs. 45 lakhs



Up to 45%  
lower EMIs\*



Collateral  
free loan



Tenor going up  
to 84 months



Approval  
in 24 hours

\*T&C apply



# DIRECTORS' REPORT

Dear Shareholders,

Your directors present the thirty-fifth Annual Report along with the audited standalone and consolidated financial statements for FY2022.

## Sad demise of Shri Rahul Bajaj, Chairman Emeritus of the Company

At the outset, your directors express their profound grief on sad demise of Shri Rahul Bajaj, the iconic leader of the Company, who passed away on 12 February 2022.

He lived an extraordinary life. He was the architect of one of the most respected business groups in the country, a vocal proponent of entrepreneurship, and a voice of the industry at large.

He stood for what he believed, a man driven by values, bold in both expression and action. While he remained the torchbearer of a family legacy that dates back to the founding days of our country, he championed the creation of a new India.

While his passing away has left a huge void among us, he leaves behind an unparalleled foundation for all of us to build upon.

The Board of Directors ('Board') places on record its whole-hearted appreciation of the invaluable contribution made by him to the spectacular success of the Company and the Group over several decades.

## Financial Results

The highlights of the standalone financial results are given below:

Particulars	(₹ in crore)		
	FY2022	FY2021	% change over FY2021
Total income	27,871	23,546	18
Interest and finance charge	7,573	7,446	2
<b>Net interest income</b>	<b>20,298</b>	<b>16,100</b>	<b>26</b>
Total operating expenses	7,090	5,016	41
<b>Pre-impairment operating profit</b>	<b>13,208</b>	<b>11,084</b>	<b>19</b>
Impairment on financial instruments	4,622	5,721	(19)
<b>Profit before tax</b>	<b>8,586</b>	<b>5,363</b>	<b>60</b>
<b>Profit after tax</b>	<b>6,350</b>	<b>3,956</b>	<b>61</b>
<b>Retained earnings as at the beginning of the year</b>	<b>13,487</b>	<b>10,349</b>	<b>30</b>
Profit after tax	6,350	3,956	61
Other comprehensive income on defined benefit plan	(3)	(26)	(88)
<b>Retained earnings before appropriations</b>	<b>19,834</b>	<b>14,279</b>	<b>39</b>
<b>Appropriations</b>			
Transfer to reserve fund u/s 45-IC(1) of the RBI Act, 1934	(1,271)	(792)	60
Dividend paid	(603)	-	-
Adjustment of dividend to ESOP Trust	1	-	-
<b>Retained earnings as at the end of the year</b>	<b>17,961</b>	<b>13,487</b>	<b>33</b>

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

## Transfer to Reserve Fund

Under section 45-IC(1) of Reserve Bank of India ('RBI') Act, 1934, non-banking financial companies ('NBFCs') are required to transfer a sum not less than 20% of its net profit every year to reserve fund before declaration of any dividend. Accordingly, Bajaj Finance Ltd. (the 'Company', 'Bajaj Finance' or 'BFL') has transferred a sum of ₹ 1,271 crore to its reserve fund.

Pursuant to provisions of Companies Act, 2013 (the 'Act') read with relevant rules thereunder, the Company, being a NBFC, is exempt from transferring any amount to debenture redemption reserve in respect of privately placed debentures including the requirement to invest up to 15% of the amount of debentures maturing during the next financial year. However, the Company maintains sufficient liquidity buffer to fulfill its obligations arising out of debentures. In case of secured debentures, an asset cover of over 100% is maintained at all times.

## Dividend Distribution Policy

Pursuant to the provisions of regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations'), the Company had formulated a dividend distribution policy, which sets out the parameters and circumstances to be considered by the Board in determining the distribution of dividend to its shareholders and/or retaining profit earned. The policy is annexed to this report and is also available on the website of the Company at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/dividend-distribution-policy.pdf?scl=1&fmt=pdf>

## Dividend

RBI vide its circular dated 24 June 2021 have laid down framework for declaration of dividend by NBFCs. Accordingly, the Board of Directors after taking into account various aspects and in compliance with the said circular, recommend for consideration of the members at the ensuing Annual General Meeting ('AGM'), payment of dividend of ₹ 20 per equity shares (1000%) of face value of ₹ 2. The total dividend for FY2022 is ₹ 1,211 crore.

The dividend recommended is in accordance with the principles and criteria set out in the Company's dividend distribution policy. Total dividend proposed for the year does not exceed the ceilings specified in said circular/RBI Master Directions.

The dividend, if declared, at the ensuing AGM will be taxable in the hands of the members of the Company pursuant to Income Tax Act, 1961. For further details on taxability, please refer Notice of AGM.

## The COVID-19 Pandemic

FY2022 was once again dominated by the COVID-19 pandemic as new waves of infection swept across countries. In India, the second wave (called 'Delta') proved far more deadly than the first that struck in 2020.

The advent of the highly transmissible variant 'Omicron' in early January 2022 (the third wave) spread much dread across the world. During this wave, India's daily number of reported cases peaked to nearly 350,000 on 20 January 2022 and the active case load was over 22 million as on 23 January 2022. Fortunately, while highly transmissible, Omicron was not as clinically deadly as Delta. So, while many got infected, almost all got well again within a week or so, without hospitalisation and mortality.

The impact of the second and third wave of the pandemic on the performance of the Company and measures adopted to steer through this continuing crisis have been discussed in detail in [Management Discussion and Analysis](#).

## Working Results of the Company

The pandemic induced disruptions continued in FY2022 as well. The first half of FY2022 witnessed a significant impact of the deadly second (Delta) wave of the pandemic – impacting performance of both

business and debt management services. The third wave (Omicron) strain was more transmissible; however, its impact on BFL's operation was limited.

Drawing from its experience of FY2020 and the fact that the lockdowns were curtailed in FY2022, the Company remained open for business with a nuanced strategy on acquisition and underwriting across all its businesses.

As a result, BFL recorded a 29% growth in assets under management or AUM (core AUM growth is 26%) and 59% growth in profit after tax on a consolidated basis in FY2022 versus 4% growth in AUM and 16% de-growth in profit after tax in FY2021. This was despite continued disruption in business and debt management services in the first half of the year, elevated level of credit cost and higher liquidity buffers. Return on average assets (ROAA) and return on average equity (ROAE) for FY2022 was 4.2% and 17.4% respectively on a consolidated basis.

The Company's business model continues to generate healthy pre-impairment operating profits enabling it to withstand higher credit losses in times of stress such as these. It remains well capitalised with a capital-to-risk weighted asset ratio (CRAR) of 27.22% as on 31 March 2022 – making it among the best capitalised large NBFCs in India.

As a result of its deeply embedded risk culture and robust risk management practices, the Company's portfolio quality as of 31 March 2022 continues to remain strong despite of repeated waves of COVID-19. BFL's consolidated Gross NPA at 1.60% and Net NPA at 0.68% are among the lowest in the industry.

Using its robust risk management and portfolio monitoring framework, BFL took enhanced credit costs based on emerging trends across its different portfolios. It holds a management overlay provision for macroeconomic factors and COVID-19 of ₹ 1,060 crore as on 31 March 2022.

### **The consolidated performance highlights for FY2022 are given below:**

- Number of new loans booked: 24.7 million
- Core AUM grew by 26% to ₹ 192,087 crore
- Total income increased by 19% to ₹ 31,640 crore
- Net interest income (NII) rose by 27% to ₹ 21,892 crore
- Total operating cost to NII stood at 34.6%
- Loan losses and provisions was ₹ 4,803 crore
- Profit before tax (PBT) increased by 59% to ₹ 9,504 crore
- Profit after tax (PAT) increased by 59% to ₹ 7,028 crore
- Capital adequacy ratio as of 31 March 2022 was 27.22%, which is well above the RBI norms. Tier I adequacy ratio was 24.75%

With the experience of managing significant financial and operational disruption emanating from the pandemic, the transformational journey that BFL has embarked upon and the exit momentum of FY2022, the Company remains confident of a sound growth trajectory in FY2023 and thereafter and, hence, remain a leading NBFC in India.

Resilience and agility are deeply embedded in BFL's culture. These cultural anchors have enabled BFL to make swift and calibrated changes to its risk and debt management practices to regain its business momentum while maintaining strong vigil on its portfolio quality and adapting to changing customer preferences of post pandemic world.

For more details on the performance of the Company, business segments and risk management framework and initiatives, please refer [Management Discussion and Analysis](#).

## Operations

BFL is one of the largest and most diversified NBFCs in India. It has worked with approximately 57.6 million customers since it started its transformational journey in FY2008 from a mono-line captive lender to a diversified financial service business. During this period, the Company expanded its presence to 3,504 locations with a distribution network of over 133,200 points of sale and also created a strong presence in the digital space.

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

The Company believes that each customer is a critical asset in its growth journey and their satisfaction is BFL's primary responsibility – which it thrives to achieve through an omnichannel strategy. Business transformation requires significant changes in operating processes and core technology stack of the Company. It focuses on building an 'omnichannel' model to deliver significant business velocity, reduction in operating costs and significant improvement in customer experience. This model with an integrated offering of products and services, will enable BFL to become a 'moment of truth' enterprise for its customers.

Further details regarding the operations, state of affairs and initiatives of the Company are given in the [Management Discussion and Analysis](#).

## Subsidiaries, Associates and Joint Ventures

The Company has two wholly owned subsidiaries, viz.,

- i. Bajaj Housing Finance Ltd. ('BHFL' or 'Bajaj Housing'), which is registered with National Housing Bank as a Housing Finance Company ('HFC'); and
- ii. Bajaj Financial Securities Ltd. ('BFinsec'), which is registered with the Securities and Exchange Board of India ('SEBI') as a stockbroker and depository participant.

During FY2022, no new subsidiary was incorporated/acquired. The Company does not have any associate company, nor has it entered into a joint venture with any other company.

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

The Company's policy for determination of material subsidiary, as adopted by the Board of Directors, in conformity with regulation 16 of the SEBI Listing Regulations, can be accessed on the Company's website at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/policy-for-determining-material-subsidiariespdf?scl=1&fmt=pdf>

In terms of the said policy and provisions of regulation 16 of the SEBI Listing Regulations, BHFL is a material subsidiary of the Company.

Performance highlights of the subsidiaries are given below:

### BHFL

- AUM as at 31 March 2022 was ₹ 53,322 crore as compared to ₹ 38,871 crore as at 31 March 2021, representing a growth of 37%
- Total income increased by 19% to ₹ 3,767 crore
- NII rose by 36% to ₹ 1,612 crore
- Total operating cost to NII stood at 29%

- Impairment on financial instruments was ₹ 181 crore. BHFL holds a management overlay provision of ₹ 211 crore as of 31 March 2022 on account of COVID-19 related stress
- Gross NPA and Net NPA were at 0.31% and 0.14%, respectively, amongst the lowest across all HFCs
- PBT increased by 57% to ₹ 960 crore
- PAT grew by 57% to ₹ 710 crore
- As on 31 March 2022, capital adequacy ratio was 19.71%, which is well above the NHB norms of 15%

During FY2022, the Board has approved a capital infusion up to ₹ 2,500 crore to reduce leverage and fund accelerated growth of BHFL.

As on date of this report, the total investment in BHFL is approximately ₹ 7,528 crore.

### **BFinsec**

- The customer franchise as of 31 March 2022 was over 331,000
- Total Income for FY2022 was ₹ 124 crore
- PAT was ₹ 17 crore

In order to support BFinsec to augment its business growth, facilitate working capital requirements, and building proprietary trading book, the Company infused capital to the tune of ₹ 400 crore.

The total investment in BFinsec as on 31 March 2022 is approximately ₹ 670 crore.

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

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

### **Bajaj Finserv Direct Ltd. ('BFS-Direct')**

BFS-Direct is primarily engaged in business of distribution of financial products through its digital marketplace. BFS-Direct is registered with Insurance Regulatory and Development Authority of India as a composite Corporate Agent for distribution of insurance (life and general) products in India.

During FY2022, the Company along with Bajaj Finserv Ltd., holding company made joint investments in the form of Equity shares and/or Convertible Loan or Security into Equity Shares for an aggregate amount of ₹ 283.16 crore. Out of this, investment in equity share capital of BFS-Direct stands at ₹ 2.69 crore representing 19.90% of its capital.

It may be noted that BFS-Direct is neither a subsidiary nor an associate of the Company.

Details of investment made in BFS-Direct also forms part of the financial statements.

## **Customer Engagement**

The Company is committed to fairness, in both form and spirit, in its conduct with customers. One of the key aims of the Company is to communicate transparently its terms, rights and liabilities to enable them to make prudent financial decision.

In line with the above, the Company strives to create a culture of 'Customer Obsession' and endeavors to provide a frictionless experience across the lifecycle, from pre-disbursal to closure of loan, deposit accepting activities and other value-added services. The Company measures its Net Promoter Score to rate its customer loyalty. This helps the Company to gauge the outcome of its customer engagement efforts.



To strengthen the customer engagement and monitoring process, the Board of Directors have voluntarily constituted a Customer Service Committee, in line with the requirements applicable to Banks. It is headed by an Independent Director. The Committee consists of following Board members:

1. Pramit Jhaveri – Chairman, non-executive, independent
2. Dr. Naushad Forbes – Member, non-executive, independent
3. Sanjiv Bajaj – Member, non-executive, non-independent
4. Rajeev Jain – Member, executive, non-independent

The terms of reference are:

- To oversee and guide implementation of service enhancement initiatives across the Company.
- To review grievance redressal and issues bearing on the quality of services rendered by the Company to its customers, adherence to the Fair Practices Code, review of awards under Ombudsman scheme and implementation of the internal ombudsman policy.

The Committee shall endeavor to meet at least once every six months.

In addition, the Company has in place a Consumer Grievance and Protection Committee consisting of Senior Executives of the Company, *inter alia*, to conduct root cause analysis for complaints and oversee the measures taken for grievance redressal of customers.

The initiatives of the Company towards customer engagement are detailed in the [Management Discussion and Analysis](#).

## Risk Management

During the year under review, a revised Risk Management Policy/framework was adopted by the Board. This framework, *inter alia*, provides for principles of risk management, risk governance, organisation structure, business control measures, principle risks and business continuity plan. The Management identifies and controls risks through a defined framework in terms of the aforesaid policy.

The Company continued to closely monitor new acquisitions and product portfolios to navigate through the second and third waves of COVID-19 during the year and maintain risk metrics at pre-covid levels.

Further, in Q3 FY2022, the Company has changed its NPA classification criteria from number of EMI outstanding to Days Past Due approach in line with the RBI circular dated 12 November 2021 – 'Prudential norms on Income Recognition, Asset classification and provisioning pertaining to advances- Clarification'. This change did not cause any negative impact on the Company's Gross Non-Performing Asset.

The current composition of Risk Management Committee ('RMC') is as follows: Anami N Roy, Chairman of the Committee (Independent Director), Sanjiv Bajaj (non-executive, non-independent director), Pramit Jhaveri (Independent Director), Rajeev Jain (Managing Director), Fakhari Sarjan (Chief Risk Officer), Sandeep Jain (Chief Financial Officer) and Deepak Bagati (President - Debt Management Services). Further details on RMC is furnished in [Corporate Governance Report](#).

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

## Business Continuity and Cyber Security

The Company continues to leverage its technological capabilities and operate in a hybrid model based on business roles and requirements. Multiple facilities like virtual private networks, laptops for employees, higher bandwidth availability and digital collaboration platforms etc. have enabled and facilitated operations in the 'Work-from-Home' protocol where required. The Company continues to offer remote access for identified IT

vendors/partners to enable full resources for user support, data centre support, application maintenance and testing. All key IT systems are compliant to ISO 22301 Business Continuity Standard. Simultaneously, the Company has initiated a phase-wise launch of its 3-in-1 application and continues its journey to become a digital organisation.

The Company operates all its critical internet-facing properties behind a well-known cloud-based web application firewall to safeguard against web application attacks as well as distributed denial of service attacks. Further, regular vulnerability assessment and penetration testing, review of segregation of duties, other audit and compliance testing(s) have ensured that the Company's information assets are safe and secure.

As a part of the brand protection efforts and to safeguard customer's interest, the Company constantly monitors and, where needed, removes inappropriate/misleading social media pages. An awareness programme is conducted for all employees using the digital channel regarding cyber security. Public awareness campaign '*Savdhan Rahein. Safe Rahein*' was launched across digital and social media platforms to educate customers and the public at large on financial fraud risks and how to stay protected. Employees of the Company are required to undergo a mandatory online learning module on information security and affirm that they have understood these and are aware of the protocols to be followed. Regular information security related mailers are sent to all employees for awareness and training purpose.

The Company will continue its focus on security monitoring and incident response through its security operations center.

A detailed discussion on information systems, cyber security and information technology is covered under [Management Discussion and Analysis](#).

## Directors and Key Managerial Personnel ('KMP')

### A. Change in Directorate

i. Resignation:

Dr. Omkar Goswami with effect from 9 July 2021, and Ranjan Sanghi and Dr. Gita Piramal with effect from close of business hours on 30 April 2022 resigned as non-executive independent director of the Company. The Board places on record its sincere appreciation for the valuable contribution made by them during their tenure on the Board.

ii. Appointment:

- On recommendation of Nomination and Remuneration Committee ('NRC'), the Board has appointed Prमित Jhaveri as an independent director of the Company for a period of five consecutive years effective 1 August 2021. Further, shareholders have approved his appointment through a postal ballot on 17 November 2021.

The Board is of the opinion that Prमित Jhaveri is a person of integrity, expertise, and has competent experience to serve the Company as an independent director.

Prमित Jhaveri served as CEO of Citibank N.A. for over a decade. However, this position not being one of the categories exempting such persons from appearing in proficiency test as per Companies (Appointment and Qualifications of Directors) Rules, 2014, as amended, he will undertake the test within the prescribed time limit.

- The Board, at its meeting held on 26 April 2022, based on the recommendation of NRC, appointed Radhika Haribhakti as an additional director and independent director for a period of five consecutive years with effect from 1 May 2022.

The Board is of the opinion that Radhika Haribhakti is a person of integrity, expertise, and has relevant experience to serve the Company as an independent director.

Radhika Haribhakti is exempted from requirements of clearing the online proficiency test pursuant to rule 6(4) of Companies (Appointment and Qualifications of Directors) Rules, 2014, as amended. However, she has on a voluntary basis appeared and cleared the proficiency test.

iii. Retirement:

Dipak Poddar ceased to be a Director of the Company from the close of business hours on 31 March 2022, upon completion of his second term as an independent director.

The Board places on record its sincere appreciation for the valuable service and contribution made by him during his long association with the Company.

## B. Directors liable to retire by rotation

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

## C. KMPs

There was no change in the KMPs of the Company during FY2022.

## Declaration by Independent Directors

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

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

## Policy on Directors' Appointment and Remuneration

On recommendation of the NRC, the Board has framed a Remuneration Policy. This policy, *inter alia*, provides

- (a) The criteria for determining qualifications, positive attributes and independence of directors; and
- (b) Policy on remuneration of directors, key managerial personnel and other employees.

The policy is directed towards a compensation philosophy and structure that will reward and retain talent; and provides for a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

The Remuneration Policy is available on the Company's website and can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/remuneration-policy.pdf?scl=1&fmt=pdf>

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

## Compliance with Code of Conduct

All Board members and senior management personnel have affirmed compliance with the Company's Code of Conduct for FY2022.

A declaration to this effect signed by the Managing Director is included in this Annual Report.

## Annual Return

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

## Number of Meetings of the Board

Six (6) meetings of the Board were held during FY2022. Details of the meetings and attendance thereat forms part of the [Corporate Governance Report](#).

## Directors' Responsibility Statement

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

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

- i. in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for FY2022;
- iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis;
- v. they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- vi. they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and are operating effectively.

## Audit Committee

During the year under review, consequent to resignation of Dr. Omkar Goswami, the Audit Committee was re-constituted to induct Anami N Roy as member and Chairman in his place. Further, Pramit Jhaveri was inducted as member of the Committee effective 1 August 2021.

The present composition of the Committee is Anami N Roy as Chairman and Sanjiv Bajaj, Dr. Naushad Forbes and Pramit Jhaveri as other members.

During FY2022, all recommendations of the Audit Committee were accepted by the Board.

The brief terms of reference and attendance record of members are given in the [Corporate Governance Report](#).

## Particulars of Loans, Guarantees and Investments

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

In addition to investment in subsidiaries and group companies which is covered above, details of major investments in other companies are under:

### 1. One MobiKwik Systems Ltd. ('MobiKwik'):

Pursuant to a commercial agreement with MobiKwik, the Company was allotted 15,389 compulsorily convertible cumulative preference shares, in tranches, against receivables aggregating approximately to ₹ 15.67 crore. Total investment in MobiKwik as on 31 March 2022 is approximately ₹ 296.89 crore.

Further, MobiKwik sub-divided equity shares of face value of ₹ 10 to face value of ₹ 2 and issued bonus shares in the ratio of 1:3.

The total equity shares held by the Company in MobiKwik is 7,979,440 equity shares (post giving effect to sub-division and bonus) representing 13.95% of its capital on a fully diluted basis.

During FY2022, MobiKwik has received in-principle approval from SEBI in respect of an Initial Public Offer (IPO). The IPO size is ₹ 1,900 crore, out of which the Offer for Sale (OFS) pool is approximately ₹ 400 crore. The Company has expressed its intention to participate in the OFS to the extent permissible under SEBI Regulations.

### 2. RBL Bank Ltd.:

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

## Employee Stock Options ('ESOP')

The Company offers stock options to select employees to foster a spirit of ownership and an entrepreneurial mindset. Because of their nature, stock options help to build a holistic, long-term view of the business and a sustainability focus in the senior management team. Stock options are granted to tenured employees in managerial and leadership positions upon achieving defined thresholds of performance and leadership behaviour. This has contributed to the active involvement of the leadership and senior team who are motivated to ensure long-term success of the Company. Grant of stock options also allow the Company to be conservative in awarding fixed pay, balance short-term incentives with risk considerations and build the focus on consistent long-term results.

During FY2022, number of options that could be granted under the scheme was enhanced by 10,000,000 stock options convertible into 10,000,000 equity shares of the face value of ₹ 2 fully paid-up. Total option that could be granted under the scheme stands revised from 25,071,160 options (adjusted for sub-division and bonus) to 35,071,160 options. The treatment of unvested and vested options at the time of retirement has also been amended during the year under review.

A statement giving complete details, as at 31 March 2022, under regulation 14 of the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, is available on the website of the Company and can be accessed at <https://www.bajajfinserv.in/finance-investor-relation-annual-reports>

The Employee Stock Option Scheme, 2009 adopted by the Company is in line compliance with provisions of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.



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

The Company has not issued any sweat equity shares or equity shares with differential voting rights during FY2022.

## Share Capital

During FY2022, 2,841,894, equity shares, at applicable grant prices, were allotted to BFL Employee Welfare Trust under the BFL Employee Stock Options Scheme, 2009.

As on 31 March 2022, the paid-up share capital of the Company stood at ₹ 121.09 crore consisting of 605,429,233 equity shares of face value of ₹ 2 fully paid-up.

## Related Party Transactions

All contracts/arrangement/transactions entered by the Company during FY2022 with related parties were in compliance with the applicable provisions of the Act and SEBI Listing Regulations. Prior omnibus approval of the Audit Committee is obtained for all related party transactions which are foreseen and of repetitive nature. Pursuant to the said omnibus approval, details of transaction entered into is also reviewed by the Audit Committee on a quarterly basis.

All related party transactions entered during FY2022 were on arm's length basis and not material under the Act and SEBI Listing Regulations. None of the transactions required members' prior approval under the Act or SEBI Listing Regulations.

Details of transactions with related parties during FY2022 are provided in the notes to the financial statements. There were no transaction requiring disclosure under section 134(3)(h) of the Act. Hence, the prescribed Form AOC-2 does not form a part of this report.

The policy on materiality of related party transactions and on dealing with related party transactions was amended in line with SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021. The policy is available on the website of the Company at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/policy-of-materiality-and-dealing-with-related-party-transactionpdf?scl=1&fmt=pdf> and also forms a part of the [Corporate Governance Report](#).

## Material Changes and Commitments

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

## Conservation of Energy

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

## Technology Absorption

The details pertaining to technology absorption have been explained in the [Management Discussion and Analysis](#).

Considering the nature of services and businesses, no specific amount of expenditure is earmarked for Research and Development. However, the Company on an ongoing basis strives for various improvements in the products, platforms and processes.

## Foreign Exchange Earnings and Outgo

During FY2022, the Company did not have any foreign exchange earnings and the foreign exchange outgo in terms of actual outflow amounted to ₹ 177.04 crore.

## Corporate Social Responsibility ('CSR')

The CSR Committee comprises of three directors viz., Dr. Naushad Forbes, Sanjiv Bajaj and Rajeev Jain. The Board at its meeting held on 26 October 2021 has appointed Dr. Naushad Forbes as Chairman of the Committee with effect from 27 October 2021.

The CSR obligation of the Company for FY2022 is ₹ 120.89 crore (after adjustment). As on 31 March 2022, total amount spent on CSR activities by Company is ₹ 60.01 crore.

As per section 135 of the Act read with Companies (Corporate Social Responsibility) Rules, 2014, as amended, the Company is required to transfer any unspent amount, pursuant to any ongoing project undertaken by the Company in pursuance of its Corporate Social Responsibility Policy, within a period of thirty days from the end of the financial year to a special account opened by the Company in that behalf for that financial year in any scheduled bank called Unspent Corporate Social Responsibility Account.

Some part of the mandatory obligations for FY2022 remained unspent as the funding for ongoing projects were delayed/reduced on account of COVID-19 pandemic and lockdowns. Besides, few pertaining to COVID relief did not require anticipated funds as the third wave was not as severe as estimated, thereby requiring it to be transferred to an Unspent Corporate Social Responsibility Account. Accordingly, the Company has opened necessary bank account to transfer unspent amount of ₹ 60.88 crore.

Detailed information on CSR Policy, its salient features, CSR initiatives undertaken during the year, details pertaining to spent and unspent amount forms part of [Annual Report on CSR activities](#).

The CSR policy has been hosted on the website of the Company and can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/corporate-social-responsibilitypdf?scl=1&fmt=pdf>

Further, Chief Financial Officer has certified that the funds disbursed have been utilised for the purpose and in the manner approved by the Board for FY2022.

## Formal Annual Evaluation

Pursuant to section 178 of the Act, the NRC and the Board has decided that the evaluation shall be carried out by the Board only and the NRC will only review its implementation and compliance.

Further, as per Schedule IV of the Act and provisions of SEBI Listing Regulations, the performance evaluation of independent directors shall be done by the entire Board excluding the directors being evaluated, on the basis of performance and fulfillment of criteria of independence and their independence from Management. On the basis of the report of the performance evaluation, it shall be determined whether to extend or continue the term of appointment of independent director.

Accordingly, the Board has carried out an annual performance evaluation of its own performance, that of its Committees, Chairperson and individual directors.

The manner in which formal annual evaluation of performance was carried out by the Board for the year 2021-22 is given below:

- The NRC at its meeting held on 19 May 2020, reviewed the criteria for performance evaluation. The criteria is available on the website of the Company at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/performance-evaluation-criteria-for-board-committees-of-board-chairperson-and-directorspdf?scl=1&fmt=pdf>

- Based on the said criteria, a questionnaire-cum-rating sheet was deployed using an IT platform for seeking feedback of the directors with regards to the performance of the Board, its Committees, the Chairperson and individual directors.
- From the individual ratings received from the directors, a report on summary of ratings in respect of performance evaluation of the Board, its Committees, Chairperson and individual directors for the year 2021-22 and a consolidated report thereof were arrived at.
- The report of performance evaluation so arrived at was then discussed and noted by the Board at its meeting held on 14 March 2022.
- The NRC reviewed the implementation and compliance of the performance evaluation at its meeting held on 14 March 2022.
- Based on the report and evaluation, the Board and NRC at their respective meetings held on 14 March 2022, determined that the appointment of all independent directors may continue.
- Details on the evaluation of Board, non-independent directors and Chairperson of the Company as carried out by the independent directors at their separate meeting held on 14 March 2022 have been furnished in a separate paragraph elsewhere in this report.
- During FY2022, the criteria and process followed by the Company was reviewed by the NRC, which opined these to be satisfactory.

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

## Significant and Material Orders

During FY2022, there were no significant or material orders passed by any regulator or court or tribunal impacting the going concern status and Company's operations in future.

## Internal Financial Controls

Internal Financial Controls laid down by the Company is a systematic set of controls and procedures to ensure orderly and efficient conduct of its business including adherence to the Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial information. Internal financial controls not only require the system to be designed effectively but also to be tested for operating effectiveness periodically.

The Board is of the opinion that internal financial controls with reference to the financial statements were tested and reported adequate and operating effectively. The internal financial controls are commensurate with the size, scale and complexity of operations.

## Deposits

The Company accepts deposits from retail and corporate clients. As on 31 March 2022, it had a standalone deposit book of ₹ 30,289.52 crore, delivering an annual growth of 17.39% in FY2022. Deposits contributed to 24.62% of BFL's standalone borrowings versus 25.84% as at the end of FY2021.

The consolidated deposits book as on 31 March 2022 stood at ₹ 30,800 crore, delivering an annual growth of 19% in FY2022. Deposit contributed to 19% of its consolidated borrowings as on versus 20% at the end of FY2021.

During FY2022, the Company accepted public deposits of ₹ 9,264.53 crore. Public deposits outstanding as at the end of the year aggregated to ₹ 21,184.07 crore.

Pursuant to provisions of the RBI Act, 1934, the Company has created a charge on statutory liquid assets amounting to ₹ 3,910.12 crore in favour of the trustee for Fixed Deposit ('FD') holders.

During FY2022, the Company accepted corporate deposits (CDs) of ₹ 17,383.16 crore. CDs outstanding as on 31 March 2022 were ₹ 4,253.48 crore.

During FY2022, the Company accepted other deposits of ₹ 4,094.15 crore. Other deposit outstanding as on 31 March 2022 were ₹ 4,851.58 crore.

During FY2022, there was no default in repayment of deposits or payment of interest thereon.

With a view to reduce unclaimed amount of fixed deposits, the Company adopted the following process:

- Wherever payment of deposit amount and interest thereon is rejected by bank of the deposit holder, Customer Service Team calls the depositor to inform about rejection reason and advise them the process for change of linked bank account;
- In addition, SMS/Email/Physical letter are also sent to depositors to inform them of rejection reason(s) and advise them to initiate appropriate action for change of bank details;
- Account payee cheque in the name of the customer for unclaimed amount is dispatched at customer's communication address (excluding deceased cases, where settlement is to be done as per nomination/survivorship clause);
- In case of death of depositors, claim settlement process is advised to joint depositors/nominee/legal heir, as the case may be;
- Wherever the residential status of the depositors has changed from Resident to Non-Resident, they are advised to submit updated FATCA/CRS declaration and to get their bank details updated; and
- Assistance of Risk Containment Unit is sought to seek whereabouts of the customer, wherever latter remains untraceable.

As on 31 March 2022, there were 23 FDs amounting to ₹ 33.96 lakh which had matured and remained unclaimed and interest on matured deposits amounting to ₹ 1.89 lakh and interest on active deposits amounting to ₹ 2.94 lakh had also remained unclaimed.

## Borrowings

During FY2022, the Company has increased the borrowing limit from ₹ 160,000 crore to ₹ 225,000 crore vide special resolution passed by the members on 2 March 2022.

The total borrowing as on 31 March 2022 is ₹ 123,040.25 crore. The breakup of the same is as under:

Particulars	Deposits	Bank Loans (TL/CC/OD/ WCDL)	Non- Convertible Securities	Subordinate Debt	Short-term Borrowings	External Commercial Borrowing
Amount (₹ in crore)	30,289.52	22,348.78	52,608.53	3,845.77	8,425.21	5,522.44
% to total borrowing	25%	18%	43%	3%	7%	4%

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

## Credit Rating

S&P Global Ratings have revised the credit rating outlook of the Company to 'Positive' from 'Stable' while reaffirming the Long-Term Rating at 'BB+' and Short-Term Rating at 'B' on 30 March 2022 on the ground of Company's continued sound financial performance.

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

## Whistle Blower Policy/Vigil Mechanism

The Company has a Whistle Blower Policy encompassing vigil mechanism pursuant to the requirements of the section 177(9) of the Act and regulation 22 of the SEBI Listing Regulations. The whistle blower framework has been introduced with an aim to provide employees, directors and value chain partners with a safe and confidential channel to share their inputs about such aspects which are adversely impacting their work environment. The policy/vigil mechanism has been revised recently and enables directors, employees and value chain partners to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy and leak or suspected leak of unpublished price sensitive information.

The concerns may be reported anonymously either through email or through a 'Confidential Feedback Mechanism', which is reviewed by a Whistle Blower Committee comprising senior management representatives from within and outside the organisation. The Audit Committee reviews the functioning of the vigil mechanism/Whistle Blower Policy once a year.

The Whistle Blower Policy is uploaded on the website of the Company and can be accessed at <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/whistle-blower-policy-v2pdf?scl=1&fmt=pdf>

More details are given in [Corporate Governance Report](#).

## Independent Directors' Meeting

Pursuant to the Act and SEBI Listing Regulations, the independent directors must hold at least one meeting in a financial year without attendance of non-independent directors and members of the Management. Accordingly, independent directors of the Company met on 14 March 2022 and:

- noted the report of performance evaluation from the Chairman of the Board for the year 2021-22;
- reviewed the performance of non-independent directors and the Board as a whole;
- reviewed the performance of the Chairman of the Board, taking into account the views of executive directors and non-executive directors; and
- assessed the quality, quantity and timeliness of flow of information between the Company's Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

The independent directors present elected Dr. Naushad Forbes as Chairman for the meeting. All independent directors were present at the meeting, except Dr. Gita Piramal to whom the leave of absence was granted.

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

## RBI Guidelines

The Company continues to fulfil all the norms and standards laid down by RBI pertaining to non-performing assets, capital adequacy, statutory liquidity assets, etc. As against the RBI norm of 15%, the capital to risk-weighted assets ratio of the Company was 27.22% as on 31 March 2022. In line with the RBI guidelines for asset liability management (ALM) system for NBFCs, the Company has an asset liability committee, which meets monthly to review its ALM risks and opportunities. Further, BFL exceeds the regulatory requirement of liquidity coverage ratio (LCR) introduced by the RBI in FY2020. As against the LCR requirement of 60%, BFL's LCR as on 31 March 2022 was 134%.

The Company continues to be in compliance with the Master Direction for Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.



## Corporate Governance

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

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

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

## Business Responsibility and Sustainability Report ('BRSR')

Pursuant to amendment in SEBI Listing Regulations, top 1,000 listed entities based on market capitalisation are required to submit a BRSR with effect from the FY2023. However, these top 1,000 listed entities may voluntarily adopt to submit the BRSR for FY2022 in place of Business Responsibility Report.

Accordingly, the Company has adopted a Policy on BRSR and other ESG initiatives. A detailed BRSR in the format prescribed by SEBI describing various initiatives, actions and process of the Company towards the ESG endeavor has been hosted on Company's website and can be accessed at <https://www.bajajfinserv.in/finance-investor-relation-annual-reports>

## Secretarial Standards of ICSI

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

## Internal Audit

The internal audit function provides an independent view to the Board of Directors, the Audit Committee and the Senior Management on the quality and efficacy of the internal controls, governance systems and processes. In line with the RBI's guidelines on Risk Based Internal Audit, the Company has adopted a Risk Based Internal audit policy.

At the beginning of each financial year, an audit plan is rolled out after approval of the Audit Committee. Pursuant to Risk Based Internal Audit Framework, internal audit is aligned in such a manner that assurance is provided to the Audit Committee and Board of Directors on quality and effectiveness of the internal controls, and governance related systems and processes.

The Audit Committee regularly reviews the internal audit reports and the adequacy and effectiveness of internal controls. Significant audit observations, corrective and preventive actions thereon are presented to the Audit Committee on a quarterly basis.

## Statutory Auditors

Reserve Bank of India, through its circular dated 27 April 2021, issued Guidelines for Appointment of Statutory Auditors (the 'Guidelines'/circular), mandating NBFCs (including HFCs) with an asset size of ₹ 15,000 crore and above to appoint minimum two audit firms as joint auditors for a continuous period of three years. Further, the Guidelines also specifies that an auditor who has completed a period of three years (counted as one tenure) as on the date of the circular shall not be eligible for re-appointment in the same entity for six years (two tenures) after completion of one tenure of three years. Subsequently, the RBI had also released Frequently Asked Questions (FAQs) dated 11 June 2021, *inter alia*, clarifying that the existing statutory auditors who have completed three years with an entity would not be able to continue as auditors with effect from second half of FY2022, even though they may not have completed their present tenure as approved by the Members of the said entity.

In terms of section 139 of the Act, S R B C & CO LLP, Chartered Accountants, (Firm Registration No. 324982E/E300003) ('SRBC') were appointed as Statutory Auditors of the Company for a period of five consecutive years to hold office from the conclusion of the 30th AGM of the Company till the conclusion of the 35th AGM.

Given the RBI guidelines stated above, SRBC being ineligible to continue as Statutory Auditors of the Company for FY2022, and had, therefore, tendered their resignation effective from 13 November 2021.

In line with the RBI requirements, the Board of Directors, based on the recommendation of the Audit Committee, at their meeting held on 16 September 2021, have proposed the appointment of Deloitte Haskins & Sells, Chartered Accountants, (Firm Registration No. 302009E) ('Deloitte') and G. M. Kapadia & Co., Chartered Accountants, (Firm Registration No.104767W) ('G. M. Kapadia') as Joint Statutory Auditors for a period of 3 years to conduct audit of the financial statements of the Company for the financial years 2022, 2023 and 2024.

Pursuant to the provisions of section 139(8) of the Act, members of the Company have approved appointment of Deloitte and G. M. Kapadia as Joint Statutory Auditors effective 17 November 2021 till conclusion of 35th AGM. In the ensuing AGM, approval of the members is being sought for their appointment as Joint Statutory Auditor for remaining two terms from the conclusion of the 35th AGM till the conclusion of the 37th AGM for the financial year ending 31 March 2023 and 31 March 2024 respectively.

The audit report given by Deloitte and G.M. Kapadia, Joint Statutory Auditors for FY2022 is unmodified, i.e., it does not contain any qualification, reservation or adverse remark or disclaimer.

In terms of the RBI Master Directions – Non-Banking Financial Companies Auditors' Report (Reserve Bank) Directions, 2016, the previous auditors have also submitted an additional report dated 17 July 2021, for FY2021 which has been filed with RBI. There were no comments or adverse remarks in the said report as well.

## Secretarial Auditor

Pursuant to the provisions of section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board has appointed Shyamprasad D. Limaye, Practicing Company Secretary (FCS No. 1587, CP No. 572), to undertake secretarial audit of the Company.

A report from the secretarial auditor in the prescribed Form MR-3 is annexed to this Report.

As per regulation 24A(1) of SEBI Listing Regulations, a listed company is required to annex a secretarial audit report of its material unlisted subsidiary to its Annual Report. The secretarial audit report of BHFL, a material subsidiary (a high value debt listed company) for FY2022 is annexed herewith.

In addition, secretarial audit report pursuant to section 204 of the Act for BFinsec, a non-material subsidiary is also annexed herewith.

Pursuant to regulation 24A(2) of SEBI Listing Regulations, a report on secretarial compliance for FY2022 has been issued by Shyamprasad D. Limaye and the same will be submitted with the stock exchanges within the given timeframe. The report will be made available on the website of the Company.

There are no observations, reservations or qualifications or adverse remark in any of the aforesaid reports.

## Other Statutory Disclosures

- The financial statements of the Company and its subsidiaries are placed on the Company's website at <https://www.bajajfinserv.in/finance-investor-relation-annual-reports>
- Details required under the provisions of section 197(12) of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, containing, *inter alia*, the ratio of remuneration of directors to median remuneration of employees, percentage increase in the median remuneration, are annexed to this Report.
- Details of top ten employees in terms of the remuneration and employees in receipt of remuneration as prescribed under rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended, containing details prescribed under rule 5(3) of the said rules, which form part of the Directors' Report, will be made available to any member on request, as per provisions of section 136(1) of the Act.
- The Company being an NBFC, the provisions relating to Chapter V of the Act, i.e., acceptance of deposit, are not applicable. Disclosures as per NBFC regulations have been made in this Annual Report.
- The auditors, i.e., statutory auditors and secretarial auditors have not reported any matter under section 143(12) of the Act, and therefore, no details are required to be disclosed under section 134(3)(ca) of the Act.
- The provision of section 148 of the Act relating to maintenance of cost records and cost audit are not applicable to the Company.
- The Company has a policy on prevention of sexual harassment at the workplace. The Company has complied with the provisions relating to the constitution of Internal Complaints Committee under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The number of complaints received, disposed off and pending during FY2022 is given in the [Corporate Governance Report](#).
- There is no change in the nature of business of the Company during FY2022.
- The securities of the Company were not suspended from trading during the year on account of corporate actions or otherwise.
- The Company has not defaulted in repayment of loans from banks and financial institutions. There were no delays or defaults in payment of interest/principle of any of its debt securities.
- During FY2022, the Company has issued non-convertible debenture to the tune of ₹ 16,650 crore and redeemed non-convertible debentures and subordinate debt to the tune of ₹ 2,182 crore and ₹ 50 crore respectively.
- The Managing Director, as per the terms of his appointment, does not draw any commission or remuneration from subsidiary company. Hence, no disclosure as required under section 197(14) of the Act has been made.
- As on 31 March 2022, there is no amount remaining unclaimed in respect of non-convertible debentures.
- Neither any application was made, nor any proceeding is pending under the Insolvency and Bankruptcy Code, 2016 against the Company.
- During FY2022, there was no instance of one-time settlement with Banks or Financial Institutions. Therefore, as per rule 5(xii) of Companies (Accounts) Rules, 2014, reasons of difference in the valuation at the time of one-time settlement and valuation done while taking loan from the Banks or Financial Institutions are not reported.
- Disclosures pursuant to RBI Master Directions, unless provided in the Directors' Report, form part of the notes to the standalone financial statements.

## Acknowledgement

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

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

On behalf of the Board of Directors



Sanjiv Bajaj  
Chairman

Pune: 26 April 2022

## Dividend Distribution Policy

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

- The financial strategy of the Company, which encompasses the dividend policy, is primarily aimed at enhancement of long-term shareholder value and sustainable growth, in a way that the shareholders can participate equitably in the Company's growth, while maintaining a strong financial foundation for the Company.
- The dividend distribution will be subject to internal & external factors, such as, general economic & market conditions, funding requirements for expansion, diversification, growth, new projects, brand/business acquisitions, long-term strategic plans, joint-venture plans, fresh investments in subsidiaries/associates, absorbing unfavourable market conditions, meeting unforeseen contingencies and other circumstances, which in the opinion of the Board, require retention of profits.
- The Board shall endeavour that the Dividend amount in every financial year will be stable and steady. Subject to profits and other financial parameters as per applicable legal provisions, the Board will endeavor to maintain a dividend payout (including dividend distribution tax, if any) in the range of 15% to 25% of profit after tax on standalone basis, subject to the applicable regulations and to the extent possible.
- Final dividend will be recommended by the Board for approval of the shareholders in a general meeting, while interim dividend, if any, may be declared by the Board. The company currently has only one class of shares, i.e. equity shares.

This Policy is subject to review from time to time.

Pune: 15 March 2021

Chairman

## Remuneration details under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended for the financial year ended 31 March 2022

Name of Director/ Key Managerial Personnel	Ratio of remuneration of director to median remuneration of employees	% increase in remuneration in FY2022
<b>A. Whole-time director</b>		
Rajeev Jain – Managing Director	246.72	18.00
<b>B. Non- executive directors</b>		
Sanjiv Bajaj – Chairman	10.57	68.06
Late Rahul Bajaj*	4.19	Not Comparable
Madhur Bajaj	2.53	20.83
Rajiv Bajaj	2.10	0.00
Dipak Poddar <sup>§</sup>	5.07	45.00
Ranjan Sanghi	5.42	10.71
D J Balaji Rao	2.53	20.83
Dr. Omkar Goswami <sup>#</sup>	9.26	Not Comparable
Dr. Gita Piramal	2.53	3.57
Dr. Naushad Forbes	5.94	70.00
Anami N Roy	8.56	206.25
Pramit Jhaveri <sup>§</sup>	5.07	Not Comparable
<b>C. Key Managerial Personnel</b>		
Rajeev Jain, Managing Director		18.00
Sandeep Jain, Chief Financial Officer		15.00
R. Vijay, Company Secretary		15.00
<b>D. % increase in median remuneration of employees other than managing director</b>		27.23
<b>E. Number of permanent employees on the rolls of the Company as on 31 March 2022:</b>		31,542

\* Resigned as director of the Company w.e.f. close of business hours on 30 April 2021

# Ceased to be a director consequent to his resignation effective 9 July 2021

§ Appointed as an independent director w.e.f. 1 August 2021

& Ceased to be a director on account of completion of his tenure as independent director effective 31 March 2022 (close of business hours)

### Notes:

- Remuneration payable to non-executive directors/independent directors is based on the number of meetings of the Board and/or Committees attended by them during the year. The amount of Commission payable to non-executive directors is fixed at ₹ 250,000/- per meeting effective 1 June 2021 (previously ₹ 200,000/- per meeting).
- Remuneration to directors does not include sitting fee paid to them for attending Board and/or Committee meetings.
- There has been no change in the payment criteria for remuneration to non-executive/independent directors. The variation reflected in the column '% increase in remuneration in FY2022' is either due to attendance and change in the committee composition, if any.

### Notes on Disclosures under Rule 5

1. Average percentage increase in salary of employees other than Managing Director is 10.40%.
2. Percentage increase in remuneration of Managing Director is mainly on account of payment of bonus for entire period of 12 months as compared to 6 months in the preceding year.
3. The remuneration paid as above was as per the Remuneration Policy of the Company.
4. The increase in the remuneration of KMPs is primarily on account of performance bonus of FY2021 paid in FY2022.



## Annual Report on CSR activities for the financial year ended 31 March 2022

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

#### Introduction

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

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

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

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

#### Guiding principles

The Company believes that social investments should:

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

#### Brief Contents of CSR Policy

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

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

- Philosophy, Approach and Direction;
- Guiding Principles for selection, implementation and monitoring of activities; and
- Guiding Principles for formulation of Annual Action Plan.

## 2. Composition of CSR Committee

Sr. No.	Name of Director	Designation	Number of meetings held during FY2022 (3)	
			Entitled to attend <sup>§</sup>	Attended
1.	Late Rahul Bajaj <sup>^</sup>	Chairman	1	0
2.	Dr. Naushad Forbes*	Chairman	3	2
3.	Sanjiv Bajaj <sup>#</sup>	Member	3	3
4.	Rajeev Jain <sup>@</sup>	Member	2	1

### Notes:

<sup>^</sup> Late Rahul Bajaj was member and Chairman of the Committee up to 30 April 2021.

<sup>\*</sup> Dr. Naushad Forbes, Member of the Committee was appointed as a Chairman of the Committee w.e.f. 27 October 2021.

<sup>#</sup> Sanjiv Bajaj was appointed as a Chairman of the Committee w.e.f. 1 May 2021. However, he relinquished his position as a Chairman of the Committee w.e.f. 26 October 2021. He continues to be member of the Committee.

<sup>@</sup> Rajeev Jain was inducted as member w.e.f. 1 May 2021.

<sup>§</sup> During the year, two circular resolutions were passed with requisite majority.

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

#### Composition of CSR Committee

: <https://www.bajajfinserv.in/finance-investor-relations-composition-of-the-committee>

#### CSR Policy

: <https://cms-assets.bajajfinserv.in/is/content/bajajfinance/corporate-social-responsibilitypdf?scl=1&fmt=pdf>

#### CSR projects approved by the Board

: <https://www.bajajfinserv.in/shareholders-information-listing-on-stock-exchange>

### 4. Details of Impact assessment of CSR projects carried out

in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report)

: Not applicable

### 5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any

(₹ in crore)

Sr. No.	Financial Year	Amount available for set-off from preceding financial years	Amount required to be set-off for the financial year, if any
1	2020-21	0.52	0.52
<b>TOTAL</b>		<b>0.52</b>	<b>0.52</b>

6. Average net profit of the Company as per section 135(5) : ₹ 6,070.29 crore
7. (a) Two percent of average net profit of the Company as per section 135(5) : ₹ 121.41 crore
- (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years : Nil
- (c) Amount required to be set off for the financial year, if any : ₹ 0.52 crore
- (d) Total CSR obligation for the financial year (7a+7b-7c) : ₹ 120.89 crore
8. (a) CSR amount spent or unspent for the financial year:

(₹ in crore)

Total amount spent for the financial year	Amount unspent				
	Total amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
60.01	60.88	28 April 2022	-	-	-

- (b) Details of CSR amount spent against **ongoing projects** for FY2022:

(₹ in crore)

Sr. No.	Name of the Project	Item from the list of activities in Schedule VII	Local area (Yes/No)	Location of the project		Project duration* (in months)	Amount allocated for the project	Amount transferred to Unspent CSR account for the project as per section 135(6)	Amount spent in the current financial year	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
1.	Education to Autistic and Slow learner Children	(ii) Education	Yes	Maharashtra	Aurangabad	62	0.6	-	0.05	No	AARAMBH Society for the Autistic and Slow Learner	CSR00003004
2.	Bridging Over Learning Diasability (BOLD)- expansion to more schools in Pune	(ii) Education	Yes	Maharashtra	Pune	14	0.71	-	0.30	No	Anjali Morris Foundation	CSR00000820
3.	Community based management of disability- childhood to livelihood	(i) Health	Yes	Maharashtra	Mumbai	41	1.21	-	0.29	No	Apnalaya	CSR00003515
4.	Healthy motherhood - healthy childhood and targeting the hardcore poor	(i) Health	Yes	Rajasthan	Sikar, Dungarpur	38	26.11	-	1.90	No	Bandhan Konnagar	CSR00001463
5.	Targeting the hardcore poor by developing them as entrepreneurs	(ii) Education	Yes	Rajasthan	Sikar	26	9.12	-	3.25	No	Bandhan Konnagar	CSR00001463
6.	Skill building and enterprise development for rural poor	(ii) Education	Yes	Assam, Madhya Pradesh, Rajasthan, Telangana, Maharashtra	Dhubri, Vidisha, Baran, Khammam, Osmanabad	30	46.36	35.00	1.80	No	Bandhan Konnagar	CSR00001463

(₹ in crore)

Sr. No.	Name of the Project	Item from the list of activities in Schedule VII	Local area (Yes/No)	Location of the project		Project duration* (in months)	Amount allocated for the project	Amount transferred to Unspent CSR account for the project as per section 135(6)	Amount spent in the current financial year	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
7.	Can kids..kids can -AAC and CCC program	(i) Health	Yes	Maharashtra	Pune	39	3.00	-	0.55	No	Can Kids	CSR00000341
8.	Addressing issues of child protection and Nutrition	(i) Health	Yes	Maharashtra, Rajasthan	Gadchiroli, Wardha, Nandurbar, Latur, Nanded, Parbhani, Jalna, Ahmednagar, Aurangabad, Pune, Alwar, Bharatpur, Sikar, Baran, Ajmer	29	9.46	-	1.96	No	Child Rights and You (CRY)	CSR00000805
9.	Holistic nutrition support to underprivileged children afflicted with cancer at Tata Memorial	(i) Health	Yes	Maharashtra	Mumbai	38	1.70	-	0.10	No	Cuddles Foundation	CSR00001473
10.	Holistic Nutrition Support to Underprivileged Children Afflicted with Cancer	(i) Health	Yes	Maharashtra	Pune	14	0.21	-	0.07	No	Cuddles Foundation	CSR00001473
11.	Mother & Child Care	(i) Health	Yes	Maharashtra	Thane	39	0.90	-	0.26	No	Dr. ML Dhawale Memorial Trust	CSR00002539
12.	Holistic care of children and youth with diabetic	(i) Health	Yes	Maharashtra	Pune	40	3.94	0.60	0.40	No	Hirabai Cowasji Jehangir Medical Research Institute (HCJMRI)	CSR00009392
13.	Integrated program	(ii) Education	Yes	Maharashtra	Wardha	17	1.08	-	0.88	No	Hutatma Smarak Samiti	CSR00004787
14.	Community mental health centre support for the pandemic period	(i) Health	Yes	Maharashtra	Pune	27	0.42	-	0.20	No	Institute for Psychological Health	CSR00002456
15.	To and through college	(ii) Education	Yes	Maharashtra	Pune	29	1.74	0.50	0.86	No	i-Teach Movement	CSR00002872
16.	Integrated rural and urban development program	(x) Rural Development	Yes	Maharashtra	Pune	15	9.51	-	0.97	No	Jankidevi Bajaj Gram Vikas Sanstha	CSR00001725
17.	Comprehensive tribal model village development program	(i) Health	Yes	Maharashtra	Pune	38	2.75	-	0.41	No	KEM Hospital and Research Centre	CSR00004640
18.	Support for resource Centre	(ii) Education	Yes	Uttarakhand	Dehradun	41	2.24	0.50	0.54	No	Latika Roy Memorial Foundation	CSR00001599
19.	Anando plus	(ii) Education	Yes	Maharashtra	Nandurbar, Jalna, Raigad	39	1.35	-	0.34	No	Light of Life Trust	CSR00000156
20.	Anando plus	(ii) Education	Yes	Maharashtra	Pune	14	0.71	-	0.60	No	Light of Life Trust	CSR00000156
21.	Night school transformation	(ii) Education	Yes	Maharashtra	Mumbai	41	2.00	-	0.95	No	Masoom	CSR00000360

(₹ in crore)

Sr. No.	Name of the Project	Item from the list of activities in Schedule VII	Local area (Yes/No)	Location of the project		Project duration* (in months)	Amount allocated for the project	Amount transferred to Unspent CSR account for the project as per section 135(6)	Amount spent in the current financial year	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
22.	Sanvedna Medicine Project	(i) Health	Yes	Maharashtra	Pune	46	0.68	-	0.12	No	Sanvedana Foundation	CSR00018419
23.	Early Childhood Care in Rural areas	(i) Health	Yes	Rajasthan	Udaipur	39	3.00	0.20	0.66	No	Seva Mandir	CSR00000288
24.	Operational cost of snehalaya special school & home for the differently abled	(iii) Gender	Yes	Maharashtra	Pune	14	0.80	-	0.27	No	Snehalaya Education Society	CSR00002481
25.	Operational expenses for shelter and school for children of quarry workers	(ii) Education	Yes	Maharashtra	Pune	63	1.07	-	0.05	No	Social Animation Towards United Liberative Action (SANTULAN)	CSR00005760
26.	Rescue and restoration of runaway and separated children on railway platforms	(iii) Gender	Yes	Maharashtra	Pune	30	1.50	-	0.10	No	Society for Assistance to Children in Difficult Situation (SATHI)	CSR00002743
27.	Aadhar day care for children of migrant labourers working on construction sites	(ii) Education	Yes	Maharashtra	Pune	39	3.01	0.50	0.25	No	Tara Mobile Creches	CSR00006166
28.	Bajaj cancer health initiative -adoption of cancer affected children along with staff support	(i) Health	Yes	Maharashtra	Mumbai	27	1.76	0.70	0.50	No	Tata Memorial Centre	CSR00001287
29.	Bajaj cancer health initiative -adoption of cancer affected children along with staff support	(i) Health	Yes	Maharashtra	Mumbai	27	2.00	0.50	1.00	No	Tata Memorial Centre	CSR00001287
30.	The school project	(ii) Education	Yes	Maharashtra	Pune	14	1.60	0.50	0.68	No	The Aakanksha Foundation	CSR00001286
31.	The auditory verbal therapy programme for hearing challenged children	(i) Health	Yes	Maharashtra	Pune	14	0.33	-	0.20	No	The Education Audiology and Research Society (EAR)	CSR00008202
32.	Umang therapy department psychotherapy and early intervention	(i) Health	Yes	Rajasthan	Jaipur	14	0.32	-	0.25	No	UMANG	CSR00006611
33.	Capacity building of organisations on addressing developmental disabilities of children	(ii) Education	Yes	Maharashtra	Mumbai	14	1.00	-	0.65	No	Ummeed Child Development Center	CSR00000221
34.	Medical support to under privileged children with type 1 diabetes	(i) Health	Yes	Maharashtra	Aurangabad	39	0.50	-	0.17	No	Upholds Diabetes Awareness Anew	CSR00001750
35.	Parivartan funding placement linked skilling for persons with disability	(ii) Education	Yes	Maharashtra	Pune	53	3.35	0.40	0.15	No	Youth4jobs Foundation	CSR00002046

(₹ in crore)

Sr. No.	Name of the Project	Item from the list of activities in Schedule VII	Local area (Yes/No)	Location of the project		Project duration* (in months)	Amount allocated for the project	Amount transferred to Unspent CSR account for the project as per section 135(6)	Amount spent in the current financial year	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
36.	Empowering d-notified tribes through education, health and sustainability	(ii) Education	Yes	Maharashtra	Pune	14	0.44	-	0.08	No	Ashraya Foundation for Children	CSR00002661
37.	Beyond Bajaj Finserv employability for graduates	(ii) Education	Yes	Pan India	Pan India	35	61.00	18.48	7.50	Yes	CPBFI-Group Direct Initiative	NA
38.	Providing healthcare to tribal & rural communities of Gadchiroli: Support for recurring expenditure of 80 bed Search hospital	(i) Health	Yes	Maharashtra	Gadchiroli	36	1.82	0.50	0.00	No	Society for Education, Action and Research in Community Health (SEARCH)	CSR00001278
39.	Old Mechanical Engineering Drawing Hall- of Bajaj School of Mechanical Engineering, COEP	(ii) Education	Yes	Maharashtra	Pune	28	10.52	2.50	0.00	No	Jankidevi Bajaj Gram Vikas Sanstha	CSR00001725
								<b>60.88</b>	<b>29.31</b>			

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

(c) Details of CSR amount spent against **other than ongoing projects** for FY2022:

(₹ in crore)

Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project		Amount spent for the project	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through implementing agency	
				State	District			Name	CSR Registration number
1.	G S college of commerce nagpur construction	(ii) Education	Yes	Maharashtra	Nagpur	0.90	No	Siksha Mandal Wardha	CSR00016545
2.	COVID-19 response PCR for Op Vayu	(i) Health	Yes	Maharashtra	Pune	1.00	No	Jankidevi Bajaj Gram Vikas Sanstha	CSR00001725
3.	COVID-19 response tally ICU and CT upgradation	(i) Health	Yes	Maharashtra	Aurangabad	7.75	No	Jankidevi Bajaj Gram Vikas Sanstha	CSR00001725
4.	Systematic genomic surveillance of COVID-19	(i) Health	Yes	Maharashtra	Pune	0.50	No	Jankidevi Bajaj Gram Vikas Sanstha	CSR00001725
5.	COVID-19 immunization for bottom of piramid	(i) Health	Yes	Maharashtra	Pune	19.40	No	Jankidevi Bajaj Gram Vikas Sanstha	CSR00001725
						<b>29.55</b>			



(d) Amount spent in Administrative Overheads	:	₹ 1.15 crore
(e) Amount spent on Impact Assessment, if applicable	:	NIL
(f) Total amount spent for the financial Year (8b+8c+8d+8e)	:	₹ 60.01 crore
(g) Excess amount for set off, if any	:	NIL

Sr. No.	Particulars	Amount (₹ in crore)
(i)	Two percent of average net profit of the Company as per section 135(5)	120.89*
(ii)	Total amount spent for the Financial Year	60.01
(iii)	Excess amount spent for the financial year [(ii)-(i)]	-
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	-
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	-

\* after set-off of ₹ 0.52 crore

9. (a) Details of Unspent CSR amount for the preceding three financial years: Not applicable
- (b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Not Applicable
10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year: Not applicable
11. Specify the reason(s), if the company has failed to spend two percent of the average net profit as per section 135(5): The funding for ongoing projects was delayed/reduced as some of these projects were affected by the COVID pandemic and lockdowns and some pertaining to COVID relief did not require anticipated funds as the third wave was not as severe as estimated. Unspent amount pertaining to the commitments made by the Company towards multi-year ongoing projects in progress has been transferred to a separate Unspent CSR bank account of the Company. The amount transferred to the aforesaid Unspent CSR account will be spent for the said projects within the permissible time limit. Accordingly, the Company has duly complied with section 135 of the Act read with rules thereunder and the CSR policy of the Company. The Chief Financial Officer has certified that the funds spent during FY2022 for CSR projects have been utilised for the purpose and in the manner approved by the Board.

Rajeev Jain  
Managing Director

Dr. Naushad Forbes  
Chairman, CSR Committee

## Secretarial audit report (Form No. MR-3)

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

For the financial year ended 31 March 2022

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

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

Based on my verification of the Company, books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit and subject to letter annexed herewith, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March 2022, complied with the applicable statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March 2022, according to the provisions of:

- 1) The Companies Act, 2013 (the Act) and the rules made thereunder;
- 2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- 3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- 4) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- 5) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable: -
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Securities and Exchange Board of India (Share Based Employee Benefits And Sweat Equity) Regulations, 2021;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021;

- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 and the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018; and
  - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
- 6) Rules, regulations and guidelines issued by the Reserve Bank of India as are applicable to Deposit taking Non-Banking Financial Companies with classification as a 'Loan Company' (subsequently reclassification as 'NBFC - Investment and Credit Company (NBFC-ICC)' vide RBI circular dated 22 February 2019); which are specifically applicable to the Company.

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

- (i) Secretarial Standards pursuant to section 118(10) of the Act, issued by the Institute of Company Secretaries of India.
- (ii) Listing Agreements entered into by the Company with BSE Ltd. and National Stock Exchange of India Ltd. as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Directions, Guidelines, Standards, etc. mentioned above.

I further report that the Board of Directors of the Company is duly constituted with proper balance of executive directors, non-executive directors and independent directors including one woman independent director.

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

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

I further report that, during the period the Company has,

1. Allotted 10,07,006 equity shares of ₹ 2/- each on 29 April 2021 and 18,34,888 equity shares of ₹ 2/- each 17 March 2022 to BFL Employee Welfare Trust under ESOP scheme, 2009.
2. Allotted 1,55,345 Non-Convertible Debentures amounting to ₹ 15,534.50 crore on Private Placement basis from time to time and complied with the rules and regulations under various Acts. The Company has raised ₹ 1,115 crore towards unsecured Non-convertible Debentures during the financial year.
3. Issued Commercial Papers amounting to 1,68,775 crore from time to time and complied with the applicable rules and regulations under various Acts.
4. Applied fresh for compounding on 13 October 2020, for contraventions made on 1 April 2009 and 4 November 2011 under section 297(1) of Companies Act, 1956 as it had not received any order on earlier compounding application

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

Shyamprasad D. Limaye  
FCS 1587 CP 572  
UDIN: F001587D000205967

Pune: 26 April 2022

To,  
The Members  
**Bajaj Finance Ltd.**  
Akurdi, Pune 411035

My Secretarial Audit Report for Financial Year ended on 31 March 2022 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the Management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of event etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

Shyamprasad D. Limaye  
FCS 1587 CP 572

Pune: 26 April 2022

# CSR AT BAJAJ FINANCE AND BAJAJ FINSERV GROUP COMPANIES

## Introduction

The very foundation of Bajaj Group was laid by the philanthropic instinct of Shri Jamnalalji Bajaj, our Group's founding father, who took the bold and unprecedented step of using business to serve society. He had advised that – 'all business activities should look for opportunities for philanthropy and that these philanthropic contributions to the society should be above any thought of business gains.'



### COVID-19 RESPONSE Need of the Hour

Our community outreach programmes are crafted to serve the emergent needs of the lesser advantaged beneficiaries of society. In fact, as a Group, we have always taken pride in being accountable not just to our own people but also to the communities around which we operate. In FY 2021, the Bajaj Group contributed Rs 170 crore towards the fight against COVID-19 to alleviate the immediate on-ground challenges, build capabilities, mobilise resources and upgrade healthcare infrastructure facilities in the surrounding communities. This included the



installation of 12 oxygen plants to provide more than 5,000 LPM of oxygen supply to rural and urban hospitals along with respiratory support equipment to help augment their capacity in treating COVID-19 patients. The Group's COVID-19 Response Fund was further utilized to set-up Pune's largest COVID-19 Care Centre in Viman Nagar with a capacity of 2,800 beds. During FY 2022, the Bajaj Group joined forces with the local government authorities to conduct large scale inoculation drives for communities in Pune and Aurangabad. More than 1 million doses of the COVID-19 vaccines were administered during those drives.



### HEALTHCARE Enabling Easy Access for Disadvantaged Communities

Enabling access and affordability of healthcare treatment for children is an important area of Bajaj Finserv's CSR activities, wherein, we extend our financial support to families of children in need of treating curable diseases or ailments that require prolonged treatment support, including cleft lips and palates, pediatric cancer, congenital heart disease, pediatric diabetes and epilepsy. We also support the medical expenses of specially-abled children. Recognizing infant mortality as a significant issue in rural and tribal areas, our Group launched several preventive healthcare projects, including pre-natal and post-natal care for mothers, proper nutrition care for children, mothers and teenagers, and raising awareness on prevalent health issues in these communities, particularly amongst teenage girls and women. In addition, our equipment grants provide the economically disadvantaged areas with the much-needed access to quality healthcare facilities.







### BAJAJ FINSERV 'BEYOND' Our Flagship Employability Initiative

Our employability initiative 'BEYOND' is aimed at upskilling the first-generation graduates from smaller towns and cities, to gain the right aptitude and attitude for making a mark in the financial services industry. The employability programme, started way back in 2015, has so far benefitted more than 20,000 fresh graduates across the country. This year, BEYOND touched a milestone of up-skilling a record number of 10,000 students with the fitting capabilities and a winning edge to compete for the limited job opportunities in the BFSI industry. Unlike the conventional skilling programmes, it prepares the students for more than 10 roles in the financial services industry. The programme also produces a unique talent pool of 'industry trained graduates' for the entire BFSI industry, which offers an excellent balance between cost and productivity, as compared to their traditional target segments.



of migrant workers, mining workers, construction workers, etc., makes education accessible for the underserved communities. In order to improve the overall effectiveness of school education, the Group also facilitates additional training programmes for teachers through external instructors. To support kids with intellectual or physical challenges, the Group supports special education projects.



### LIVELIHOOD & SKILLING Income Generation for Tribal and Rural Households

Our community-based livelihood and skilling programmes help enhance the household income of rural, tribal and migrant populations. Through various programmes like farming, animal husbandry, fishery; forest-based activities like beekeeping; commons-based activities like goat and sheep farming, the Group provides self-help organisations and people with opportunities to generate income. It also supports youth skill-building initiatives to help them achieve financial independence through secure employment.



### EDUCATION Quality Education for All

Education is one of the most important drivers of the socio-economic prosperity and stability of a self-reliant nation, and our child education programmes aim to make quality education available to all children. Our support for school buildings and schools that cater to the children





## Secretarial audit report of Subsidiary Company (Form No. MR-3)

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

For the financial year ended 31 March 2022

To,  
The Members of  
**Bajaj Financial Securities Ltd.**  
U67120PN2010PLC136026  
Bajaj Auto Ltd. Complex, Mumbai-Pune Road,  
Akurdi, Pune-411035

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

Based on my verification of the Company books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit and subject to letter annexed herewith, I hereby report that in my opinion, the Company has during the audit period covering the financial year ended on 31 March 2022, complied with the applicable statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March 2022, according to the provisions of:

- 1) The Companies Act, 2013 (the Act) and the rules made thereunder;
- 2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- 3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- 4) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- 5) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable: -
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Securities and Exchange Board of India (Share Based Employee Benefits And Sweat Equity) Regulations, 2021;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
  - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021;
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 and the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018; and
- (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015,

The Company is an unlisted public company and wholly-owned subsidiary of a listed company.

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

- (i) Secretarial Standards pursuant to section 118(10) of the Act, issued by the Institute of Company Secretaries of India.
- (ii) Listing Agreement entered into by the Company with BSE Ltd. (for Debentures) as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

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

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

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

I further report that, during the period, the Company has:

- i. Increased its authorised share capital to 7,000,000,000 divided into 700,000,000 Equity Shares of ₹ 10/- each vide resolution passed at Extra Ordinary general meeting held on 18 January 2022;
- ii. Allotted 367,647,056 Equity Shares of ₹ 10/- each at issue price of ₹ 10.88 on Right basis on 10 February 2022.
- iii. Issued Commercial Papers amounting to ₹ 1,880 crore from time to time and complied with the rules and regulations under various Acts.

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

Shyamprasad D. Limaye  
FCS 1587 CP 572  
UDIN: F001587D000197277

Pune: 25 April 2022

To,  
The Members of  
**Bajaj Financial Securities Ltd.**  
Bajaj Auto Ltd. Complex, Mumbai-Pune Road,  
Akurdi, Pune-411035.

My Secretarial Audit Report for Financial Year ended on 31 March 2022, of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the Management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of event etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Shyamprasad D. Limaye  
FCS 1587 CP 572

Pune: 25 April 2022

## Secretarial Audit Report (Form No. MR-3) of Subsidiary Company

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

For the financial year ended 31 March 2022

To,  
The Members of  
**Bajaj Housing Finance Ltd.**  
(CIN: U65910PN2008PLC132228)  
Bajaj Auto Ltd. Complex, Mumbai-Pune Road,  
Akurdi, Pune-411035

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

Based on my verification of the Company books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit and subject to letter annexed herewith, I hereby report that in my opinion, the Company has during the audit period covering the financial year ended on 31 March 2022, complied with the applicable statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March 2022, according to the provisions of:

- 1) The Companies Act, 2013 (the Act) and the rules made thereunder;
- 2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- 3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- 4) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- 5) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable: -
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Securities and Exchange Board of India (Share Based Employee Benefits And Sweat Equity) Regulations, 2021;
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; and the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;

- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021;
  - (h) The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018; and
  - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 6) Rules, regulations, directions and guidelines issued by the National Housing Bank as are applicable to the Company;

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

- (i) Secretarial Standards pursuant to section 118(10) of the Act, issued by the Institute of Company Secretaries of India.
- (ii) Listing Agreement entered into by the Company with BSE Ltd. (for Debentures) as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

I further report that the Board of Directors of the Company is duly constituted with proper balance of executive directors, non-executive directors and independent directors including one woman independent director. The changes in the composition of the board of directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

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

I further report that, during the period, the Company has:

- i. Allotted 72,610 Secured non-convertible debentures amounting to have issued Secured NCD of ₹ 7,261.00 crore (Face Value) on private placement basis from time to time and complied with the rules and regulations under various Acts. The Company has raised ₹ 252.00 crore towards unsecured non-convertible debentures.
- ii. Issued Commercial Papers amounting to ₹ 7,625.00 crore from time to time and complied with the rules and regulations under various Acts.

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

Shyamprasad D. Limaye  
FCS 1587 CP 572  
UDIN F001587D000197211

Pune: 25 April 2022

To,  
The Members  
**Bajaj Housing Finance Ltd.**  
Bajaj Auto Ltd. Complex, Mumbai-Pune Road,  
Akurdi, Pune -411 035.

My Secretarial Audit Report for the Financial Year ended on 31 March 2022 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the Management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of event etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

Shyamprasad D. Limaye  
FCS 1587 CP 572

Pune: 25 April 2022



## Independent Auditor's Certificate on Corporate Governance

To,  
The Members of  
**Bajaj Finance Ltd.**

1. This certificate is issued in accordance with the terms of our engagement letter dated 1 December 2021.
2. We, Deloitte Haskins & Sells, Chartered Accountants, the Statutory Auditors of Bajaj Finance Ltd. (the 'Company'), have examined the compliance of conditions of Corporate Governance by the Company, for the year ended on 31 March 2022, as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations').

### Managements' Responsibility

3. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

### Auditor's Responsibility

4. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
5. We have examined the books of account and other relevant records and documents maintained by the Company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.
6. We have carried out an examination of the relevant records of the Company in accordance with the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India (the 'ICAI'), the Standards on Auditing specified under section 143(10) of the Companies Act 2013, in so far as applicable for the purpose of this certificate and as per the Guidance Note on Reports or Certificates for Special Purposes issued by the ICAI which requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
7. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

### Opinion

8. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in regulations 17 to 27 and clauses (b) to (i) of regulation 46(2) and para C and D of Schedule V of the Listing Regulations during the year ended 31 March 2022.
9. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Firm's Registration No. 302009E)

Sanjiv V. Pilgaonkar  
Partner  
(Membership No. 039826)  
(UDIN: 22039826AHYFPL8893)

Pune: 26 April 2022

## Certificate by practising company secretary

[Pursuant to Schedule V read with regulation 34(3) of the SEBI Listing Regulations (as amended)]

In the matter of Bajaj Finance Ltd. (CIN: L65910MH1987PLC042961) having its registered office at Akurdi, Pune - 411035.

On the basis of examination of the books, minute books, forms and returns filed and other records maintained by the Company and declarations made by the directors and explanations given by the Company and subject to limitation of physical interaction and verification of records caused by COVID-19 Pandemic.

I certify that the following persons are directors of the Company (during 1 April 2021 to 31 March 2022) and none of them **have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority.**

Sr. No.	Name of director	DIN	Designation
1	Sanjivnayan Rahulkumar Bajaj	00014615	Chairman
2	Rajeev Jain	01550158	Managing Director
3	Madhurkumar Ramkrishnaji Bajaj	00014593	Non- Executive Director
4	Rajivnayan Rahulkumar Bajaj	00018262	Non- Executive Director
5	Dipak Kumar Poddar	00001250	Independent Director
6	Ranjan Surajprakash Sanghi	00275842	Independent Director
7	Balaji Rao Jagannathrao Doveton	00025254	Independent Director
8	Gita Piramal	01080602	Independent Director
9	Naushad Darius Forbes	00630825	Independent Director
10	Anami Narayan Prema Roy	01361110	Independent Director
11	Pramit Shashikant Jhaveri	00186137	Independent Director

1. Shri Rahul Bajaj resigned as Non-executive director of the Company on 30 April 2021. He later expired on 12 February 2022.

2. Dr. Omkar Goswami who was appointed as the independent director, resigned on 9 July 2021 and ceased to be a director of the Company w.e.f. 9 July 2021.

Place : Pune

Date : 26 April 2022

UDIN : F001587D000206000

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

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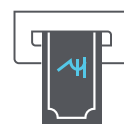
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Accelerated Rewards



Airport lounge access



Interest-free cash withdrawal



Fuel surcharge waiver

# **STANDALONE FINANCIAL STATEMENTS**

## Independent Auditors' Report on the Standalone Financial Statements

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

### Opinion

We have audited the accompanying standalone financial statements of Bajaj Finance Ltd. (the 'Company'), which comprise the Balance Sheet as at 31 March 2022, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the 'standalone financial statements').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 (the 'Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ('Ind AS') and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2022, and its profit, total comprehensive income, the changes in equity and its cash flows for the year ended on that date.

### Basis for opinion

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

### Emphasis of matter

We draw attention to note no. 48(c) to the standalone financial statements in which the Company describes the continuing uncertainties arising from the COVID-19 pandemic.

Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

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

S. N.	Key audit matter	Auditors' response
1.	<p>Allowances for expected credit losses ('ECL'): As at 31 March 2022, the carrying value of loan assets measured at amortised cost, aggregated ₹ 144,276.25 crore (net of allowance for expected credit loss ₹ 3,936.84 crore) constituting approximately 86% of the Company's total assets. Significant judgement is used in classifying these loan assets and applying appropriate measurement principles. ECL on such loan assets measured at amortised cost is a critical estimate involving greater level of management judgement. As part of our risk assessment, we determined that the ECL on such loan assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes for the standalone financial statements. The elements of estimating ECL which involved increased level of audit focus are the following:</p> <ul style="list-style-type: none"> <li>• Qualitative and quantitative factors used in staging the loan assets measured at amortised cost;</li> <li>• Basis used for estimating probabilities of default ('PD'), loss given default ('LGD') and exposure at default ('EAD') at product level with past trends;</li> <li>• Judgements used in projecting economic scenarios and probability weights applied to reflect future economic conditions; and</li> <li>• Adjustments to model driven ECL results to address emerging trends.</li> </ul> <p>(Refer note no. 3.4, 9 and 48(c) to the standalone financial statements).</p>	<p>We have examined the policies approved by the Board of Directors of the Company that articulate the objectives of managing each portfolio and their business models. We have also verified the methodology adopted for computation of ECL ('ECL Model') that addresses policies approved by the Board of Directors, procedures and controls for assessing and measuring credit risk on all lending exposures measured at amortised cost. Additionally, we have confirmed that adjustments to the output of the ECL Model are consistent with the documented rationale and basis for such adjustments and that the amount of adjustments have been approved by the Audit Committee of the Board of Directors.</p> <p>Our audit procedures related to the allowance for ECL included the following, among others:</p> <p>Testing the design and operating effectiveness of the following:</p> <ul style="list-style-type: none"> <li>• Completeness and accuracy of the EAD and the classification thereof into stages consistent with the definitions applied in accordance with the policy approved by the Board of Directors including the appropriateness of the qualitative factors to be applied;</li> <li>• Completeness, accuracy and appropriateness of information used in the estimation of the PD and LGD for the different stages depending on the nature of the portfolio;</li> <li>• Accuracy of the computation of the ECL estimate including reasonableness of the methodology used to determine macro-economic overlays and adjustments to the output of the ECL Model; and</li> <li>• Validity of the changes made to the structured query language ('SQL') queries used for the ECL calculations to ensure that the changes made to them are reviewed, documented and duly approved by the designated officials.</li> </ul> <p>Test of details on a sample basis in respect of the following:</p> <ul style="list-style-type: none"> <li>• Accuracy and completeness of the input data such as period of default and other related information used in estimating the PD.</li> <li>• The mathematical accuracy of the ECL computation by using the same input data as used by the Company.</li> <li>• Use of the appropriate SQL queries for calibration of ECL rates and its application to the corresponding loan asset portfolio of the Company or part thereof.</li> <li>• Completeness and accuracy of the staging of the loans and the underlying data based on which the ECL estimates have been computed.</li> <li>• Evaluating the adequacy of the adjustment after stressing the inputs used in determining the output as per the ECL Model to ensure that the adjustment was in conformity with the overlay amount approved by the Audit Committee of the Company.</li> </ul>



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

S. N.	Key audit matter	Auditors' response
2.	<p>Information technology and general controls: The Company is dependent on its information technology ('IT') systems due to the significant number of transactions that are processed daily across such multiple and discrete IT systems. Also, IT application controls are critical to ensure that changes to applications and underlying data are made in an appropriate manner and under controlled environment. Appropriate controls contribute to mitigating the risk of potential fraud or errors as a result of changes to applications and data. On account of the pervasive use of its IT systems, the testing of the general computer controls of the IT systems used in financial reporting was considered to be a key audit matter.</p>	<p>With the assistance of our IT specialists, we obtained an understanding of the Company's IT applications, databases and operating systems relevant to financial reporting and the control environment. For these elements of the IT infrastructure the areas of our focus included access security (including controls over privileged access), program change controls, database management and network operations. In particular:</p> <ul style="list-style-type: none"> <li>• We tested the design, implementation and operating effectiveness of the Company's general IT controls over the IT systems relevant to financial reporting. This included evaluation of Company's controls over segregation of duties and access rights being provisioned/modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being recertified during the period of audit.</li> <li>• We also tested key automated business cycle controls and logic for the reports generated through the IT infrastructure that were relevant for financial reporting or were used in the exercise of internal financial controls with reference to financial statements. Our tests included testing of the compensating controls or alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the standalone financial statements.</li> </ul>

### Information other than the financial statements and Auditors' report thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the Board's Report (including annexures thereto), Business Responsibility Statement and Management Discussion and Analysis ('MD&A') (collectively referred to as 'other information') but does not include the consolidated financial statements, standalone financial statements, and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Management's responsibility for the standalone financial statements

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

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

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

The Board of Directors of the Company is also responsible for overseeing the Company's financial reporting process.

### Auditors' responsibility for the audit of the standalone financial statements

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

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

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

1. As required by section 143(3) of the Act, based on our audit on the separate financial statements, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account.
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.
  - (e) On the basis of the written representations received from the Directors as on 31 March 2022 taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2022 from being appointed as a Director in terms of section 164(2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in 'Annexure A'. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls with reference to financial statements.
  - (g) With respect to the other matters to be included in the Auditors' Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its Directors during the year is in accordance with the provisions of section 197 of the Act.
  - (h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements.
    - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

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

- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- iv. (a) The Management has represented that, to the best of its knowledge and belief, 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 Company 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 Company ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the ultimate beneficiaries;
- (b) The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person(s) or entity(ies), including foreign entities ('Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Company 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; and
- (c) Based on the audit procedures that has been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.
- v. The final dividend proposed with respect to previous year, declared and paid by the Company during the year is in accordance with section 123 of the Act, as applicable.

As stated in note no. 45(iii) to the standalone financial statements, the Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The amount of dividend proposed is in accordance with section 123 of the Act, as applicable.

2. As required by the Companies (Auditors' Report) Order, 2020 (the 'Order') issued by the Central Government in terms of section 143(11) of the Act, we give in 'Annexure B' a statement on the matters specified in paragraphs 3 and 4 of the Order.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Firm's Registration No. 302009E)

For G.M. Kapadia & Co.  
Chartered Accountants  
(Firm's Registration No. 104767W)

Sanjiv V. Pilgaonkar  
Partner  
(Membership No. 039826)  
(UDIN: 22039826AHUJD09772)

Rajen Ashar  
Partner  
(Membership No. 048243)  
(UDIN: 22048243AHUFXP9553)

Date: 26 April 2022  
Place: Pune

Date: 26 April 2022  
Place: Pune

## Annexure A to Independent Auditors' Report

[Referred to in paragraph 1(f) under 'Report on other legal and regulatory requirements' section of our report of even date]

### Report on the internal financial controls with reference to financial statements under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 (the 'Act')

We have audited the internal financial controls with reference to financial statements of Bajaj Finance Ltd. (the 'Company') as of 31 March 2022 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

#### Management's responsibility for internal financial controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the guidance note on audit of internal financial controls over financial reporting issued by the Institute of Chartered Accountants of India (the 'Guidance Note'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### Auditors' responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements of the Company based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

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

#### Meaning of internal financial controls with reference to financial statements

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

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and
- 3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

## Annexure A to Independent Auditors' Report (Contd.)

### Inherent limitations of internal financial controls with reference to financial statements

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

### Opinion

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2022, based on the criteria for internal financial controls with reference to financial statements established by the respective Company considering the essential components of internal control stated in the Guidance Note.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Firm's Registration No. 302009E)

For G.M. Kapadia & Co.  
Chartered Accountants  
(Firm's Registration No. 104767W)

Sanjiv V. Pilgaonkar  
Partner  
(Membership No. 039826)  
(UDIN: 22039826AHUJD09772)

Rajen Ashar  
Partner  
(Membership No. 048243)  
(UDIN: 22048243AHUFXP9553)

Date: 26 April 2022  
Place: Pune

Date: 26 April 2022  
Place: Pune



## Annexure B to Independent Auditors' Report

(Referred to in paragraph 2 under 'Report on other legal and regulatory requirements' section of our report of even date to the members of Bajaj Finance Ltd. on the standalone financial statements as at and for the year ended 31 March 2022)

To the best of our information and according to the explanations provided to us by the Company and the books of account and records examined by us in the normal course of audit, we state that:

- (i) (a) (A) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment and relevant details of right-of-use assets.
- (B) The Company has maintained proper records showing full particulars of intangible assets.
- (b) The property, plant and equipment, were physically verified during the year by the Management, in accordance with a regular programme of verification which in our opinion, provides for physical verification of all the property, plant and equipment at reasonable intervals. No material discrepancies were noticed on such verification.
- (c) Based on our examination of the documents provided to us, we report that, the title deeds of all the immovable properties, (other than immovable properties where the Company is the lessee and the lease agreements are duly executed in favour of the Company) disclosed in the financial statements included in property, plant and equipment are held in the name of the Company as at the balance sheet date.
- (d) The Company has not revalued its property, plant and equipment (including right of use assets) or intangible assets or both during the year. Accordingly, paragraph 3(i)(d), of the Order is not applicable.
- (e) No proceedings have been initiated during the year or are pending against the Company as at 31 March 2022 for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (as amended in 2016) and rules made thereunder.
- (ii) (a) The Company is engaged primarily in lending activities and consequently does not hold any physical inventories. Accordingly, paragraph 3(ii)(a) of the Order is not applicable.
- (b) As stated in note no. 52, the Company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, by banks or financial institutions on the basis of security of loans (assets) during the year. We have observed differences/reconciliation items in the quarterly returns or statements filed by the Company with such banks or financial institutions as compared to the books of account maintained by the Company. However, we have not carried out a specific audit of such statements. The details of such differences/reconciliation items are given in note no. 52 of the standalone financial statements of the Company.
- (iii) As explained in note no. 1 to the financial statements, the Company is a Deposit-taking Non-Banking Financial Company ('NBFC') registered with the Reserve Bank of India ('RBI') and as a part of its business activities is engaged in the business of lending across various types of loans.

During the year, in the ordinary course of its business, the Company has made investments in, provided guarantee/security to and granted loans and advances in the nature of loans, secured and unsecured, to companies, firms, limited liability partnerships and other parties. With respect to such investments, guarantees/security and loans and advances:

- (a) The provisions of paragraph 3(iii)(a) of the Order are not applicable to the Company as its principal business is to give loans;

**Annexure B to Independent Auditors' Report (Contd.)**

- (b) In our opinion, having regard to the nature of the Company's business, the investments made, guarantees provided, security given and the terms and conditions of the grant of all loans and advances in the nature of loans and guarantees provided are not prejudicial to the Company's interest;
- (c) In respect of loans and advances in the nature of loans (together referred to as 'loan assets'), the schedule of repayment of principal and payment of interest has been stipulated. Note no. 3.4 to the standalone financial statements explains the Company's accounting policy relating to impairment of financial assets which include loan assets. In accordance with that policy, loan assets with balance as at 31 March 2022, aggregating ₹ 2,987.14 crore were categorised as credit impaired ('Stage 3') and ₹ 3,256.94 crore were categorised as those where the credit risk has increased significantly since initial recognition ('Stage 2'). Disclosures in respect of such loans have been provided in note no. 9 to the standalone financial statements. Additionally, out of loans and advances in the nature of loans with balances as at the year end aggregating ₹ 141,969.01 crore, where credit risk has not significantly increased since initial recognition (categorised as 'Stage 1'), delinquencies in the repayment of principal and payment of interest aggregating ₹ 1.57 crore were also identified, albeit of less than 2 days. In all other cases, the repayment of principal and interest is regular. Having regard to the nature of the Company's business and the volume of information involved, it is not practicable to provide an itemised list of loan assets where delinquencies in the repayment of principal and interest have been identified.
- (d) The total amount overdue for more than ninety days, in respect of loans and advances in the nature of loans, as at the year-end is ₹ 909.90 crore. Reasonable steps are being taken by the Company for recovery of the principal and interest.
- (e) The provisions of paragraph 3(iii)(e) of the Order are not applicable to the Company as its principal business is to give loans.
- (f) The Company has not granted any loans or advances in the nature of loans that were either repayable on demand or without specifying any terms or period of repayment.
- (iv) The Company has not advanced loans or made investments in or provided guaranty or security to parties covered by section 185 and section 186 is not applicable to the Company. Hence reporting under paragraph 3(iv) of the Order is not applicable.
- (v) In our opinion and according to the information and explanations given to us, the Company being NBFC registered with RBI, provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014, as amended, are not applicable to the Company. We are informed by the Management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal against the Company in this regard.
- (vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013, for the business activities carried out by the Company. Hence reporting under paragraph 3 (vi) of the Order is not applicable.
- (vii) In respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed statutory dues, including goods and services tax, provident fund, employees' state insurance, income tax, cess and other material statutory dues applicable to it, to the appropriate authorities. As explained to us, the Company does not have any dues on account of sales tax, service tax, duty of customs, duty of excise and value added tax.

**Annexure B to Independent Auditors' Report (Contd.)**

There were no undisputed amounts payable in respect of goods and services tax, provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and any other material statutory dues in arrears as of 31 March 2022, for a period of more than six months from the date they became payable.

- (b) The details of statutory dues referred to in sub- paragraph (a) above which have not been deposited with the concerned authorities as on 31 March 2022, on account of dispute are given below:

(₹ in crore)

Name of the statute	Nature of dues	Amount involved	Amount unpaid	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	15.49	15.49	FY 1995-96 to FY 2002-03 and FY 2006-07 to FY 2008-09	Mumbai High Court
Income Tax Act, 1961	Income Tax	7.81	7.81	FY 1995-96, FY 1996-97, FY 1998-99 and FY 2011-12 to FY 2013-14	Income Tax Appellate Tribunal (Pune)
Income Tax Act, 1961	Income Tax	32.38	32.38	FY 2013-14, FY 2015-16, FY 2016-17 and FY 2018-19	Commissioner of Income Tax (Appeals)
Finance Act, 1994	Service Tax	2,034.72*	2,014.72	FY 2010-11 to June 2017	Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax	251.37*	244.31	July 2012 to June 2017	Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax	545.47*	535.47	October 2014 to June 2017	Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax	9.78*	9.60	FY 2007-08 to September 2015	Customs, Excise and Service Tax Appellate Tribunal
Finance Act, 1994	Service Tax	3.65*	3.55	July 2012 to June 2016	Customs, Excise and Service Tax Appellate Tribunal
West Bengal Value Added Tax Act, 2003	Value Added Tax	0.86	0.86	FY 2005-06 to FY 2008-09	Additional Commissioner, Sales Tax
Rajasthan Value Added Tax Act, 2003	Value Added Tax	3.28*	1.99	FY 2008-09 to July 2014	Supreme Court of India
Rajasthan Value Added Tax Act, 2003	Value Added Tax	0.15	0.09	July 2014 to March 2017	VAT Appellate Tribunal
Employees State Insurance Act, 1948	ESIC contribution	4.46	4.46	FY 1999-2000 to FY 2006-07	Employees State Insurance Court
Employees State Insurance Act, 1948	ESIC contribution	0.68	0.68	FY 1991-92 to FY 2002-03	Deputy Director Employee State Insurance Corporation
Goods and Service Tax Act 2017	Goods and Service Tax	0.30	0.30	July, 2017	Joint Commissioner (Appeals), GST Commissionerate, Pune

\*includes interest and penalty

- (viii) There were no transactions relating to previously unrecorded income that were surrendered or disclosed as income in the tax assessments under the Income Tax Act, 1961 (43 of 1961) during the year.
- (ix) (a) The Company has not defaulted in the repayment of loans or other borrowings or in the payment of interest thereon to any lender during the year.
- (b) The Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority.

**Annexure B to Independent Auditors' Report (Contd.)**

- (c) In our opinion, term loans availed by the Company during the year, were applied by the Company for the purposes for which the loans were obtained.
- (d) On the basis of the maturity profile of financial assets and financial liabilities provided in the note no. 48(a) to the standalone financial statements, financial liabilities maturing within the 12 months following the reporting date (i.e. 31 March 2022) are less than expected recoveries from financial assets during that period. Further, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company.
- (e) On an overall examination of the financial statements of the Company, the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries.
- (f) The Company has not raised any loans during the year on the pledge of securities held in its subsidiaries. Accordingly, paragraph 3(ix)(f) of the Order is not applicable.
- (x) (a) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year and hence reporting under paragraph 3(x)(a) of the Order is not applicable.
- (b) The Company has not made preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) during the year under review and hence reporting under paragraph 3(x)(b) of the Order is not applicable to the Company.
- (xi) (a) To the best of our knowledge, no material fraud by the Company and no material fraud on the Company has been noticed or reported during the year.
- (b) No report under section 143(12) of the Companies Act, 2013, has been filed in form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and up to the date of this report.
- (c) We have taken into consideration the whistle blower complaints received by the Company during the year (and up to the date of this report), while determining the nature, timing and extent of our audit procedures.
- (xii) The Company is not a nidhi company and hence reporting under paragraph 3(xii) of the Order is not applicable.
- (xiii) In our opinion, the Company is in compliance with section 188 and 177 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the standalone financial statements, etc., as required by the applicable accounting standards.
- (xiv)(a) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (b) We have considered, the internal audit reports for the year under audit, issued to the Company during the year and till date, in determining the nature, timing and extent of our audit procedures.
- (xv) In our opinion, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.

**Annexure B to Independent Auditors' Report (Contd.)**

- (xvi) (a) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 ('RBI Act') and it has obtained the registration.
- (b) The Company has conducted the non-banking financial activities with a valid Certificate of Registration ('CoR') from the RBI as per the RBI Act. The Company has not conducted any housing finance activities and is not required to obtain CoR for such activities from the RBI.
- (c) The Company is not a Core Investment Company ('CIC') and hence reporting under paragraph 3(xvi)(c) of the Order is not applicable to the Company.
- (d) The Group (as defined under Master Direction DNBR.PD.008/03.10.119/2016-17 - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016) has more than one CIC as part of the group. There are 16 CIC forming part of the Group.
- (xvii) The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xviii) During the year, consequent to the issuance of the circular no. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27 April 2021, by the RBI, the predecessor auditors resigned as they had completed three continuous years as statutory auditors of the Company. The predecessor statutory auditors have confirmed to us that they were not aware of reasons as to why we should not accept the statutory audit and tax audit engagements of the Company.
- (xix) On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report, that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- (xx) (a) There are no unspent amounts towards Corporate Social Responsibility (CSR) on other than ongoing projects requiring a transfer to a fund specified in schedule VII to the Companies Act in compliance with second proviso to sub-section (5) of section 135 of the said Act. Accordingly, reporting under paragraph 3(xx)(a) of the Order is not applicable for the year.
- (b) In respect of ongoing projects, the Company has not transferred the unspent CSR amount as at the balance sheet date out of the amounts that was required to be spent during the year, to a special account till the date of our report. However, the time period for such transfer i.e. 30 days from the end of the financial year as permitted under section 135(6) of the Act, has not elapsed till the date of our report.

**Annexure B to Independent Auditors' Report** (Contd.)

(xxi) According to the information and explanations given to us and based on the reports issued by the auditors of the respective subsidiaries included in the consolidated financial statements of the Company, to which reporting on matters specified in paragraph 3 and 4 of the Order is applicable, provided to us by the Management of the Company, we have not identified any qualifications or adverse remarks made by the auditors in their report on matters specified in paragraphs 3 and 4 of the Order.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Firm's Registration No. 302009E)

For G.M. Kapadia & Co.  
Chartered Accountants  
(Firm's Registration No. 104767W)

Sanjiv V. Pilgaonkar  
Partner  
(Membership No. 039826)  
(UDIN: 22039826AHUJD09772)

Rajen Ashar  
Partner  
(Membership No. 048243)  
(UDIN: 22048243AHUFXP9553)

Date: 26 April 2022  
Place: Pune

Date: 26 April 2022  
Place: Pune



## Standalone Balance Sheet

Particulars	Note No.	(₹ in crore)	
		As at 31 March	
		2022	2021
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	5	2,898.66	1,371.79
Bank balances other than cash and cash equivalents	6	2.07	2.11
Derivative financial instruments	7	121.90	-
Trade receivables	8	1,017.11	709.72
Loans	9	144,276.25	113,089.94
Investments	10	16,371.82	20,169.12
Other financial assets	11	464.44	487.13
		<b>165,152.25</b>	<b>135,829.81</b>
<b>Non-financial assets</b>			
Current tax assets (net)		158.96	155.07
Deferred tax assets (net)	12	908.40	919.21
Property, plant and equipment	13	1,189.77	972.44
Capital work-in-progress	13	13.27	7.07
Intangible assets under development	13	19.41	43.99
Intangible assets	13	408.67	254.76
Other non-financial assets	14	165.35	101.20
		<b>2,863.83</b>	<b>2,453.74</b>
<b>Total assets</b>		<b>168,016.08</b>	<b>138,283.55</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Financial liabilities</b>			
Derivative financial instruments	7	140.02	137.87
Payables	15		
Trade payables			
Total outstanding dues of micro enterprises and small enterprises		-	0.27
Total outstanding dues of creditors other than micro enterprises and small enterprises		762.58	666.04
Other payables			
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		301.34	191.08
Debt securities	16	59,034.58	43,071.71
Borrowings (other than debt securities)	17	29,870.38	27,080.25
Deposits	18	30,289.52	25,803.43
Subordinated debts	19	3,845.77	3,898.61
Other financial liabilities	20	962.71	790.48
		<b>125,206.90</b>	<b>101,639.74</b>

## Standalone Balance Sheet (Contd.)

(₹ in crore)

Particulars	Note No.	As at 31 March	
		2022	2021
<b>Non-financial liabilities</b>			
Current tax liabilities (net)		79.33	172.78
Provisions	21	162.24	136.56
Other non-financial liabilities	22	511.73	395.73
		<b>753.30</b>	<b>705.07</b>
<b>Equity</b>			
Equity share capital	23	120.66	120.32
Other equity	24	41,935.22	35,818.42
		<b>42,055.88</b>	<b>35,938.74</b>
<b>Total liabilities and equity</b>		<b>168,016.08</b>	<b>138,283.55</b>
Summary of significant accounting policies	3		

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

As per our report of even date

On behalf of the Board of Directors

For Deloitte Haskins & Sells

For G.M. Kapadia & Co

Chartered Accountants

Chartered Accountants

Sandeep Jain

Sanjiv Bajaj

Firm registration number: 302009E

Firm registration number: 104767W

Chief Financial Officer

Chairman

Sanjiv V. Pilgaonkar

Rajen Ashar

R Vijay

Rajeev Jain

Partner

Partner

Company Secretary

Managing Director

Membership number: 039826

Membership number: 048243

Pune: 26 April 2022

## Standalone Statement of Profit and Loss

Particulars	Note No.	For the year ended 31 March	
		2022	2021
(₹ in crore)			
<b>Revenue from operations</b>			
Interest income	26	23,728.58	20,419.10
Fees and commission income	27	2,940.06	2,362.79
Net gain on fair value changes	28	260.43	527.72
Sale of services	29	43.38	59.55
Other operating income	30	891.83	163.00
<b>Total revenue from operations</b>		<b>27,864.28</b>	<b>23,532.16</b>
Other income	31	7.20	14.17
<b>Total income</b>		<b>27,871.48</b>	<b>23,546.33</b>
<b>Expenses</b>			
Finance costs	32	7,573.13	7,446.39
Fees and commission expense	33	1,765.78	1,301.56
Impairment on financial instruments	34	4,622.06	5,721.28
Employee benefits expense	35	3,221.88	2,242.42
Depreciation and amortisation expenses	13	354.91	302.25
Other expenses	36	1,747.33	1,169.55
<b>Total expenses</b>		<b>19,285.09</b>	<b>18,183.45</b>
<b>Profit before tax</b>		<b>8,586.39</b>	<b>5,362.88</b>
<b>Tax expense</b>			
Current tax		2,242.00	1,470.70
Deferred tax (credit)/charge		(6.10)	(63.33)
<b>Total tax expense</b>	12	<b>2,235.90</b>	<b>1,407.37</b>
<b>Profit after tax</b>		<b>6,350.49</b>	<b>3,955.51</b>
<b>Other comprehensive income (OCI)</b>			
Items that will not be reclassified to profit or loss:			
Remeasurement gains/(losses) on defined benefit plans		(4.30)	(34.12)
Tax impact on above		1.08	8.59
Changes in fair value of fair value through OCI (FVOCI) equity instruments		(4.36)	30.87
Tax impact on above		(2.78)	(16.17)
Items that will be reclassified to profit or loss in subsequent periods:			
Changes in fair value of FVOCI debt securities		(23.26)	(41.73)
Tax impact on above		5.86	10.50
Cash flow hedge reserve		83.68	(21.24)
Tax impact on above		(21.06)	5.35
<b>Total other comprehensive income for the year (net of tax)</b>		<b>34.86</b>	<b>(57.95)</b>
<b>Total comprehensive income for the year</b>		<b>6,385.35</b>	<b>3,897.56</b>

## Standalone Statement of Profit and Loss (Contd.)

Particulars	Note No.	For the year ended 31 March	
		2022	2021
Earnings per equity share:	37		
(Nominal value per share ₹ 2)			
Basic (₹)		105.39	65.85
Diluted (₹)		104.63	65.33
Summary of significant accounting policies	3		

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

As per our report of even date

On behalf of the Board of Directors

For Deloitte Haskins & Sells  
Chartered Accountants

For G.M. Kapadia & Co  
Chartered Accountants

Sandeep Jain  
Chief Financial Officer

Sanjiv Bajaj  
Chairman

Firm registration number: 302009E

Firm registration number: 104767W

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

## Standalone Statement of Changes in Equity

### Equity share capital

(₹ in crore)

For the year ended 31 March

Particulars	For the year ended 31 March	
	2022	2021
Balance at the beginning of the year	120.32	119.99
Changes in equity share capital during the year [refer note no. 23(a)]	0.34	0.33
<b>Balance at the end of the year</b>	<b>120.66</b>	<b>120.32</b>

### Other equity

For the year ended 31 March 2022

(₹ in crore)

Particulars	Note No.	Reserves and surplus					Other comprehensive income on					Total other equity
		Securities premium	Retained earnings	Reserve fund as per RBI Act	General reserve	Infra-structure reserve	Share options outstanding account	Debt securities through OCI	Equity instruments through OCI	Cash flow hedge reserve		
<b>Balance as at 31 March 2021</b>	24	16,978.45	13,487.19	4,371.75	788.36	9.25	303.25	6.91	(54.22)	(72.52)	35,818.42	
Profit after tax		-	6,350.49	-	-	-	-	-	-	-	6,350.49	
Other comprehensive income for the year (net of tax)		-	(3.22)	-	-	-	-	(17.40)	(7.14)	62.62	34.86	
		<b>16,978.45</b>	<b>19,834.46</b>	<b>4,371.75</b>	<b>788.36</b>	<b>9.25</b>	<b>303.25</b>	<b>(10.49)</b>	<b>(61.36)</b>	<b>(9.90)</b>	<b>42,203.77</b>	
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		-	(1,271.00)	1,271.00	-	-	-	-	-	-	-	
Dividend paid		-	(602.34)	-	-	-	-	-	-	-	(602.34)	
Share based payment to employees - for the year		-	-	-	-	-	161.21	-	-	-	161.21	
Received on allotment of shares to Trust for employees pursuant to ESOP scheme		369.45	-	-	-	-	-	-	-	-	369.45	
Transfer on allotment of shares to employees pursuant to ESOP scheme		66.75	-	-	-	-	(66.75)	-	-	-	-	
Transfer on cancellation of stock options		-	-	-	0.15	-	(0.15)	-	-	-	-	
		<b>17,414.65</b>	<b>17,961.12</b>	<b>5,642.75</b>	<b>788.51</b>	<b>9.25</b>	<b>397.56</b>	<b>(10.49)</b>	<b>(61.36)</b>	<b>(9.90)</b>	<b>42,132.09</b>	
Add: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2021		86.96	-	-	-	-	-	-	-	-	86.96	
Less: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2022		283.83	-	-	-	-	-	-	-	-	283.83	
<b>Balance as at 31 March 2022</b>	24	<b>17,217.78</b>	<b>17,961.12</b>	<b>5,642.75</b>	<b>788.51</b>	<b>9.25</b>	<b>397.56</b>	<b>(10.49)</b>	<b>(61.36)</b>	<b>(9.90)</b>	<b>41,935.22</b>	

## Standalone Statement of Changes in Equity (Contd.)

### Other equity (Contd.)

For the year ended 31 March 2021

(₹ in crore)

Particulars	Note No.	Reserves and surplus					Other comprehensive income on				Total other equity
		Securities premium	Retained earnings	Reserve fund as per RBI Act	General reserve	Infra-structure reserve	Share options outstanding account	Debt securities through OCI	Equity instruments through OCI	Cash flow hedge reserve	
<b>Balance as at 31 March 2020</b>	24	16,841.43	10,349.21	3,579.75	787.82	9.25	213.17	38.14	(68.92)	(56.63)	31,693.22
Profit after tax		-	3,955.51	-	-	-	-	-	-	-	3,955.51
Other comprehensive income for the year (net of tax)		-	(25.53)	-	-	-	-	(31.23)	14.70	(15.89)	(57.95)
		<b>16,841.43</b>	<b>14,279.19</b>	<b>3,579.75</b>	<b>787.82</b>	<b>9.25</b>	<b>213.17</b>	<b>6.91</b>	<b>(54.22)</b>	<b>(72.52)</b>	<b>35,590.78</b>
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		-	(792.00)	792.00	-	-	-	-	-	-	-
Share based payment to employees - for the year		-	-	-	-	-	124.76	-	-	-	124.76
Received on allotment of shares to Trust for employees pursuant to ESOP scheme		122.80	-	-	-	-	-	-	-	-	122.80
Transfer on allotment of shares to employees pursuant to ESOP scheme		34.14	-	-	-	-	(34.14)	-	-	-	-
Transfer on cancellation of stock options		-	-	-	0.54	-	(0.54)	-	-	-	-
		<b>16,998.37</b>	<b>13,487.19</b>	<b>4,371.75</b>	<b>788.36</b>	<b>9.25</b>	<b>303.25</b>	<b>6.91</b>	<b>(54.22)</b>	<b>(72.52)</b>	<b>35,838.34</b>
Add: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2020		67.04	-	-	-	-	-	-	-	-	67.04
Less: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2021		86.96	-	-	-	-	-	-	-	-	86.96
<b>Balance as at 31 March 2021</b>	24	<b>16,978.45</b>	<b>13,487.19</b>	<b>4,371.75</b>	<b>788.36</b>	<b>9.25</b>	<b>303.25</b>	<b>6.91</b>	<b>(54.22)</b>	<b>(72.52)</b>	<b>35,818.42</b>

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

As per our report of even date

On behalf of the Board of Directors

For Deloitte Haskins & Sells

For G.M. Kapadia & Co

Chartered Accountants

Chartered Accountants

Firm registration number: 302009E

Firm registration number: 104767W

Sandeep Jain  
Chief Financial Officer

Sanjiv Bajaj  
Chairman

Sanjiv V. Pilgaonkar

Rajen Ashar

R Vijay

Rajeev Jain

Partner

Partner

Company Secretary

Managing Director

Membership number: 039826

Membership number: 048243

Pune: 26 April 2022



## Standalone Statement of Cash Flows

Particulars	(₹ in crore)	
	For the year ended 31 March	
	<b>2022</b>	<b>2021</b>
<b>(I) Operating activities</b>		
Profit before tax	8,586.39	5,362.88
Adjustments for:		
Interest income	(23,728.58)	(20,419.10)
Depreciation and amortisation	354.91	302.25
Impairment on financial instruments	4,622.06	5,721.28
Net loss on disposal of property, plant and equipment and intangible assets	24.10	6.41
Finance costs	7,573.13	7,446.39
Share based payment expenses	141.80	111.39
Net gain on fair value changes	(260.43)	(527.72)
Service fees for management of assigned portfolio of loans	(43.38)	(59.55)
Dividend income (₹ 30,750, Previous year ₹ Nil)		-
	(2,730.00)	(2,055.77)
Cash inflow from interest on loans	24,088.20	18,498.14
Cash inflow from service asset	43.54	50.10
Cash outflow towards finance costs	(6,442.14)	(7,354.82)
<b>Cash generated from operation before working capital changes</b>	<b>14,959.60</b>	<b>9,137.65</b>
<b>Working capital changes</b>		
(Increase)/decrease in trade receivables	(323.23)	148.02
(Increase)/decrease in loans	(36,508.06)	(3,680.82)
(Increase)/decrease in other financial assets	22.73	(134.90)
(Increase)/decrease in other non-financial assets	(24.60)	(2.07)
Increase/(decrease) in trade payables	96.27	29.25
Increase/(decrease) in other payables	110.26	11.62
Increase/(decrease) in other financial liabilities	74.43	125.44
Increase/(decrease) in provisions	21.38	23.57
Increase/(decrease) in other non-financial liabilities	116.00	28.70
	(36,414.82)	(3,451.19)
Income tax paid (net of refunds)	(2,339.34)	(1,300.52)
<b>Net cash generated from/(used in) operating activities (I)</b>	<b>(23,794.56)</b>	<b>4,385.94</b>
	Carried forward	(23,794.56)
		4,385.94

## Standalone Statement of Cash Flows (Contd.)

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Brought forward	(23,794.56)	4,385.94
<b>(II) Investing activities</b>		
Purchase of property, plant and equipment and capital work-in-progress	(349.95)	(131.48)
Sale of property, plant and equipment	17.38	9.83
Purchase of intangible assets and intangible assets under development	(246.81)	(160.29)
Purchase of investments measured under amortised cost	(9,466.94)	(500.00)
Sale of investments measured under amortised cost	4,879.41	20.32
Purchase of investments measured under FVOCI	(3,291.40)	(3,004.37)
Sale of investments measured under FVOCI	2,083.84	2,082.54
Purchase of investments measured under FVTPL	(189,911.56)	(212,917.51)
Sale of investments measured under FVTPL	200,408.38	214,980.43
Purchase of equity investments designated under FVOCI	(283.16)	-
Dividend received (₹ 30,750, Previous year ₹ Nil)		-
Interest received on investments	367.31	194.79
Investment in subsidiaries	(400.00)	(150.00)
<b>Net cash generated from investing activities (II)</b>	<b>3,806.50</b>	<b>424.26</b>
<b>(III) Financing activities</b>		
Issue of equity share capital (including securities premium)	172.92	103.21
Share based payment recovered from subsidiary	19.42	20.42
Dividends paid	(602.63)	(2.74)
Payment of lease liability	(93.97)	(78.67)
Deposits received (net)	4,274.07	4,172.75
Short term borrowing availed (net)	3,049.76	1,045.73
Long term borrowing availed	25,661.54	17,416.82
Long term borrowing repaid	(10,966.18)	(26,790.46)
<b>Net cash generated from/(used in) financing activities (III)</b>	<b>21,514.93</b>	<b>(4,112.94)</b>
<b>Net increase in cash and cash equivalents (I+II+III)</b>	<b>1,526.87</b>	<b>697.26</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,371.79</b>	<b>674.53</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,898.66</b>	<b>1,371.79</b>

• The above Statement of Cash Flows has been prepared under the indirect method as set out in Ind AS 7 'Statement of Cash Flows'.

• Components of cash and cash equivalents are disclosed in note no. 5.

As per our report of even date

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

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

On behalf of the Board of Directors

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

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

## 1 Corporate information

Bajaj Finance Ltd. ('the Company', 'BFL') (Corporate ID No.: L65910MH1987PLC042961) is a company limited by shares, incorporated on 25 March 1987 and domiciled in India. The shares of the Company are listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE), India. The Company is mainly engaged in the business of lending. BFL has a diversified lending portfolio across retail, SME and commercial customers with a significant presence in urban and rural India. It also accepts public and corporate deposits and offers variety of financial services products to its customers. The Company has its registered office at Akurdi, Pune, Maharashtra (India). and its principal place of business at 4<sup>th</sup> floor, Bajaj Finserv Corporate Office, Pune, Maharashtra (India). The parent of the Company is Bajaj Finserv Ltd.

The Company is a deposit taking non-banking financial company (NBFC) registered with the Reserve Bank of India (RBI) 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.

Financial statements were subject to review and recommendation of Audit Committee and approval of Board of Directors. On 26 April 2022, Board of Directors of the Company approved and recommended the financial statements for consideration and adoption by the shareholders in its Annual General Meeting.

## 2 Basis of preparation

The financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as 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 Company uses accrual basis of accounting except in case of significant uncertainties [Refer note no. 3.1(i) and 3.1(iii)(a)].

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

The financial statements are prepared on a going concern basis as the Management is satisfied that the Company shall be able to continue its business for the foreseeable future and no material uncertainty exists that may cast significant doubt on the going concern assumption. In making this assessment, the Management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. The COVID-19 pandemic has not affected the going concern assumption of the Company.

### 2.1 Presentation of financial statements

The Company presents its Balance Sheet in the order of liquidity.

The Company prepares and present its Balance Sheet, the Statement of Profit and Loss and the Statement of Changes in Equity in the format prescribed by Division III of Schedule III to the Act. The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 'Statement of Cash Flows'.

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

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

## 2 Basis of preparation (Contd.)

### Critical accounting estimates and judgements:

The preparation of the Company's financial statements requires Management to make use of estimates and judgements. In view of the inherent uncertainties and a level of subjectivity involved in measurement of items, it is possible that the outcomes in the subsequent financial years could differ from 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. 3.15, 47)
- Impairment of financial assets [Refer note no. 3.4(i), 9 and 48]
- Provisions and contingent liabilities (Refer note no. 3.10 and 42)
- Provision for tax expenses (Refer note no. 3.6)

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

Estimates and associated assumptions used for determining the impairment allowance on the Company's financial assets, are based on historical experience and other emerging factors emanating from the COVID-19 pandemic which may also influence the expected credit loss. The Company has used One Time Restructuring (OTR - 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 Company 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.

## 3 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 3.1 Income

#### (i) Interest income

The Company recognises interest income using effective interest rate (EIR) on all financial assets subsequently measured under amortised cost or fair value through other comprehensive income (FVOCI). EIR is calculated by considering all costs and incomes attributable to acquisition of a financial asset or assumption of a financial liability and it represents a rate that exactly discounts estimated future cash payments / receipts through the expected life of the financial asset/ financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. In case of credit-impaired financial assets [as set out in note no. 3.4 (i) regarded as 'Stage 3'], the Company recognises interest income on the amortised cost net of impairment loss of the financial asset at EIR. If the financial asset is no longer credit-impaired [as outlined in note no. 3.4 (i)], the Company reverts to calculating interest income on a gross basis.

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

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

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

### 3 Summary of significant accounting policies (Contd.)

#### (ii) Dividend income

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

#### (iii) Other revenue from operations

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

##### (a) Fees and commission income

The Company recognises service and administration charges towards rendering of additional services to its loan customers on satisfactory completion of service delivery. Bounce charges levied on customers for non payment of instalment on the contractual date is recognised on realisation.

Fees on value added services and products are recognised on rendering of services and products to the customer.

Distribution income is earned by distribution of services and products of other entities under distribution arrangements. The income so earned is recognised on successful distribution on behalf of other entities subject to there being no significant uncertainty of its recovery.

Foreclosure charges are collected from loan customers for early payment / closure of loan and are recognised on realisation.

##### (b) Net gain on fair value changes

The Company designates certain financial assets for subsequent measurement at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The Company recognises gains on fair value change of financial assets measured at FVTPL and realised gains on derecognition of financial asset measured at FVTPL and FVOCI on net basis.

##### (c) Sale of services

The Company, on de-recognition of financial assets where a right to service the derecognised financial assets for a fee is retained, recognises the fair value of future service fee income 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'.

##### (d) Other operating income

The Company recognises income on recoveries of financial assets written off on realisation or when the right to receive the same without any uncertainties of recovery is established.

#### (iv) Taxes

Incomes are recognised net of the goods and services tax, wherever applicable.

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

### 3 Summary of significant accounting policies (Contd.)

#### 3.2 Expenditures

##### (i) Finance costs

Borrowing costs on financial liabilities are recognised using the EIR [refer note no. 3.1(i)].

##### (ii) Fees and commission expense

Fees and commission expenses which are not directly linked to the sourcing of financial assets, such as commission/ incentive incurred on value added services and products distribution, recovery charges and fees payable for management of portfolio etc., are recognised in the Statement of Profit and Loss on an accrual basis.

##### (iii) Other expenses

Expenses are recognised on accrual basis net of the goods and services tax, except where credit for the input tax is not statutorily permitted.

#### 3.3 Cash and cash equivalents

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

#### 3.4 Financial instruments

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

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

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

##### (i) Financial assets

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

##### Initial measurement

All financial assets are recognised initially at fair value including transaction costs that are attributable to the acquisition of financial assets except in the case of financial assets recorded at FVTPL where the transaction costs are charged to profit or loss. Generally, the transaction price is treated as fair value unless proved to the contrary.

##### Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified into four categories as per the Company's Board approved policy:

- (a) Debt instruments at amortised cost
- (b) Debt instruments at FVOCI
- (c) Debt instruments at FVTPL
- (d) Equity instruments designated under FVOCI



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

### 3 Summary of significant accounting policies (Contd.)

#### 3.4 Financial instruments (Contd.)

##### (a) Debt instruments at amortised cost

The Company measures its debt instruments at amortised cost if both the following conditions are met:

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

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

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

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

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

##### (b) Debt instruments at FVOCI

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

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

Debt instruments included within the FVOCI category are measured at each reporting date at fair value with such changes being recognised in other comprehensive income (OCI). The interest income on these assets is recognised in profit or loss. The ECL calculation for debt instruments at FVOCI is explained in subsequent notes in this section.

Debt instruments such as long term investments in Government securities to meet regulatory liquid asset requirement of the Company's deposit program are classified as FVOCI.

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

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

### 3 Summary of significant accounting policies (Contd.)

#### 3.4 Financial instruments (Contd.)

(c) Debt instruments at FVTPL

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

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

(d) Equity investments designated under FVOCI

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

All fair value changes of the equity instruments, excluding dividends, are recognised in OCI and not available for reclassification to profit or loss, even on sale of investments. Equity instruments at FVOCI are not subject to an impairment assessment.

#### **Derecognition of financial assets**

The Company derecognises a financial asset (or, where applicable, a part of a financial asset) when:

- The right to receive cash flows from the asset has expired; or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under an assignment arrangement and the Company has transferred substantially all the risks and rewards of the asset.

Once the asset is derecognised, the Company does not have any continuing involvement in the same.

The Company transfers its financial assets through the partial assignment route and accordingly derecognises the transferred portion as it neither has any continuing involvement in the same nor does it retain any control. If the Company retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. A service liability in respect of a service is recognised at fair value if the fee to be received is not expected to compensate the Company adequately for performing the service. If the fees to be received is expected to be more than adequate compensation for the servicing, a service asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

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

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

Financial assets subsequently measured at amortised cost are generally held for collection of contractual cashflow. The Company on looking at economic viability of certain portfolios

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

### 3 Summary of significant accounting policies (Contd.)

#### 3.4 Financial instruments (Contd.)

measured at amortised cost may enter into immaterial and infrequent transaction for sale of portfolios which doesn't affect the business model of the Company.

##### Reclassification of financial assets

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

##### 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 Company may apply enforcement activities to certain qualifying financial assets written off.

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

###### (a) Credit impaired (stage 3)

The Company recognises a financial asset to be credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- Contractual payments of principal and/or interest are past due for more than 90 days;
- The loan is otherwise considered to be in default.

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

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

### 3 Summary of significant accounting policies (Contd.)

#### 3.4 Financial instruments (Contd.)

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 Company 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 Company 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 Company has ascertained default possibilities on past behavioural trends witnessed for each homogenous portfolio using application/behavioural score cards and other performance indicators, determined statistically.

##### (d) Measurement of ECL

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

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

### 3 Summary of significant accounting policies (Contd.)

#### 3.4 Financial instruments (Contd.)

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

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

The Company recalibrates above components of its ECL model on a periodical basis by using the available incremental and recent information, except where this information does not represent the future outcome. Further, the Company 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 Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables and other financial assets. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. The Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables and other financial assets. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and other financial assets and is adjusted for forward-looking estimates. At every reporting date, the historically observed default rates are updated for changes in the forward looking estimates.

#### (ii) Financial liabilities

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

##### Initial measurement

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade payables, other payables, debt securities and other borrowings.

##### Subsequent measurement

After initial recognition, all financial liabilities are subsequently measured at amortised cost using the EIR method [Refer note no 3.1(i)]. Any gains or losses arising on derecognition of liabilities are recognised in the Statement of Profit and Loss.

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

### 3 Summary of significant accounting policies (Contd.)

#### 3.4 Financial instruments (Contd.)

##### Derecognition

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

##### (iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet only if there is an enforceable legal right to offset the recognised amounts with an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

#### 3.5 Investment in subsidiaries

Investment in subsidiaries is recognised at cost and are not adjusted to fair value at the end of each reporting period as allowed by Ind AS 27 'Separate financial statement'. Cost of investment represents amount paid for acquisition of the said investment.

The Company assesses at the end of each reporting period if there are any indications of impairment on such investments. If so, the Company estimates the recoverable value/amount of the investment and provides for impairment, if any i.e. the deficit in the recoverable value over cost.

#### 3.6 Taxes

##### (i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS) prescribed therein. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in OCI or directly in other equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### (ii) Deferred tax

Deferred tax is recognised using the Balance Sheet approach on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets, if any, are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or in other equity.



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

### 3 Summary of significant accounting policies (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.

#### 3.7 Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition less accumulated depreciation and impairment losses, if any, consistent with the criteria specified in Ind AS 16 'Property, plant and equipment'.

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 Company and the cost of the item can be measured reliably.

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

##### Depreciation on property, plant and equipment:

- (a) Depreciation is provided on a 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 Company and as indicated in Schedule II are listed below:

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

- (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 standalone financial statements for the year ended 31 March 2022 (Contd.)

### 3 Summary of significant accounting policies (Contd.)

#### 3.8 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 Company 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 Company 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 Company. 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.

#### 3.9 Impairment of non-financial assets

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

#### 3.10 Provisions and contingent liabilities

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

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

#### 3.11 Foreign currency translation

##### Initial recognition

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

##### Conversion

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

##### Exchange differences

All exchange differences are accounted in the Statement of Profit and Loss or other comprehensive income as permitted under the relevant Ind AS.

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

### 3 Summary of significant accounting policies (Contd.)

#### 3.12 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 Company, into an entity, or fund from which the employee benefits are paid. The Company is liable to make differential payment for any shortfall between defined benefit payments and the contribution made by the Company.

##### *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 Company contributes into following schemes under defined contribution plans:

##### *Superannuation*

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

##### *Provident fund*

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

##### *Employees' state insurance*

The Company 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 Company. The liability for accumulated leaves which can be availed and/or encashed at any time during the tenure of employment is recognised using the projected unit credit method at the actuarially determined value by an appointed actuary. The liability for accumulated leaves which is eligible for encashment within the same calendar year is provided for at prevailing salary rate for the entire unavailed leave balance as at the Balance Sheet date.

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

### 3 Summary of significant accounting policies (Contd.)

#### 3.12 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.

#### 3.13 Employee stock option scheme

The Company operates an Employee Stock Option Scheme for its employees and employees of its subsidiaries through a trust formed for the purpose. Equity shares are issued to the trust on the basis of the Company's expectation of the number of options that may be exercised by employees.

The 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 Company'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 fulfillment of service conditions.

Service conditions are not taken into account while determining the grant date fair value of options, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest.

The balance equity shares not exercised and held by the trust are disclosed as a reduction from the share capital and securities premium account with an equivalent adjustment to the subscription loan advanced to the Trust.

#### 3.14 Leases

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

##### Measurement of lease liability

At the time of initial recognition, the Company measures lease liability as present value of all lease payments discounted using the Company's incremental cost of borrowing and directly attributable costs. Subsequently, the lease liability is –

- (i) increased by interest on lease liability;
- (ii) reduced by lease payments made; and
- (iii) remeasured to reflect any reassessment or lease modifications specified in Ind AS 116 'Leases', or to reflect revised fixed lease payments.

##### Measurement of Right-of-use assets

At the time of initial recognition, the Company measures 'Right-of-use assets' as present value of all lease payments discounted using the Company's incremental cost of borrowing w.r.t said lease contract. Subsequently, 'Right-of-use assets' is measured using cost model i.e. at cost less any accumulated

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

### 3 Summary of significant accounting policies (Contd.)

#### 3.14 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 Company, wherever applicable.

#### 3.15 Fair value measurement

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

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

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

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

For assets and liabilities that are fair valued in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

#### 3.16 Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held by the Company are Cross Currency Interest Rate Swaps (CCIRS). Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each Balance Sheet date. The resulting gains/losses are 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 Company designates its CCIRS derivatives as cash flow hedges of a recognised liability. The 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 Company makes use of derivative instruments to manage exposures to interest rate risk and foreign currency risk. In order to manage particular risks, the Company applies hedge accounting for transactions that meet specified criteria.

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

### 3 Summary of significant accounting policies (Contd.)

#### 3.16 Derivative financial instruments (Contd.)

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging/economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Company would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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.

#### 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 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 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.



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

#### 4 Change in accounting estimates

- During the year ended 31 March 2022, the Company has revised its estimate with respect to write off for certain overdue positions based on assessment of recoverability. Had the 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 Company 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 Company 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 issued the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from 1 April 2022, as below:

##### Ind AS 103 – Reference to Conceptual Framework

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

##### Ind AS 16 – Proceeds before intended use

The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Company does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

##### Ind AS 37 – Onerous Contracts – Costs of Fulfilling a Contract

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

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

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

##### 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 Company does not expect the amendment to have any significant impact in its financial statements.

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

## 5 Cash and cash equivalents

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Cash on hand	53.72	56.84
Balance with banks:		
In current accounts	586.93	1,014.75
In fixed deposits (with original maturity of 3 months or less)	2,258.01	300.20
	2,898.66	1,371.79

## 6 Bank balances other than cash and cash equivalents

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Fixed deposits (with original maturity more than 3 months)	0.28	0.02
Earmarked balance with banks:		
Against matured fixed deposits	-	0.01
Against unclaimed dividend	1.79	2.08
	2.07	2.11

## 7 Derivative financial instruments (at FVTPL)

Particulars	(₹ in crore)		
	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

Particulars	(₹ in crore)		
	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 Company has a Board approved policy for entering into derivative transactions. Derivative transactions comprise of currency and interest rate swaps. The Company undertakes such transactions for hedging borrowings. The Asset Liability Management Committee periodically monitors and reviews the risk involved. Refer note no. 48(b)(iii) for foreign currency risk.

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

**8 Trade receivables**

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Considered good - unsecured		
Interest subsidy	677.16	440.07
Fees, commission and others	237.92	167.46
Service asset	102.03	102.19
	1,017.11	709.72

- Impairment allowance recognised on trade receivables is ₹ Nil (Previous year: ₹ Nil).

- No trade receivables are due from directors or other officers of the Company either severally or jointly with any other person.

- No trade receivables are due from firms or private companies respectively in which any director is a partner, a director or a member.

**Trade receivables aging as at 31 March 2022**

Particulars	(₹ in crore)							Total
	Outstanding from due date of payment							
	Not due	Unbilled due	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed trade receivables - considered good	666.41	-	350.70	-	-	-	-	1,017.11

**Trade receivables aging as at 31 March 2021**

Particulars	(₹ in crore)							Total
	Outstanding from due date of payment							
	Not due	Unbilled due	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
Undisputed trade receivables - considered good	446.63	-	263.09	-	-	-	-	709.72

Notes to standalone 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
<b>(A) Term loans*</b>	148,213.09	-	148,213.09	117,042.09	-	117,042.09
Less: Impairment loss allowance	3,936.84	-	3,936.84	3,952.15	-	3,952.15
Total (A)	144,276.25	-	144,276.25	113,089.94	-	113,089.94
<b>(B) Out of above</b>						
<b>(I) Secured by tangible assets</b>						
Against hypothecation of automobiles, equipments, durables, plant and machinery, equitable mortgage of immovable property and pledge of securities etc.	63,348.01	-	63,348.01	54,158.33	-	54,158.33
Less: Impairment loss allowance	1,666.72	-	1,666.72	1,798.50	-	1,798.50
Total (I)	61,681.29	-	61,681.29	52,359.83	-	52,359.83
<b>(II) Unsecured</b>	84,865.08	-	84,865.08	62,883.76	-	62,883.76
Less: Impairment loss allowance	2,270.12	-	2,270.12	2,153.65	-	2,153.65
Total (II)	82,594.96	-	82,594.96	60,730.11	-	60,730.11
Total (B) = (I+II)	144,276.25	-	144,276.25	113,089.94	-	113,089.94
<b>(C) Out of above</b>						
<b>(I) Loans in India</b>						
(i) Public sector	-	-	-	-	-	-
Less: Impairment loss allowance	-	-	-	-	-	-
Sub-total (i)	-	-	-	-	-	-
(ii) Others	148,213.09	-	148,213.09	117,042.09	-	117,042.09
Less: Impairment loss allowance	3,936.84	-	3,936.84	3,952.15	-	3,952.15
Sub-total (ii)	144,276.25	-	144,276.25	113,089.94	-	113,089.94
Total (I) = (i+ii)	144,276.25	-	144,276.25	113,089.94	-	113,089.94
<b>(II) Loans outside India</b>	-	-	-	-	-	-
Total (C) = (I+II)	144,276.25	-	144,276.25	113,089.94	-	113,089.94

\*Includes receivables from related parties ₹ 50.01 crore (Previous year ₹ Nil)

Notes to standalone 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	141,969.01	3,256.94	2,987.14	148,213.09	108,365.09	6,065.35	2,611.65	117,042.09
Less: Impairment loss allowance	1,246.44	951.24	1,739.16	3,936.84	967.30	1,435.16	1,549.69	3,952.15
Net carrying amount	140,722.57	2,305.70	1,247.98	144,276.25	107,397.79	4,630.19	1,061.96	113,089.94

**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	108,365.09	967.30	6,065.35	1,435.16	2,611.65	1,549.69	117,042.09	3,952.15
Transfers during the year								
transfers to stage 1	854.09	144.06	(780.38)	(118.86)	(73.71)	(25.20)	-	-
transfers to stage 2	(2,489.81)	(23.18)	2,534.06	36.78	(44.25)	(13.60)	-	-
transfers to stage 3	(3,860.16)	(80.73)	(3,557.35)	(765.48)	7,417.51	846.21	-	-
	(5,495.88)	40.15	(1,803.67)	(847.56)	7,299.55	807.41	-	-
Impact of changes in credit risk on account of stage movements	-	(203.73)	-	320.99	-	5,181.67	-	5,298.93
Changes in opening credit exposures (repayments net of additional disbursements)	(49,764.01)	(107.01)	(1,485.13)	(99.96)	(2,767.89)	(1,498.90)	(54,017.03)	(1,705.87)
New credit exposures during the year, net of repayments	88,863.81	549.73	480.39	142.61	581.91	437.37	89,926.11	1,129.71
Amounts written off during the year	-	-	-	-	(4,738.08)	(4,738.08)	(4,738.08)	(4,738.08)
As at 31 March 2022	141,969.01	1,246.44	3,256.94	951.24	2,987.14	1,739.16	148,213.09	3,936.84

## Notes to standalone 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	111,827.03	1,623.32	2,854.48	564.20	2,339.31	1,416.22	117,020.82	3,603.74
Transfers during the year								
transfers to stage 1	268.32	42.37	(223.21)	(27.27)	(45.11)	(15.10)	-	-
transfers to stage 2	(4,704.59)	(63.18)	4,735.07	73.72	(30.48)	(10.54)	-	-
transfers to stage 3	(5,487.64)	(87.52)	(1,534.28)	(321.82)	7,021.92	409.34	-	-
	(9,923.91)	(108.33)	2,977.58	(275.37)	6,946.33	383.70	-	-
Impact of changes in credit risk on account of stage movements	-	(933.23)	-	1,039.84	-	4,750.79	-	4,857.40
Changes in opening credit exposures (repayments net of additional disbursements)	(56,194.27)	(133.87)	(750.41)	(192.76)	(2,070.72)	(196.78)	(59,015.40)	(523.41)
New credit exposures during the year, net of repayments	62,656.24	519.41	983.70	299.25	939.48	738.51	64,579.42	1,557.17
Amounts written off during the year	-	-	-	-	(5,542.75)	(5,542.75)	(5,542.75)	(5,542.75)
As at 31 March 2021	108,365.09	967.30	6,065.35	1,435.16	2,611.65	1,549.69	117,042.09	3,952.15

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

Particulars	For the year ended 31 March	
	2022	2021
(i) Net impairment loss allowance (release)/charge for the year	(15.31)	348.41
(ii) Amounts written off during the year	4,738.08	5,542.75
Impairment on loans	4,722.77	5,891.16
Less: Claimable amount under CGTMSE and ECLGS scheme	101.55	195.60
Add: Impairment on other assets	0.84	25.72
Impairment on financial instruments	4,622.06	5,721.28



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

**10 Investments**

Particulars	(₹ in crore)	
	As at 31 March	
	<b>2022</b>	<b>2021</b>
<b>(A) At amortised cost</b>		
In fixed deposits	-	508.88
In Government securities#*	5,125.74	-
Total (A)	5,125.74	508.88
*includes ₹ 3,268.03 crore (Previous year ₹ Nil) pledged in favour of Credit Corporation of India Ltd. for triparty repo dealing and settlement (TREPs)		
<b>(B) At fair value through other comprehensive income</b>		
(i) In Government securities*	4,894.17	3,708.39
Add: Fair value gain/(losses)	(14.03)	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 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 triparty 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
<b>(C) At fair value through profit or loss</b>		
(i) In mutual funds	3.07	8,152.86
Add: Fair value gains/(losses)	0.03	24.28
Sub-total (i)	3.10	8,177.14
(ii) In Government securities#	-	2,096.88
Add: Fair value gains/(losses)	-	0.23
Sub-total (ii)	-	2,097.11
Total (C) = (i+ii)	3.10	10,274.25
<b>(D) At cost</b>		
Investment in subsidiaries#		
Bajaj Housing Finance Ltd.	5,028.00	5,028.00
Bajaj Financial Securities Ltd.	670.38	270.38
Total (D)	5,698.38	5,298.38
Total (A+B+C+D)	16,371.82	20,169.12

Particulars	(₹ in crore)	
	As at 31 March	
	<b>2022</b>	<b>2021</b>
<b>Out of above</b>		
In India	16,371.82	20,169.12
Outside India	-	-
	16,371.82	20,169.12

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

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

## 11 Other financial assets

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Security deposits	66.45	54.35
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	51.82	25.40
	464.44	487.13

- Impairment allowance recognised on other financial assets is ₹ Nil (Previous year: ₹ Nil).

## 12 Deferred tax assets (net)

### Reconciliation of tax expenses and profit before tax multiplied by corporate tax rate

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Profit before tax	8,586.39	5,362.88
At corporate tax rate of 25.17% (Previous year 25.17%)	2,161.19	1,349.84
Tax on expenditure not considered for tax provision (net of allowance)	79.58	63.56
Tax benefit on additional deductions	(4.87)	(6.03)
Tax expense (effective tax rate of 26.04%, Previous year 26.24%)	2,235.90	1,407.37

### Deferred tax assets (net) recorded in Balance Sheet

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Deferred tax relates to the following:		
<b>(a) Deferred tax assets</b>		
Depreciation and amortisation	3.29	-
Disallowance u/s 43B of the Income Tax Act, 1961	41.83	34.09
Impairment of financial instruments	869.21	869.21
EIR impact on financial instruments measured at amortised cost	2.45	5.72
Cash flow hedge reserve	3.34	24.40
Changes in fair value of FVOCI equity instruments	4.23	7.01
Lease liability	9.44	8.01
Changes in fair value of FVOCI debt securities	3.53	-
Other temporary differences	-	7.65
Gross deferred tax assets (a)	937.32	956.09

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

## 12 Deferred tax assets (net) (Contd.)

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

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>(b) Deferred tax liabilities</b>		
Depreciation and amortisation	-	0.35
Service fees for management of assigned portfolio of loans	25.68	25.72
Unrealised net gain on fair value changes	-	6.15
Changes in fair value of FVOCI debt securities	-	2.33
Other temporary differences	3.24	2.33
Gross deferred tax liabilities (b)	28.92	36.88
Deferred tax assets/(liabilities), net (a-b)	908.40	919.21

### Changes in deferred tax recorded in profit or loss

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Deferred tax relates to the following:		
Disallowance u/s 43B of the Income Tax Act, 1961	(6.67)	(4.65)
Impairment on financial instruments	-	(72.75)
Depreciation and amortisation	(3.64)	(1.82)
EIR impact on financial instruments measured at amortised cost	3.27	9.51
Service fees for management of assigned portfolio of loans	(0.04)	-
Unrealised net gain on fair value changes	(6.15)	(2.73)
Lease liability	(1.43)	(3.89)
Other temporary differences	8.56	13.00
	(6.10)	(63.33)

### Changes in deferred tax recorded in other comprehensive income

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	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	(1.08)	(8.59)
Cash flow hedge reserve	21.06	(5.35)
Changes in fair value of FVOCI equity instruments	2.78	16.17
	16.90	(8.27)

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

**13 (A) Property, plant and equipment and 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
<b>Property, plant and equipment (a)</b>									
Freehold land (b) (e)	105.47	91.12	-	196.59	-	-	-	-	196.59
Buildings (c) (e)	211.10	34.71	-	245.81	62.52	-	3.02	65.54	180.27
Computers	232.63	92.97	35.01	290.59	126.23	22.85	50.02	153.40	137.19
Office equipment	196.71	13.50	4.21	206.00	108.17	4.02	32.41	136.56	69.44
Furniture and fixtures	207.77	10.45	30.93	187.29	77.45	2.19	6.05	81.31	105.98
Vehicles	87.26	54.10	14.40	126.96	31.32	7.89	11.98	35.41	91.55
Leasehold improvements	178.98	34.79	1.02	212.75	118.63	0.99	55.61	173.25	39.50
Right-of-use - Premises (e)	394.85	198.43	63.04	530.24	138.63	55.98	98.88	181.53	348.71
Right-of-use - Server	29.27	5.00	4.12	30.15	8.65	4.12	5.08	9.61	20.54
<b>Sub-total</b>	<b>1,644.04</b>	<b>535.07</b>	<b>152.73</b>	<b>2,026.38</b>	<b>671.60</b>	<b>98.04</b>	<b>263.05</b>	<b>836.61</b>	<b>1,189.77</b>
Capital work-in-progress	7.07	6.20	-	13.27	-	-	-	-	13.27
<b>Sub-total</b>	<b>7.07</b>	<b>6.20</b>	<b>-</b>	<b>13.27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13.27</b>
<b>Intangible assets (d)</b>									
Computer softwares	494.09	127.18	123.05	498.22	239.33	97.43	83.10	225.00	273.22
Internally generated software (f)	-	144.21	-	144.21	-	-	8.76	8.76	135.45
<b>Sub-total</b>	<b>494.09</b>	<b>271.39</b>	<b>123.05</b>	<b>642.43</b>	<b>239.33</b>	<b>97.43</b>	<b>91.86</b>	<b>233.76</b>	<b>408.67</b>
Intangible assets under development	43.99	19.41	43.99	19.41	-	-	-	-	19.41
<b>Sub-total</b>	<b>43.99</b>	<b>19.41</b>	<b>43.99</b>	<b>19.41</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19.41</b>
<b>Total</b>	<b>2,189.19</b>	<b>832.07</b>	<b>319.77</b>	<b>2,701.49</b>	<b>910.93</b>	<b>195.47</b>	<b>354.91</b>	<b>1,070.37</b>	<b>1,631.12</b>

**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
<b>Property, plant and equipment (a)</b>									
Freehold land (b) (e)	100.87	4.60	-	105.47	-	-	-	-	105.47
Buildings (c) (e)	211.76	-	0.66	211.10	60.03	0.35	2.84	62.52	148.58
Computers	217.70	40.09	25.16	232.63	109.85	18.23	34.61	126.23	106.40
Office equipment	191.77	17.02	12.08	196.71	87.02	10.87	32.02	108.17	88.54
Furniture and fixtures	206.74	18.59	17.56	207.77	69.54	11.41	19.32	77.45	130.32
Vehicles	73.76	23.12	9.62	87.26	31.19	7.22	7.35	31.32	55.94
Leasehold improvements	158.77	21.24	1.03	178.98	81.95	1.08	37.76	118.63	60.35
Right-of-use - Premises (e)	339.61	86.23	30.99	394.85	70.58	22.22	90.27	138.63	256.22
Right-of-use - Server	29.77	-	0.50	29.27	4.43	0.34	4.56	8.65	20.62
<b>Sub-total</b>	<b>1,530.75</b>	<b>210.89</b>	<b>97.60</b>	<b>1,644.04</b>	<b>514.59</b>	<b>71.72</b>	<b>228.73</b>	<b>671.60</b>	<b>972.44</b>
Capital work-in-progress	-	7.07	-	7.07	-	-	-	-	7.07
<b>Sub-total</b>	<b>-</b>	<b>7.07</b>	<b>-</b>	<b>7.07</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.07</b>
<b>Intangible assets (d)</b>									
Computer softwares	378.01	116.30	0.22	494.09	166.03	0.22	73.52	239.33	254.76
<b>Sub-total</b>	<b>378.01</b>	<b>116.30</b>	<b>0.22</b>	<b>494.09</b>	<b>166.03</b>	<b>0.22</b>	<b>73.52</b>	<b>239.33</b>	<b>254.76</b>
Intangible assets under development (f)	-	43.99	-	43.99	-	-	-	-	43.99
<b>Sub-total</b>	<b>-</b>	<b>43.99</b>	<b>-</b>	<b>43.99</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43.99</b>
<b>Total</b>	<b>1,908.76</b>	<b>378.25</b>	<b>97.82</b>	<b>2,189.19</b>	<b>680.62</b>	<b>71.94</b>	<b>302.25</b>	<b>910.93</b>	<b>1,278.26</b>

(a) See note no. 3.7 and 3.14

(b) Represents share in undivided portion of land on purchase of office premises.

(c) Includes cost of shares in co-operative society of ₹ 500 (Previous year ₹ 500).

(d) See note no. 3.8

(e) Title deeds of all immovable properties and lease agreements for all the leased premises are held in the name of the Company.

(f) Includes employees emoluments of ₹ 53.59 crore (Previous year ₹ 28.50 crore).

Notes to standalone 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	19.41	-	-	-	19.41

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 Company 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	39.55	-
Deposits against appeals	40.09	20.08
Advances to suppliers and others	85.71	81.12
	165.35	101.20

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

## 15 Payables

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>(I) Trade payables</b>		
Total outstanding dues of micro enterprises and small enterprises (MSME)#	-	0.27
Total outstanding dues of creditors other than micro enterprises and small enterprises	762.58	666.04
	<b>762.58</b>	<b>666.31</b>
<b>(II) Other payables</b>		
Total outstanding dues of micro enterprises and small enterprises#	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	301.34	191.08
	<b>301.34</b>	<b>191.08</b>

# Based on and to the extent of information received by the Company from the suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) and relied upon by the auditors, the relevant particulars as at the year end are furnished below:

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Principal amount due to suppliers under MSMED Act, as at the year end (since paid)	-	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	176.80	28.64
Interest paid to suppliers under MSMED Act (other than Section 16)	-	-
Interest paid to suppliers under MSMED Act (Section 16)	0.95	0.31
Interest due and payable to suppliers under MSMED Act, for payments already made	-	-
Interest accrued and remaining unpaid at the year end to suppliers under MSMED Act (since paid)	-	-

### Trade payables aging as at 31 March 2022

Particulars	(₹ in crore)						
	Outstanding from due date of payment						
	Not due	Unbilled due	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
(i) MSME	-	-	-	-	-	-	-
(ii) Others	39.31	610.55	112.14	0.45	0.13	-	762.58
	<b>39.31</b>	<b>610.55</b>	<b>112.14</b>	<b>0.45</b>	<b>0.13</b>	<b>-</b>	<b>762.58</b>



Notes to standalone 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				Total
			Less than 1 year	1-2 years	2-3 years	More than 3 years	
(i) MSME	-	-	0.27	-	-	-	0.27
(ii) Others	28.80	499.66	135.03	1.09	0.41	1.05	666.04
	28.80	499.66	135.30	1.09	0.41	1.05	666.31

## 16 Debt securities

(₹ in crore)

Particulars	As at 31 March	
	2022	2021
<b>(A) At amortised cost</b>		
<b>(I) Secured*</b>		
Privately placed redeemable non-convertible debentures	47,288.30	33,055.89
Sub-total (I)	47,288.30	33,055.89
<b>(II) Unsecured</b>		
Privately placed partly paid redeemable non-convertible debentures	5,320.23	4,164.24
Borrowings by issue of commercial papers	6,426.05	5,851.58
Sub-total (II)	11,746.28	10,015.82
Total (I + II)	59,034.58	43,071.71
<b>(B) Out of above</b>		
In India	59,034.58	43,071.71
Outside India	-	-
	59,034.58	43,071.71

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

Notes to standalone 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	2,106.27	6,168.41	-	-	8,274.68
731-1095	6,367.32	2,329.20	2,432.96	-	11,129.48
1096-1460	2,456.75	270.23	3,450.62	-	6,177.60
More than 1460	337.00	1,989.71	4,225.00	12,112.71	18,664.42
Issued at par and redeemable at premium					
731-1095	960.12	1,013.98	-	-	1,974.10
1096-1460	3,090.56	80.05	-	-	3,170.61
More than 1460	3.80	-	-	406.00	409.80
Interest accrued	2,802.84	38.73	-	3.22	2,844.79
Impact of EIR					(36.95)
					52,608.53

- 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 ₹ 5,320.23 crore  
- Amount to be called and paid is ₹ 915 crore in Nov 2022

### 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	-	6,380.07	2,325.00	-	8,705.07
1096-1460	425.00	2,462.27	270.40	1,500.06	4,657.73
More than 1460	1,118.50	337.00	1,994.79	11,606.29	15,056.58
Issued at par and redeemable at premium					
731-1095	-	960.12	-	-	960.12
1096-1460	619.70	3,090.56	75.00	-	3,785.26
More than 1460	18.50	3.80	-	-	22.30
Interest accrued	1184.61	798.44	2.79	-	1,985.84
Impact of EIR					(60.52)
					37,220.13

- Interest rate ranges from 4.66% to 9.36% as at 31 March 2021  
- As at 31 March 2021, partly called and paid unsecured debentures are of ₹ 4,164.24 crore.  
- Amount to be called and paid is ₹ 200 crore in Jun 2021  
- Amount to be called and paid is ₹ 915 crore each in Nov 2021 and Nov 2022

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

## 16 Debt securities (Contd.)

### (D) Terms of repayment of commercial papers

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Issued at discount and redeemable at par with original maturity up to 365 days		
- Due within 1 year	6,426.60	5,852.29
Impact of EIR	(0.55)	(0.71)
	6,426.05	5,851.58

- Interest rate ranges from 4.05% to 4.90% 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 ₹ 6,475 crore (Previous year ₹ 5,930 crore)

## 17 Borrowings (other than debt securities)

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>(A) In India</b>		
At amortised cost:		
Term loans from banks	21,308.08	21,061.64
Cash credit / Overdraft facility	290.70	-
Working capital demand loans	750.00	250.00
Triparty repo dealing and settlement (TREPs) against Government securities	1,999.16	299.97
	24,347.94	21,611.61
<b>Outside India</b>		
External commercial borrowing (ECB)*	5,522.44	5,468.64
	5,522.44	5,468.64
<b>(B) Out of above</b>		
Secured (Against hypothecation of loans, book debts and other receivables)	29,870.38	27,080.25
Unsecured	-	-
	29,870.38	27,080.25

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

The Company has not been declared a Wilful Defaulter 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 standalone 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
<b>Quarterly</b>									
Up to 1095	14	1,381.82	10	1,090.90	-	-	-	-	2,472.72
1096-1460	6	151.25	5	140.00	8	440.00	-	-	731.25
More than 1460	33	2,024.51	37	2,015.16	24	845.00	20	419.38	5,304.05
<b>Half yearly</b>									
More than 1460	20	1,013.90	19	1,116.45	17	966.45	33	2,528.20	5,625.00
<b>Yearly</b>									
More than 1460	11	895.00	10	907.50	7	629.58	4	366.67	2,798.75
<b>On maturity (Bullet)</b>									
Up to 1095	-	-	2	750.00	-	-	-	-	750.00
1096-1460	-	-	1	500.00	5	2,670.00	-	-	3,170.00
More than 1460	2	465.00	-	-	-	-	-	-	465.00
Interest accrued	-	0.99	-	-	-	-	-	-	0.99
Impact of EIR	-	-	-	-	-	-	-	-	(9.68)
									21,308.08

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

### 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		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
<b>Quarterly</b>									
Up to 1095	16	1,456.82	17	1,744.32	10	1,090.90	-	-	4,292.04
1096-1460	12	462.50	4	131.25	1	100.00	4	400.00	1,093.75
More than 1460	34	2,191.04	32	1,941.04	26	1,779.40	13	655.00	6,566.48
<b>Half yearly</b>									
1096-1460	1	125.00	-	-	-	-	-	-	125.00
More than 1460	20	1,200.00	11	625.00	7	450.00	5	300.00	2,575.00
<b>Yearly</b>									
More than 1460	8	661.25	10	795.00	9	807.50	5	446.25	2,710.00
<b>On maturity (Bullet)</b>									
Up to 1095	-	-	-	-	1	250.00	-	-	250.00
1096-1460	1	500.00	-	-	2	1,250.00	-	-	1,750.00
More than 1460	1	1,250.00	2	465.00	-	-	-	-	1,715.00
Interest accrued	-	0.93	-	-	-	-	-	-	0.93
Impact of EIR	-	-	-	-	-	-	-	-	(16.56)
									21,061.64

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

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

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

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

Particulars	As at 31 March 2022		As at 31 March 2021	
	No. of Installments	₹ in crore	No. of Installments	₹ in crore
<b>On maturity (Bullet)</b>				
Up to 365	3	750.00	3	250.00
	3	750.00	3	250.00

- 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		As at 31 March 2021	
	No. of Installments	₹ in crore	No. of Installments	₹ in crore
<b>On maturity (Bullet)</b>				
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%)

### (F) Terms of repayment of external commercial borrowing 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
	No. of instalments	₹ in crore	No. of instalments	₹ in crore	No. of instalments	₹ in crore	No. of instalments	₹ in crore	₹ in crore
<b>On maturity (Bullet)</b>									
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

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
	No. of instalments	₹ in crore	No. of instalments	₹ in crore	No. of instalments	₹ in crore	No. of instalments	₹ in crore	₹ in crore
<b>On maturity (Bullet)</b>									
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

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

## 18 Deposits (Unsecured)

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>(A) At amortised cost</b>		
Public deposits*	21,184.46	18,961.23
From others	9,105.06	6,842.20
	<b>30,289.52</b>	<b>25,803.43</b>

\* 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 unpaid to Investor Education and Protection Fund as at the end of the year.

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

Original maturity of deposits (In no. of days)	(₹ in crore)				
	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
366-730	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)
					<b>21,184.46</b>

### Terms of repayment of public deposits as at 31 March 2021

Original maturity of deposits (In no. of days)	(₹ in crore)				
	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
366-730	3,462.08	1,080.58	-	-	4,542.66
731-1095	645.26	292.30	2,454.24	-	3,391.80
More than 1095	2,603.09	4,200.68	1,215.48	2,366.75	10,386.00
Interest accrued	331.00	260.77	68.88	59.60	720.25
Impact of EIR					(79.48)
					<b>18,961.23</b>



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

## 18 Deposits (Unsecured) (Contd.)

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

Original maturity of deposits (In no. of days)	(₹ in crore)				
	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Up to 365	594.33	-	-	-	594.33
366-730	5,923.01	1,644.53	-	-	7,567.54
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)
					9,105.06

- Interest rates range from 4% p.a. to 9.30% p.a. as at 31 March 2022

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

Original maturity of deposits (In no. of days)	(₹ in crore)				
	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

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

## 19 Subordinated debts (Unsecured)

(₹ in crore)

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

### (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 1825	207.10	50.00	452.50	2,950.00	3,659.60
Interest accrued	198.36	-	-	-	198.36
Impact of EIR					(12.19)
					<u>3,845.77</u>

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

### 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)
					<u>3,898.61</u>

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

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

## 20 Other financial liabilities

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Unclaimed dividends*	1.79	2.08
Security deposits	147.43	141.15
Lease liability <sup>+</sup>	406.76	308.67
Payable to assignment partners	30.20	40.57
Outstanding liability for Prepaid instrument	22.96	-
Unspent CSR liability	60.88	-
Others	292.69	298.01
	<b>962.71</b>	<b>790.48</b>

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

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

#### (A) Lease liability movement

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Opening Balance	308.67	310.74
Add: Addition during the year	203.43	86.23
Interest on Lease liability	27.91	26.60
Less: Deletion during the year	11.37	9.63
Lease rental payments	121.88	105.27
Balance at the end of the year	<b>406.76</b>	<b>308.67</b>

(B) Lease rentals of ₹ 14.16 crore (Previous year ₹ 7.92 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

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Not later than one year	122.25	104.83
Later than one year but not later than five years	316.61	227.93
Later than five years	41.13	43.28
	<b>479.99</b>	<b>376.04</b>

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

## 20 Other financial liabilities (Contd.)

### (D) Maturity analysis of lease liability

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Within 12 months	96.29	78.36
After 12 months	310.47	230.31

## 21 Provisions

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Provision for employee benefits		
Gratuity	117.29	94.26
Compensated absences*	22.64	18.53
Provident fund	-	5.10
Other long term service benefits	22.31	18.67
	162.24	136.56

\* includes amount payable for encashable leaves not permitted to be carried forward of ₹ 9.80 crore (Previous year ₹ 7.17 crore).

## 22 Other non-financial liabilities

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Statutory dues	455.32	335.20
Others	56.41	60.53
	511.73	395.73

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

## 23 Equity share capital

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>Authorised</b>		
750,000,000 (750,000,000) equity shares of ₹ 2 each	150.00	150.00
<b>Issued</b>		
605,429,233 (602,587,339) equity shares of ₹ 2 each	121.09	120.52
<b>Subscribed and paid up</b>		
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
<b>As at 31 March 2021</b>	<b>601,565,625</b>	<b>120.32</b>
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
<b>As at 31 March 2022</b>	<b>603,279,841</b>	<b>120.66</b>

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

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

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

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 standalone 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 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)

Promoter Name	As at 31 March 2022		As at 31 March 2021		% Changes during the year	% Changes during the previous year
	Nos.	% Holding	Nos.	% Holding		
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 standalone 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	No. of Stock options/ Equity shares as at
	31 March 2022	31 March 2021
a. Number of equity shares approved/reserved for issue under Employee Stock Option Plan, 2009 to employees of the Company drawn in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (SEBI Guidelines) (i.e. 5% of the then subscribed and paid up share capital)	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 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 Company do not accrete to unexercised options. Accordingly, any dividend received by the ESOP trust is remitted to the Company and adjusted against the source from which dividend has been paid.

## 24 Other equity

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>(i) Securities premium</b>		
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 ESOP scheme	369.45	122.80
On allotment of shares to employees pursuant to ESOP scheme	66.75	34.14
	17,501.61	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	17,217.78	16,978.45

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

**24 Other equity** (Contd.)

Particulars	(₹ in crore)	
	As at 31 March	
	<b>2022</b>	<b>2021</b>
<b>(ii) Retained earnings</b>		
Balance at the beginning of the year	13,487.19	10,349.21
Profit for the year	6,350.49	3,955.51
Item of other comprehensive income recognised directly in retained earnings		
On defined benefit plan	(3.22)	(25.53)
	19,834.46	14,279.19
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)
Dividend paid	(603.59)	-
Adjustment of dividend to ESOP Trust [refer note no. 23 (f)]	1.25	-
Total appropriations	(1,873.34)	(792.00)
Balance at the end of the year	17,961.12	13,487.19
<b>Other reserves</b>		
<b>(iii) Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934</b>		
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
<b>(iv) General reserve</b>		
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
<b>(v) Infrastructure reserve in terms of section 36 (1) (viii) of the Income Tax Act, 1961</b>		
Balance as at the beginning of the year	9.25	9.25
Balance as at the end of the year	9.25	9.25
<b>(vi) Other comprehensive income</b>		
Balance as at the beginning of the year	(119.83)	(87.41)
Addition/(Reduction) during the year	38.08	(32.42)
Balance as at the end of the year	(81.75)	(119.83)
<b>(vii) Share options outstanding account</b>		
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	41,935.22	35,818.42

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

## 25 Nature and purpose of other equity

### (i) Securities premium

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

### (ii) Retained earnings

Retained earnings represents the surplus in Profit and Loss Account and appropriations.

The Company recognises change on account of remeasurement of the net defined benefit liability (asset) as part of retained earnings with separate disclosure, which comprises of:

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

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

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

### (iv) General reserve

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

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

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

### (vi) Other comprehensive income

#### On equity investments

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

#### On debt investments

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

#### On cash flow hedge reserve

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

### (vii) Share options outstanding account

Share options outstanding account is created as required by Ind AS 102 'Share Based Payments' on the Employee Stock Option Scheme operated by the Company for employees of the Group.

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

## 26 Interest income

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	-	23,346.97	-	23,346.97	-	20,169.79	-	20,169.79
On investments	182.71	96.52	60.84	340.07	149.77	0.96	56.91	207.64
On others	-	41.54	-	41.54	-	41.67	-	41.67
Total	182.71	23,485.03	60.84	23,728.58	149.77	20,212.42	56.91	20,419.10

\* As per effective interest rate (EIR), refer note no. 3.1(i)

## 27 Fees and commission income

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Service and administration charges	1,130.88	1,263.42
Fees on value added services and products	439.63	363.78
Foreclosure income	216.62	140.03
Distribution income	1,152.93	595.56
	2,940.06	2,362.79

## 28 Net gain on fair value changes

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
<b>(A) Net gain/(loss) on financial instruments at fair value through profit or loss</b>		
On trading portfolio:		
Realised gain/(loss) on investments at FVTPL	279.49	460.98
Unrealised gain/(loss) on investments at FVTPL	(30.46)	(17.56)
<b>(B) Others</b>		
Realised gain/(loss) on sale of FVOCI debt instruments	11.40	84.30
	260.43	527.72

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

## 29 Sale of services

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Service fees for management of assigned portfolio of loans	43.38	59.55
	43.38	59.55

## 30 Other operating income

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Recoveries against financial assets	832.17	162.06
Net realisation on sale of written off loans	59.66	0.94
	891.83	163.00

## 31 Other income

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Interest on income tax refund	-	4.40
Net gain on foreign currency transactions and translation	0.39	-
Miscellaneous income	6.81	9.77
	7.20	14.17

## 32 Finance costs

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
On financial liabilities measured at amortised cost:		
On debt securities	3,500.04	2,879.36
On borrowings other than debt securities	1,674.88	2,428.83
On subordinated debts	326.14	335.64
On deposits	2,035.87	1,746.94
On lease liability	27.91	26.60
On others	8.29	29.02
	7,573.13	7,446.39

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

### 33 Fees and commission expense

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Commission and incentives	58.09	38.55
Recovery costs	1,590.38	1,150.81
Credit guarantee fees	70.22	50.43
Loan portfolio management service charges	47.09	61.77
	<u>1,765.78</u>	<u>1,301.56</u>

### 34 Impairment on financial instruments

Particulars	(₹ in crore)					
	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	4,621.22	-	4,621.22	5,695.55	-	5,695.55
On others	0.84	-	0.84	25.73	-	25.73
	<u>4,622.06</u>	<u>-</u>	<u>4,622.06</u>	<u>5,721.28</u>	<u>-</u>	<u>5,721.28</u>

### 35 Employee benefits expenses

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Employees emoluments	2,844.67	1,946.75
Contribution to provident fund and other funds	147.82	108.07
Share based payment to employees	141.80	111.39
Staff welfare expenses	87.59	76.21
	<u>3,221.88</u>	<u>2,242.42</u>

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

### 36 Other expenses

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Communication expenses	126.56	73.28
Outsourcing/back office expenses	185.98	127.37
Travelling expenses	110.88	53.97
Information technology expenses	415.67	210.50
Bank charges	97.48	103.70
Net loss on disposal of property, plant and equipment and intangible assets	24.10	6.41
Auditor's fees and expenses*	1.60	0.70
Insurance	5.80	5.13
Rent, taxes and energy cost	45.51	31.58
Director's fees, commission and expenses	4.46	3.53
Advertisement, branding and promotion	168.03	97.77
Expenditure towards Corporate Social Responsibility activities <sup>+</sup>	120.89	107.07
Repairs and maintenance	84.60	80.96
Printing and stationery	7.42	7.34
Legal and professional charges	21.07	15.88
Customer experience	93.29	78.46
Miscellaneous expenses	233.99	165.90
	1,747.33	1,169.55

#### \* Payment to auditor (net of GST credit availed)

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Audit fee	0.93	0.44
Tax audit fee	0.16	0.06
Limited review fees	0.37	0.09
In other capacity:		
Other services	0.13	0.11
Reimbursement of expenses	0.01	-
	1.60	0.70



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

### 36 Other expenses (Contd.)

#### + Corporate Social Responsibility expenditure

(₹ in crore)

For the year ended 31 March

Particulars	For the year ended 31 March	
	2022	2021
(a) Gross amount required to be spent by the Company during the year	121.41	106.55
(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)	120.89	106.55
(d) Amount spent during the year on:		
(i) Construction/acquisition of any asset	-	-
(ii) On purpose other than (i) above	60.01	107.07
(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 Company has opened designated account with schedule commercial bank to transfer unspent amount of ₹ 60.88 crore.

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

### 37 Earnings per share (EPS)

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

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

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

Particulars	For the year ended 31 March	
	2022	2021
(A) Net profit attributable to equity shareholders (₹ in crore)	6,350.49	3,955.51
(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)	105.39	65.85
Earnings per share (diluted) (₹) (A/C)	104.63	65.33

### 38 Segment Information

The Company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per Ind AS 108 'Operating Segment'.

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

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

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

#### 40 Revenue from contracts with customers

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
<b>Type of services</b>		
Service and administration charges	1,130.88	1,263.42
Fees on value added services and products	439.63	363.78
Foreclosure charges	216.62	140.03
Distribution income	1,152.93	595.56
	<b>2,940.06</b>	<b>2,362.79</b>
<b>Geographical markets</b>		
In India	2,940.06	2,362.79
Outside India	-	-
	<b>2,940.06</b>	<b>2,362.79</b>
<b>Timing of revenue recognition</b>		
Services transferred at a point in time	2,940.06	2,362.79
Services transferred over time	-	-
	<b>2,940.06</b>	<b>2,362.79</b>

#### Contract balances

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Fees, commission and other receivables	237.92	167.46
	<b>237.92</b>	<b>167.46</b>

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

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

## 41 Employee benefit plans

### Defined benefit plans

#### (A) Gratuity

The Company 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 Company is greater of the provisions of the Payment of Gratuity Act, 1972 and the Company'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 Company makes contributions to approved gratuity fund.

#### Movement in defined benefit obligations

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Defined benefit obligation as at the beginning of the year	208.65	149.33
Current service cost	40.73	31.28
Past service cost	-	(6.27)
Interest on defined benefit obligation	13.81	9.79
Remeasurements due to:		
Actuarial loss/(gain) arising from change in financial assumptions	(12.41)	-
Actuarial loss/(gain) arising from change in demographic assumptions	(5.44)	14.83
Actuarial loss/(gain) arising on account of experience changes	24.01	12.89
Benefits paid	(11.43)	(3.03)
Liabilities assumed/(settled)*	-	(0.17)
Defined benefit obligation as at the end of the year	257.92	208.65

#### Movement in plan assets

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Fair value of plan asset as at the beginning of the year	114.39	98.46
Employer contributions	31.06	13.08
Interest on plan assets	8.40	7.34
Remeasurements due to:		
Actual return on plan assets less interest on plan assets	(1.79)	(1.29)
Benefits paid	(11.43)	(3.03)
Assets acquired/(settled)*	-	(0.17)
Fair value of plan asset as at the end of the year	140.63	114.39

\* On account of business combination within the Group

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

#### 41 Employee benefit plans (Contd.)

##### Reconciliation of net liability/asset

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Net defined benefit liability/(asset) as at the beginning of the year	94.26	50.86
Expense charged to Statement of Profit and Loss	46.14	27.46
Amount recognised in other comprehensive income	7.95	29.02
Employers contribution	(31.06)	(13.08)
Net defined benefit liability/(asset) as at the end of the year	117.29	94.26

##### Expenses charged to the Statement of Profit and Loss

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Current service cost	40.73	31.28
Past service cost	-	(6.27)
Interest cost	5.41	2.45
	46.14	27.46

##### Remeasurement gains/(losses) in other comprehensive income

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
Opening amount recognised in other comprehensive income	93.42	64.41
Changes in financial assumptions	(12.41)	-
Changes in demographic assumptions	(5.44)	14.83
Experience adjustments	24.01	12.89
Actual return on plan assets less interest on plan assets	1.79	1.29
Closing amount recognised outside profit or loss in other comprehensive income	101.37	93.42

##### Amount recognised in Balance Sheet

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Present value of funded defined benefit obligation	257.92	208.65
Fair value of plan assets	140.63	114.39
Net funded obligation	117.29	94.26
Net defined benefit liability recognised in Balance Sheet	117.29	94.26

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

#### 41 Employee benefit plans (Contd.)

##### Key actuarial assumptions

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Discount rate (p.a.)	7.25%	6.80%
Salary escalation rate (p.a.)	11.00%	11.00%
<b>Category of plan assets</b>		
Insurer managed funds	100.00%	100.00%

##### 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	(4.96%)	5.16%	(5.29%)
Impact of decrease in 50 bps on defined benefit obligation	5.37%	(4.82%)	5.75%	(5.12%)

##### Projected plan cash flow

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>Maturity Profile</b>		
Expected benefits for year 1	16.59	11.24
Expected benefits for year 2	16.88	11.87
Expected benefits for year 3	19.04	12.93
Expected benefits for year 4	18.94	14.51
Expected benefits for year 5	20.04	14.31
Expected benefits for year 6	18.94	15.59
Expected benefits for year 7	17.30	14.64
Expected benefits for year 8	24.10	13.35
Expected benefits for year 9	20.96	20.71
Expected benefits for year 10 and above	469.53	385.95

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

#### 41 Employee benefit plans (Contd.)

##### Expected contribution to fund in the next year

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Expected contribution to fund in the next year	29.50	29.50

##### (B) Compensated absences

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>Maturity profile</b>		
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.)	11.00%	11.00%

##### (C) Long term service benefit liability

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Present value of unfunded obligations	22.31	18.67
Expense recognised in the Statement of Profit and Loss	4.55	9.12
Discount rate (p.a.)	7.25%	6.80%

##### (D) Provident fund

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions and where there is no legal or constructive obligation to pay further contributions. During the year, the Company recognised expense of ₹ 49.20 crore towards contribution made to provident fund under defined contribution plan.

With effect from 1 April 2021, the Company 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 standalone financial statements for the year ended 31 March 2022 (Contd.)

#### 41 Employee benefit plans (Contd.)

##### Movement in defined benefit obligations

Particulars	(₹ in crore)
	For the year ended 31 March 2021
Defined benefit obligations as at the beginning of the year	428.71
Current service cost	35.44
Interest on defined benefit obligation	30.83
Remeasurements 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 plan assets

Particulars	(₹ in crore)
	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

##### Reconciliation of net liability/asset

Particulars	(₹ in crore)
	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 outside Profit and Loss Account	5.10
Employer contribution	(35.44)
Net defined benefit liability/(asset) as at the end of the year	5.10

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

#### 41 Employee benefit plans (Contd.)

##### 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 other comprehensive income	-
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 other comprehensive income	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

##### Key actuarial assumptions

(₹ in crore)

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%

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

#### 41 Employee benefit plans (Contd.)

##### Category of plan assets

Particulars	(₹ in crore)
	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 summarises the impact in absolute terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the difference between the rate earned and the guaranteed rate.

Particulars	(₹ in crore)	
	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 Company will evaluate the rules, assess the impact, if any, and account for the same once the rules are notified and become effective.

#### 42 Contingent liabilities and commitments

##### (a) Contingent liabilities not provided for in respect of

Particulars	(₹ in crore)	
	As at 31 March 2022	2021
Disputed claims against the Company not acknowledged as debts	52.87	51.98
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 Company	9.54	-
Appeals by the Income tax department	0.28	0.28

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

## 42 Contingent liabilities and commitments (Contd.)

- (i) The Company is of the opinion that the above demands are not tenable and expects to succeed in its appeals/defense.
- (ii) The Commissioner, Service Tax Commissionerate Pune, through an order dated 31 March 2017, has confirmed the demand of service tax of ₹ 644.65 crore and penalties of ₹ 198.95 crore from the Company in relation to the interest subsidy received from manufacturers and dealers during the period 1 April 2010 to 30 September 2016. The Commissioner has also demanded payment of interest on the service tax amount confirmed until the date the Company pays the service tax demanded, which as at 31 March 2022 amounted to ₹ 787.26 crore. In accordance with legal advice, the Company filed an appeal on 6 July 2017 with the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai disputing the demands. The Company, in line with the opinion obtained from a senior legal counsel, is of view that the said demands are not tenable.

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

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

In addition, the Principal Commissioner, Central GST and Central Excise, 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 Company from the customers during the period 1 April 2016 to 30 June 2017. The Principal Commissioner has also demanded payment of interest on the service tax amount demanded, until the date the Company pays the demand, which as at 31 March 2022, amounted to ₹ 31.77 crore. In accordance with legal advice, the Company filed an appeal on 28 August 2020 with the Customs, Excise and Service Tax Appellate Tribunal, Mumbai disputing the demands. The Company, in line with the opinion obtained from a legal counsel, is of view that the said demands are not tenable.

- (iv) 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 Company to estimate the timings of the cash flows, if any, in respect of the above pending resolution of the respective proceedings.

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

## 42 Contingent liabilities and commitments (Contd.)

### (b) Capital and other commitments

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
(i) Capital commitments [Estimated amount of contracts remaining to be executed on capital account not provided for (net of advances)]		
Tangible	8.02	20.42
Intangible	23.29	14.68
(ii) Other commitments		
Towards partially disbursed/un-encashed loans	2,624.20	2,585.37
Towards future corporate social responsibility spend	82.65	-
	<u>2,738.16</u>	<u>2,620.47</u>

## 43 Changes in liabilities arising from financing activities

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

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

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

Particulars	(₹ in crore)				
	As at 1 April 2021	Cash flows	Exchange difference	Other	As at 31 March 2022
Debt securities	43,071.71	15,065.75	-	897.12	59,034.58
Borrowing other than debt securities	27,080.25	2,729.39	37.53	23.21	29,870.38
Deposits	25,803.43	4,274.07	-	212.02	30,289.52
Subordinated debts	3,898.61	(50.02)	-	(2.82)	3,845.77
	<u>99,854.00</u>	<u>22,019.19</u>	<u>37.53</u>	<u>1,129.53</u>	<u>123,040.25</u>

Particulars	(₹ in crore)				
	As at 1 April 2020	Cash flows	Exchange difference	Other	As at 31 March 2021
Debt securities	41,713.77	1,622.50	-	(264.56)	43,071.71
Borrowing other than debt securities	36,923.32	(9,721.69)	(155.26)	33.88	27,080.25
Deposits	21,427.15	4,172.75	-	203.53	25,803.43
Subordinated debts	4,141.75	(228.72)	-	(14.42)	3,898.61
	<u>104,205.99</u>	<u>(4,155.16)</u>	<u>(155.26)</u>	<u>(41.57)</u>	<u>99,854.00</u>

Notes to standalone 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		2021	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
<b>(A) Holding Company</b>					
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	-	(685.00)	-	(525.00)
	Secured non-convertible debentures redemption	35.00	-	560.00	-
	Interest paid on non-convertible debentures	42.17	-	74.27	-
	Asset purchase	-	-	0.23	-
	License fee paid (Previous year transaction value ₹ 10,110)	-	-	-	-
	Asset sale	0.01	-	-	-
<b>(B) Subsidiaries</b>					
1. Bajaj Housing Finance Ltd.	Investment in equity shares	-	5,028.00	-	5,028.00
	Short term loan given	750.00	-	-	-
	Short term loan repaid	750.00	-	-	-
	Amount received under ESOP recharge arrangements	19.23	-	20.41	-
	Loan portfolio assigned out	738.79	-	300.13	-
	Loan portfolio assigned in	1,503.69	-	-	-
	Security deposit for leased premises	-	0.08	-	0.08
	Business support charges paid	1.14	-	1.50	-
	Business support charges received	3.67	-	3.54	-
	Rent expenses	0.19	-	0.19	-
	Servicing fee paid	43.20	-	56.67	-
	Sourcing commission paid	1.44	-	4.61	-
	Service asset income	4.19	-	1.18	-
	Asset purchase	0.38	-	0.08	-
	Asset sale	0.27	-	0.09	-
	Inter corporate deposits accepted	4,900.00	-	-	-
	Inter corporate deposits repaid	4,900.00	-	-	-
	Interest accrued on Inter corporate deposits	3.82	-	-	-
2. Bajaj Financial Securities Ltd.	Investment in equity shares	400.00	670.38	150.00	270.38
	Amount received under ESOP recharge arrangements	0.20	0.20	-	-
	Short term loan given	6,520.00	50.00	7,863.90	-
	Short term loan repaid	6,470.00	-	7,878.90	-
	Business support charges paid	0.98	(0.07)	-	-
	Business support charges received	0.23	-	0.19	-
	Sourcing commission received (transaction value ₹ 36,300 outstanding ₹ 42,834)	-	-	-	-
	Interest received on short term loan given	5.51	0.01	0.49	-
	Asset sale	0.01	-	0.09	-
	Sourcing commission paid	7.47	(0.28)	2.52	-
	Depository service charges paid	0.33	-	0.33	-

Notes to standalone 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		2021	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
<b>(C) Fellow subsidiaries</b>					
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	24.95	-	10.78	-
	Advance for employee insurance	-	1.18	-	0.85
	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	425.00	(1,770.70)	-	(1,345.70)
	Secured non-convertible debentures redemption	-	-	20.00	-
	Unsecured non-convertible debentures redemption	-	-	1.80	-
	Interest paid on non-convertible debentures	140.03	-	103.27	-
	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 payments	-	-	0.02	-
2. Bajaj Allianz General Insurance Company Ltd.	Insurance expenses	42.48	-	30.70	-
	Advance for employee insurance	-	47.55	-	33.31
	Commission income	12.91	1.00	8.33	0.91
	Secured non-convertible debentures issued	-	(760.00)	-	(760.00)
	Unsecured non-convertible debentures issued	-	(40.00)	-	(40.00)
	Interest paid on non-convertible debentures	63.97	-	58.00	-
	Business support charges received	2.93	-	3.92	-
	Asset purchase (transaction value ₹ 35,577)	-	-	-	-
	Asset sale (outstanding ₹ 18,190)	0.10	-	-	-
	Interest subsidy received	4.16	-	2.89	-
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	39.45	(4.44)	29.32	(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	-	0.20	0.14
	Asset purchase (outstanding ₹ 2,967)	44.64	-	12.32	(13.52)
	Interest subsidy received (Previous year outstanding ₹ 11,849)	-	-	0.07	-
	Platform usage charges	31.22	-	11.97	(13.23)
	Other payments	-	-	0.02	-



Notes to standalone 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		2021	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
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
<b>(D) Key management personnel (KMP) and their relatives</b>					
1. Rahul Bajaj (Director till 30 Apr 2021) (Chairman Emeritus till 12 Feb 2022)	Sitting fees	0.01	-	0.06	-
	Commission	0.02	(0.02)	0.12	(0.11)
2. Sanjiv Bajaj (Chairman)	Sitting fees	0.25	-	0.18	-
	Commission	0.61	(0.54)	0.36	(0.33)
3. 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	-
4. Madhur Bajaj (Director)	Sitting fees	0.06	-	0.06	-
	Commission	0.15	(0.13)	0.12	(0.11)
5. Rajiv Bajaj (Director)	Sitting fees	0.05	-	0.06	-
	Commission	0.12	(0.11)	0.12	(0.11)
6. Dipak Poddar (Director)	Sitting fees	0.12	-	0.10	-
	Commission	0.29	(0.26)	0.20	(0.19)
7. Ranjan Sanghi (Director)	Sitting fees	0.13	-	0.14	-
	Commission	0.31	(0.28)	0.28	(0.26)
8. D J Balaji Rao (Director)	Sitting fees	0.06	-	0.06	-
	Commission	0.15	(0.13)	0.12	(0.11)
9. Dr. Omkar Goswami (Director till 9 Jul 2021)	Sitting fees	0.04	-	0.17	-
	Commission	0.08	(0.07)	0.34	(0.31)
10. Dr. Gita Piramal (Director)	Sitting fees	0.06	-	0.07	-
	Commission	0.15	(0.13)	0.14	(0.13)
11. Anami Narayan Roy (Director)	Sitting fees	0.20	-	0.08	-
	Commission	0.49	(0.44)	0.16	(0.15)
12. Dr. Naushad Forbes (Director)	Sitting fees	0.14	-	0.10	-
	Commission	0.34	(0.31)	0.20	(0.19)
13. Pramit Jhaveri (Director w.e.f. 1 Aug 2021)	Sitting fees	0.08	-	-	-
	Commission	0.20	(0.18)	-	-

Notes to standalone 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		2021	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
14. Radhika Singh (Spouse of Dr. Omkar Goswami, Director till 9 Jul 2021)	Fixed deposit accepted	-	(2.00)	-	(2.00)
	Interest accrued on fixed deposit	0.04	-	0.16	-
15. Sanjali Bajaj (Daughter of Sanjiv Bajaj, Chairman of the Company)	Remuneration	0.09	-	-	-
16. Shekher Bajaj	Nil	-	-	-	-
17. Niraj Bajaj	Nil	-	-	-	-
<b>(E) Entities in which KMP and their relatives have significant influence</b>					
1. Bajaj Auto Ltd.	Investment in equity shares (outstanding ₹ 7,685, Previous year ₹ 7,685)	-	-	-	-
	Security deposit for leased premises	-	0.21	-	0.21
	Interest Subsidy received (Previous year outstanding ₹ 15,465)	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	1.29	-	1.24	-
	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)
2. Bajaj Holdings & Investments Ltd.	Investment in equity shares (outstanding ₹ 19,646, Previous year ₹ 19,646)	-	-	-	-
	Secured non-convertible debentures issued	-	(150.00)	-	(150.00)
	Interest paid on non-convertible debentures	12.98	-	12.98	-
	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 received	-	-	1.33	-
4. Hind Musafir Agency Ltd.	Services received	6.37	0.01	1.74	0.07
5. Bajaj Electricals Ltd.	Asset purchase	0.04	-	0.64	(0.12)
	Interest subsidy received	0.06	0.02	0.02	0.02
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)

Notes to standalone 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		2021	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
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	-	(210.00)	-	(160.00)
	Secured non-convertible debentures redemption	-	-	5.00	-
	Interest paid on non-convertible debentures	11.42	-	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. Bachhraj Factories Pvt. Ltd.	Contribution to equity (72,000 shares of ₹ 2 each)	-	(0.01)	-	(0.01)
	Dividend paid	0.07	-	-	-
10. Baroda Industries Pvt. Ltd.	Contribution to equity (117,600 shares of ₹ 2 each)	-	(0.02)	-	(0.02)
	Dividend paid	0.12	-	-	-
11. CERG Advisory Pvt. Ltd.	Business support charges paid	0.05	-	-	-
<b>(F) Post employment benefit plans</b>					
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	11.00	-	11.00	-
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 Company act as intermediary and passed through Company's books of accounts are not in nature of related party transaction and hence are not disclosed.
- Insurance claims received by the Company 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 management personnel and information available with the Company. All above transactions are in the ordinary course of business and on arms' length basis. All outstanding balances are to be settled in cash and are unsecured except secured non-convertible debentures issued to related parties which are disclosed appropriately.
- Provisions for gratuity, compensated absences and other long term service benefits are made for the Company as a whole and the amounts pertaining to the key management personnel are not specifically identified and hence are not included above.
- During the year, Bajaj Financial Securities Ltd. (Bfinsec) has charged brokerage and other transaction charges amounting to ₹ 1.46 crore (Previous year ₹ 1.34 crore) related to sale of securities on behalf of the Company's loan against securities customers. The Company receives net sale value i.e. after deduction of these charges which are ultimately borne by its customers. The Company does not recognise these customer related charges in its Statement of Profit and Loss. Amount receivable from BFinsec as on 31 March 2022 is ₹ 12.29 crore (Previous year ₹ 3.36 crore) towards such sale transaction on behalf of loan against shares customers has been shown as payable to customers.
- 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 standalone financial statements for the year ended 31 March 2022 (Contd.)

## 45 Capital

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

### (i) Capital management

#### Objective

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

#### Planning

The Company's assessment of capital requirement is aligned to 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 Company monitors its capital to risk-weighted assets ratio (CRAR) on a monthly basis through its Assets Liability Management Committee (ALCO).

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

The Company's dividend distribution policy states that subject to 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 Company supports funding needs of its wholly owned subsidiaries by way of capital infusion and loans. These investments are funded by the Company through its equity share capital and other equity which inter alia includes retained profits.

### (ii) Regulatory capital

(₹ in crore)

As at 31 March

Particulars	As at 31 March	
	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	130,767.51
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 standalone financial statements for the year ended 31 March 2022 (Contd.)

## 45 Capital (Contd.)

### (iii) Dividend distributions made and proposed

#### Dividend on equity shares declared and paid during the year

Particulars	(₹ in crore)	
	FY2022	FY2021
Dividend paid 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%	0.00%

\* Includes amount paid ₹ 1.25 crore (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 at 31 March 2022)

Particulars	(₹ 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.

## 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 Company determines fair values of its financial instruments according to the following hierarchy:

**Level 1** - valuation based on quoted market price: financial instruments with quoted prices for identical instruments in active markets that the Company can access at the measurement date.

**Level 2** - valuation using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

**Level 3** - valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

This note describes the fair value measurement of both financial and non-financial instruments.

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

#### 47 Fair values (Contd.)

##### Valuation framework

The Company has an internal fair value assessment team which assesses the fair values of assets qualifying for fair valuation.

The Company's valuation framework includes:

- Benchmarking prices against observable market prices or other independent sources.
- Development and validation of fair valuation models using model logic, inputs, outputs and adjustments.
- Use of fair values as determined by the derivative counter parties.

These valuation models are subject to a process of due diligence and validation before they become operational and are continuously calibrated. These models are reviewed and validated by various units of the Company including risk, treasury and finance. The Company 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.
- 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.
- 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 Company has determined that the carrying values of cash and cash equivalents, bank balances, trade receivables, short term loans, floating rate loans, trade payables, short term debts, borrowings, bank overdrafts and other current liabilities are a reasonable approximation of their fair value and hence their carrying values are deemed to be fair values.

Notes to standalone 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 2022

(₹ in crore)

Particulars	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments held under FVTPL	31-Mar-22	3.10	-	-	3.10
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
Derivative financial instrument	31-Mar-22	-	(18.12)	-	(18.12)
		4,938.97	(18.12)	608.73	5,529.58

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

(₹ in crore)

Particulars	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments held under FVTPL	31-Mar-21	10,274.25	-	-	10,274.25
Equity instrument designated under FVOCI (Unquoted)	31-Mar-21	-	-	281.21	281.21
Equity instrument designated under FVOCI (Quoted)	31-Mar-21	88.77	-	-	88.77
Other investments designated under FVOCI	31-Mar-21	3,717.63	-	-	3,717.63
Derivative financial instrument	31-Mar-21	-	(137.87)	-	(137.87)
		14,080.65	(137.87)	281.21	14,223.99



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

#### 47 Fair values (Contd.)

##### Fair value measurements using significant unobservable inputs (level 3)

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

Particulars	(₹ in crore)	
	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 designated under FVOCI

Particulars	(₹ in crore)			
	Sensitivity to fair value as at 31 March 2022		Sensitivity to fair value as at 31 March 2021	
	1% increase	1% decrease	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 standalone 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			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)*	Significant unobservable inputs (Level 3)*	
<b>Financial Assets</b>					
Cash and cash equivalents	2,898.66	2,898.66	-	-	2,898.66
Bank balances other than cash and cash equivalents	2.07	2.07	-	-	2.07
Trade receivables	1,017.11	-	-	1,017.11	1,017.11
Loans	144,276.25	-	-	144,827.76	144,827.76
Investments	5,125.74	-	-	5,129.73	5,129.73
Other financial assets	464.44	-	-	464.44	464.44
	<b>153,784.27</b>	<b>2,900.73</b>	<b>-</b>	<b>151,439.04</b>	<b>154,339.77</b>
<b>Financial liabilities</b>					
Trade payables	762.58	-	-	762.58	762.58
Other payables	301.34	-	-	301.34	301.34
Debt Securities	59,034.58	-	60,106.37	-	60,106.37
Borrowings (other than debt securities)	29,870.38	-	-	29,870.38	29,870.38
Deposits	30,289.52	-	30,455.16	-	30,455.16
Subordinated debts	3,845.77	-	4,143.60	-	4,143.60
Other financial liabilities	962.71	-	-	962.71	962.71
	<b>125,066.88</b>	<b>-</b>	<b>94,705.13</b>	<b>31,897.01</b>	<b>126,602.14</b>

\*Fair value computed using discounted cash flow method

Notes to standalone 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			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)*	Significant unobservable inputs (Level 3)*	
<b>Financial Assets</b>					
Cash and cash equivalents	1,371.79	1,371.79	-	-	1,371.79
Bank balances other than cash and cash equivalents	2.11	2.11	-	-	2.11
Trade receivables	709.72	-	-	709.72	709.72
Loans	113,089.94	-	-	113,425.33	113,425.33
Investments	508.88	-	-	508.88	508.88
Other financial assets	487.13	-	-	487.13	487.13
	116,169.57	1,373.90	-	115,131.06	116,504.96
<b>Financial liabilities</b>					
Trade payables	666.31	-	-	666.31	666.31
Other payables	191.08	-	-	191.08	191.08
Debt Securities	43,071.71	-	44,792.19	-	44,792.19
Borrowings (other than debt securities)	27,080.25	-	-	27,080.25	27,080.25
Deposits	25,803.43	-	26,061.56	-	26,061.56
Subordinated debts	3,898.61	-	4,263.08	-	4,263.08
Other financial liabilities	790.48	-	-	790.48	790.48
	101,501.87	-	75,116.83	28,728.12	103,844.95

\*Fair value computed using discounted cash flow method

Notes to standalone 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 Company, its measurement, monitoring and management are described as under:

Nature of risk	Arising from	Executive governance structure	Measurement, monitoring and management of risk
Liquidity and funding risk	<p>Liquidity risk arises from mismatches in the timing of cash flows.</p> <p>Funding risk arises from:</p> <ul style="list-style-type: none"> <li>• inability to raise incremental borrowings and deposits to fund business requirement or repayment obligations</li> <li>• when long term assets cannot be funded at the expected term resulting in cashflow mismatches;</li> <li>• Amidst volatile market conditions impacting sourcing of funds from banks and money markets</li> </ul>	<p>Board appointed Risk Management Committee (RMC) and Asset Liability Management Committee (ALCO)</p>	<p>Liquidity and funding risk is:</p> <ul style="list-style-type: none"> <li>• measured by               <ul style="list-style-type: none"> <li>- identification of gaps in the structural and dynamic liquidity statements.</li> <li>- assessment of incremental borrowings required for meeting the repayment obligation, the Company's business plan and prevailing market conditions.</li> <li>- liquidity coverage ratio (LCR) in accordance with guidelines issued by RBI and Board approved liquidity risk framework.</li> </ul> </li> <li>• monitored by               <ul style="list-style-type: none"> <li>- assessment of the gap between visibility of funds and the near term liabilities given current liquidity conditions and evolving regulatory framework for NBFCs.</li> <li>- a constant calibration of sources of funds in line with emerging market conditions in banking and money markets.</li> <li>- 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 Company.</li> </ul> </li> <li>• managed by the Company's treasury team under liquidity risk management framework through various means like liquidity buffers, sourcing of long term funds, positive asset liability mismatch, keeping strong pipeline of sanctions and approvals from banks and assignment of loans under the guidance of ALCO and Board.</li> </ul>
Market risk	<p>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.</p>	<p>Board appointed RMC and ALCO</p>	<p>Market risk is:</p> <ul style="list-style-type: none"> <li>• 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 Company 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.</li> <li>• 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</li> <li>• managed by the Company's treasury team under the guidance of ALCO and Investment Committee.</li> </ul>

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

#### 48 Risk management objectives and policies (Contd.)

<b>Nature of risk</b>	<b>Arising from</b>	<b>Executive governance structure</b>	<b>Measurement, monitoring and management of risk</b>
Credit risk	Credit risk is the risk of financial loss arising out of customers or counterparties failing to meet their repayment obligations to the Company.	Board appointed RMC and Chief Risk Officer (CRO)	<p>Credit risk is:</p> <ul style="list-style-type: none"> <li>measured as the amount at risk due to repayment default by customers or counterparties to the Company. 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.</li> <li>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.</li> <li>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.</li> </ul>
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)	<p>Operational risk is:</p> <ul style="list-style-type: none"> <li>measured by KPI's set for each of the processes/functions, system and control failures and instances of fraud.</li> <li>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.</li> <li>managed by in house compliance units established across different businesses and functions, operations and internal audit function under the guidance of RMC and AC.</li> </ul>

##### (a) Liquidity and funding risk

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

The Company maintains a judicious mix of borrowings from banks, money markets, foreign market, public and other deposits and continues to diversify its sources of borrowings with an emphasis on longer tenor borrowings. This strategy of balancing varied sources of funds and long tenor borrowings along with liquidity buffer framework has helped the Company maintain a healthy asset liability position and interest rate during the financial year 2021-22 (FY2022) - the weighted average cost of borrowing was 7.03 % versus 7.87 % despite highly uncertain market conditions. The overall borrowings including debt securities, deposits and subordinated debts stood at ₹ 123,040.25 crore as at 31 March 2022.

The Company 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 Company endeavours to maintain liquidity buffer of 5% to 8% of its overall borrowings in normal market scenario. The Company 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

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

#### 48 Risk management objectives and policies (Contd.)

FY2022 was ₹ 10,093.30 crore. With easing of economic volatility, the Company has brought down its liquidity buffer in a calibrate manner to ₹ 8,029.57 crore as at 31 March 2022.

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 Company 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 Company 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 Company, which and will move to 70% from 1 December 2022. As at 31 March 2022, the Company maintained a LCR of 134.32%, well in excess of the RBI's stipulated norm of 60%.

The Company 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 Company's financial 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
Debt securities	26,233.19	44,781.31	71,014.50	10,473.03	42,410.79	52,883.82
Borrowings (other than debt securities)	14,510.32	18,031.12	32,541.44	9,902.30	20,119.78	30,022.08
Deposits	16,093.46	17,328.53	33,421.99	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	762.58	-	762.58	666.31	-	666.31
Other payables	301.34	-	301.34	191.08	-	191.08
Other financial liabilities	678.20	357.74	1,035.94	586.64	271.21	857.85
	59,111.59	85,085.39	144,196.98	35,731.65	83,189.92	118,921.57

Notes to standalone 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
<b>ASSETS</b>						
<b>Financial assets</b>						
Cash and cash equivalents	2,898.66	-	2,898.66	1,371.79	-	1,371.79
Bank balances other than cash and cash equivalent	2.07	-	2.07	2.11	-	2.11
Derivative financial instruments	121.90	-	121.90	-	-	-
Trade receivables	1,017.11	-	1,017.11	709.72	-	709.72
Loans	65,489.07	78,787.18	144,276.25	51,289.04	61,800.90	113,089.94
Investments	6,981.08	9,390.74	16,371.82	12,061.56	8,107.56	20,169.12
Other financial assets	411.26	53.18	464.44	487.13	-	487.13
<b>Non-financial assets</b>						
Current tax assets (net)	-	158.96	158.96	-	155.07	155.07
Deferred tax assets (net)	-	908.40	908.40	-	919.21	919.21
Property, plant and equipment	-	1,189.77	1,189.77	-	972.44	972.44
Capital work-in-progress	-	13.27	13.27	-	7.07	7.07
Intangible assets under development	-	19.41	19.41	-	43.99	43.99
Other intangible assets	-	408.67	408.67	-	254.76	254.76
Other non-financial assets	125.26	40.09	165.35	81.12	20.08	101.20
	77,046.41	90,969.67	168,016.08	66,002.47	72,281.08	138,283.55
<b>LIABILITIES</b>						
<b>Financial liabilities</b>						
Derivative financial instrument	140.02	-	140.02	137.87	-	137.87
Trade payables	762.58	-	762.58	666.31	-	666.31
Other payables	301.34	-	301.34	191.08	-	191.08
Debt securities	24,531.66	34,502.92	59,034.58	9,215.57	33,856.14	43,071.71
Borrowings (other than debt securities)	13,169.70	16,700.68	29,870.38	8,415.93	18,664.32	27,080.25
Deposits	14,976.10	15,313.42	30,289.52	12,442.57	13,360.86	25,803.43
Subordinated debts	405.10	3,440.67	3,845.77	252.79	3,645.82	3,898.61
Other financial liabilities	652.24	310.47	962.71	560.17	230.31	790.48
<b>Non-financial liabilities</b>						
Current tax liabilities (net)	79.33	-	79.33	172.78	-	172.78
Provisions	13.01	149.23	162.24	18.53	118.03	136.56
Other non-financial liabilities	455.32	56.41	511.73	335.20	60.53	395.73
	55,486.40	70,473.80	125,960.20	32,408.80	69,936.01	102,344.81



Notes to standalone 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 Company holds shorter duration investment portfolio and thus it has a minimum fair value change impact on its investment portfolio. The interest rate risk on the investment portfolio and corresponding fair value change impact is monitored using VaR and the parameters for monitoring the same are defined in its investment policy.

Sensitivity analysis as at 31 March 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	3.10	3.10	-	-
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	508.88	508.88	-	-
Investment at FVTPL	10,274.25	10,274.25	(13.19)	13.19
Investment at FVOCI (other than equity)	3,717.63	3,717.63	(41.00)	41.00

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

#### 48 Risk management objectives and policies (Contd.)

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.

*Sensitivity Analysis as at 31 March 2022*

(₹ in crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1% increase	1% decrease
Loans	144,276.25	144,827.76	(1,516.52)	1,561.83
Debt securities	59,034.58	60,106.37	1,230.18	(1,311.58)
Borrowings (other than debt securities)	29,870.38	29,870.38	-	-
Deposits	30,289.52	30,455.16	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	1% decrease
Loans	113,089.94	113,425.33	(1,291.09)	1,328.58
Debt securities	43,071.71	44,792.19	995.43	(1,057.47)
Borrowings (other than debt securities)	27,080.25	27,080.25	-	-
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 Company's quoted equity investments carry a risk of change in prices. To manage its price risk arising from investments in equity securities, the Company periodically monitors the sectors it has invested in, performance of the investee companies, measures mark-to-market gains/losses.

*Sensitivity Analysis as at 31 March 2022*

(₹ in crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			10% increase	10% decrease
Investment in equity shares (Quoted)	55.73	55.73	5.57	(5.57)

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

#### 48 Risk management objectives and policies (Contd.)

Sensitivity Analysis as at 31 March 2021

(₹ in crore)

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

#### (iii) Foreign currency risk

The Company is exposed to foreign currency fluctuation risk for its external commercial borrowing (ECB). The Company's borrowings in foreign currency are governed by RBI guidelines (RBI master direction RBI/FED/2018-19/67 dated 26 March 2019 and updated from time to time) which requires entities raising ECB for an average maturity of less than 5 years to hedge minimum 70% of the its ECB exposure (Principal & Coupon). As a matter of prudence, the Company has hedged the entire ECB exposure for the full tenure as per Board approved interest rate risk, currency risk and hedging policy.

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

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

(₹ in crore)

Particulars	As at 31 March 2022		As at 31 March 2021	
	USD	JPY	USD	JPY
<b>Hedged</b>				
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
<b>Unhedged</b>	0.23	-	0.01	-

\*represents the notional amount of the derivative financial instrument

#### Hedging policy

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

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

#### 48 Risk management objectives and policies (Contd.)

Impact of hedge on the Balance Sheet :

(₹ in crore)

Particulars	As at 31 March 2022			As at 31 March 2021		
	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)

#### (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 Company. The Company has a diversified lending model and focuses on six broad categories viz: (i) consumer lending, (ii) SME lending, (iii) rural lending, (iv) mortgages, (v) loan against securities, and (vi) commercial lending. The Company assesses the credit quality of all financial instruments that are subject to credit risk.

#### Classification of financial assets under various stages

The Company classifies its financial assets in three stages having the following characteristics:

- Stage 1: unimpaired and without significant increase in credit risk since initial recognition on which a 12-month allowance for ECL is recognised;
- Stage 2: a significant increase in credit risk since initial recognition on which a lifetime ECL is recognised; and
- Stage 3: objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 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 Company has considered OTR as an indicator of significant increase in credit risk and accordingly classified such loans as stage 2. Further, the Company 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 Company 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).

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

#### 48 Risk management objectives and policies (Contd.)

The Company 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 volatile repayment behaviour, leading to RBI announcing EMI moratorium and OTR. Given the temporary distortion of input variables, the Company has not recalibrated components of its ECL model.

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

The table below summarises the approach adopted by the Company for various components of ECL viz. PD, EAD and LGD across major product lines using empirical data where relevant:

Lending verticals	Nature of businesses	PD			EAD	LGD
		Stage 1	Stage 2	Stage 3		
Consumer lending - B2B	Financing for products such as two wheeler, three wheeler, consumer durable, digital, lifecare and furniture etc.	Use of statistical automatic interaction detector tools to identify PDs across a homogenous set of customers.		100%	EAD is ascertained based on past trends of proportion of outstanding at time of default to the opening outstanding of the analysis period.	LGD is ascertained using past trends of recoveries for each set of portfolios and discounted using a reasonable approximation of the original effective rates of interest.
Consumer lending - B2C	Personal loans to salaried and self employed individuals					
SME lending	Unsecured and secured loans to SME's, self employed customers and professionals					
Rural lending - B2B	Financing for products such as consumer durable, digital and furniture etc.					
Rural lending - B2C	Personal loans to salaried, self employed customers, professionals and gold loans					
Mortgages	Home loans, loans against property, developer finance and lease rental discounting	Use of statistical automatic interaction detector tools to identify PDs across a homogenous set of customers, and also basis DPD bucket approach. for retail loans and management evaluation/ judgement for wholesale loans.		100%		
Loans against securities	Loans against shares, mutual funds, deposits and insurance policies	Determined on evaluation of time to sell in event of defaults		100%	EAD is computed based on assessment of time to default considering customer profile and time for liquidation of securities	Based on associated risk of the underlying securities
Commercial lending	Working capital and term loans to small and mid sized corporates	Internal evaluation/ judgement by customer or industry segment.		100%	EAD is computed taking into consideration the time to default based on historic trends across rating profile	Based on estimates of cash flows

Notes to standalone 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	59,809.13	1,842.83	1,696.05	82,159.88	1,414.11	1,291.09
Allowance for ECL	345.52	458.51	862.69	900.92	492.73	876.47
ECL coverage ratio	0.58%	24.88%	50.86%	1.10%	34.84%	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	49,037.65	3,374.80	1,745.88	59,327.44	2,690.55	865.77
Allowance for ECL	337.60	581.69	879.21	629.70	853.47	670.48
ECL coverage ratio	0.69%	17.24%	50.36%	1.06%	31.72%	77.44%

#### Collateral valuation

The Company 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 Company's practice is to lend on the basis of assessment of the customer's ability to repay rather than placing primary reliance on collateral. Based on the nature of product and the Company's assessment of the customer's credit risk, a loan may be offered with suitable collateral. Depending on its form, collateral can have a significant financial effect in mitigating the Company's credit risk.

The main types of collateral across various products obtained are as follows:

Product group	Nature of securities
Consumer lending - B2B	Hypothecation of underlying product financed e.g. two wheeler, three wheeler and consumer durable etc.
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.

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

#### **48 Risk management objectives and policies (Contd.)**

The Company periodically monitors the market value of collateral and evaluates its exposure and loan to value metrics for high risk customers. The Company exercises its right of repossession across all secured products and primarily in its two wheeler and three wheeler financing business. It also resorts to invoking its right under the SARFAESI Act and other judicial remedies available against its mortgages and commercial lending business. The repossessed assets are either sold through auction or released to delinquent customers in case they come forward to settle their dues. For its loan against securities business, the Company recoups shortfall in value of securities through part recall of loans or additional securities from the customer, or sale of underlying securities. The Company does not record repossessed assets on its Balance Sheet as non-current assets held for sale.

##### **Security cover taken on loans**

To secure its eligible pool, 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 Company has covered ₹ 5,266 crore of its loan assets under this scheme.

Further, 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 Company to offset ₹ 148 crore worth of credit losses till FY2022 with further claims maturing over FY2023 and FY2024.

##### **Analysis of concentration risk**

The Company focuses on granulation 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 Company has adopted the use of three scenarios, representative of its view of forecast economic conditions, required to calculate unbiased expected loss. They represent a most likely outcome i.e. central scenario and two less likely outer scenarios referred to as the Upside and Downside scenarios. The Company has assigned a 10% probability to the two outer scenarios, while the central scenario has been assigned an 80% probability. These weights are deemed appropriate for the unbiased estimation of impact of macro factors on ECL. The key scenario assumptions are used keeping in mind external forecasts and management estimates which ensure that the scenarios are unbiased.

The Company 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.



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

#### **48 Risk management objectives and policies (Contd.)**

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 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 Company takes into account the stress and the downside risk prevalent during most part of the year, by capturing the macro variables numbers of the most difficult period of COVID-19 pandemic 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 Company 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 Company 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 Company 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 downside scenario assumes it to fall from the peak and normalise to around 7% within next three years.

For the upside scenario, the Company 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 successive 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.

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

#### **48 Risk management objectives and policies (Contd.)**

While the central scenario assumed by the Company considers the high inflation in Q4 FY22. Considering RBI projections, disruption on the supply side, and possible impact of future COVID-19 waves, the Company expects 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 Company 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 Company. 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 Company 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 Company 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 Company 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 Company 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 Company's risk performance, the Company has created management overlay for macro economics factors and COVID-19 of ₹ 849 crore as on 31 March 2022 to account for any tail risk which may emerge from the pandemic and other uncertainties.

Notes to standalone 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

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Gross carrying amount of loans	148,213.09	117,042.09
Reported ECL	3,936.84	3,952.15
Reported ECL coverage	2.66%	3.38%
Base ECL without macro overlay (based on empirical evidences)	3,087.84	3,280.15
Add: Management overlay for COVID-19	676.00	545.00
ECL before management overlay for macro economic factors	3,763.84	3,825.15
<b>ECL amounts for alternate scenario</b>		
Central scenario (80%)	3,916.05	3,825.15
Downside scenario (10%)	4,506.05	5,744.59
Upside scenario (10%)	3,533.94	3,175.71
Reported ECL	3,936.84	3,952.15
<b>Management overlay for Macro economics factors and COVID-19</b>	849.00	672.00
-Management overlay representing COVID-19 stress	676.00	545.00
-Management overlay for macro economic factors	173.00	127.00
<b>ECL Coverage ratios by scenario</b>		
Central scenario (80%)	2.64%	3.27%
Downside scenario (10%)	3.04%	4.91%
Upside scenario (10%)	2.38%	2.71%

##### (d) Operational risk

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

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

Notes to standalone financial statements for the year ended 31 March 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 Company aggregating to 1,829,803 equity shares of the face value of ₹ 10 each in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 subject to the approval of the shareholders under section 81(1A) of the Companies Act, 1956. The shareholders of the Company vide their special resolution passed through postal ballot on 15 December 2009 approved the issue of equity shares of the Company under one or more Employee Stock Option Scheme(s). The shareholders, at the Annual General Meeting held on 16 July 2014, approved an additional issue of 677,313 stock options i.e. from 1,829,803 to 2,507,116 options of the face value of ₹ 10 each under the stock options scheme of the Company i.e. Employee Stock Option Plan 2009.

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

Further, vide the special resolution passed by the members of the Company through postal ballot on 19 April 2021, the 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 Company or the Group except in case of death and retirement where the vesting would happen immediately.

The Nomination and Remuneration Committee of the Company has approved the following grants to select senior level executives of the Company in accordance with the stock option scheme. Under the scheme, sixteen grants have been made as of 31 March 2022, 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 standalone 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	4.51
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 standalone 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 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 Company has accounted expense of ₹ 141.80 crore as employee benefit expenses (Note no.35) on the aforesaid employee stock option plan (Previous year ₹ 111.39 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 standalone 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 Company 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 Company ('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 Company from any person(s) or entity(ies), including foreign entities ('Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Company 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.

## 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	

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



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

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

The Company has availed of the facilities (secured borrowings) from the lenders inter alia on the condition that, the Company 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.

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

Particulars	(₹ in crore)			
	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.

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

Particulars	(₹ in crore)			
	Jun-21	Sep-21	Dec-21	Mar-22
Receivables as reported 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

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

### 53 The disclosures as required by the NBFC Master Directions issued by RBI

(Disclosures are made as per Ind AS financial statements except otherwise stated)

#### (A) Capital

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
(i) CRAR (%)	27.22%	28.31%
(ii) CRAR -Tier I Capital (%)	24.75%	25.11%
(iii) CRAR -Tier II Capital (%)	2.47%	3.20%
(iv) Amount of subordinated debt raised as Tier II capital (Raised during the year Nil, previous year Nil)	3,845.77	3,898.61
(v) Amount raised by issue of Perpetual Debt Instruments	-	-
(vi) Discounted value of tier II bonds considered for the purpose of Tier II capital	2,604.10	3,212.53

#### (B) Investments

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>(I) Value of investments</b>		
(i) Gross value of investments		
- In India	16,451.41	20,196.60
- Outside India	-	-
(ii) Provisions for depreciation/amortisations (net of appreciation)		
- In India	79.59	27.48
- Outside India	-	-
(iii) Net value of investments		
- In India	16,371.82	20,169.12
- Outside India	-	-
<b>(II) Movement of provisions held towards depreciation/appreciation/ amortisation on investments</b>		
(i) Opening balance	27.48	5.83
(ii) Add: Provisions made during the year (net of appreciation)	85.99	106.62
(iii) Less: Writeoff/write back of excess provisions during the year	33.88	84.97
(iv) Closing balance	79.59	27.48

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

### 53 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

#### (C) Derivatives

##### (I) Forward rate agreement / interest rate swap

(₹ in crore)

Particulars	As at 31 March	
	2022	2021
(i) The notional principal of swap agreements*	5,382.16	5,382.16
(ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	121.90	-
(iii) Collateral required by the applicable NBFC upon entering into swaps	-	-
(iv) Concentration of credit risk arising from the swaps#	-	-
(v) The fair value of the swap book, net	(18.12)	(137.87)

\* The Company has hedged its foreign currency borrowings through CCIRS (cross currency interest rate swaps). For Accounting Policy & Risk Management Policy. (Refer note no. 3.16 and 48)

# Concentration of credit risk arising from swaps with banks.

- Forward rate agreement (FRAs) entered into during the year ₹ Nil (Previous year ₹ 0.19 crore). The Company did not have Outstanding position as on 31 March 2022 and 31 March 2021.

##### (II) Exchange traded interest rate derivatives

The Company has not traded in exchange traded interest rate derivative during the current and previous year.

##### (III) Disclosures on risk exposure in derivatives

###### Qualitative disclosure

Details for qualitative disclosure are part of accounting policy as per financial statements. (refer note no. 3.16 & 48)

###### Quantitative disclosure

(₹ in crore)

Particulars	As at 31 March	
	2022	2021
(i) Derivatives (notional principal amount) for hedging	5,382.16	5,382.16
(ii) Marked to market positions		
(a) Asset	121.90	-
(b) Liability	140.02	137.87
(iii) Credit exposure	-	-
(iv) Unhedged exposures	-	-

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

### 53 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

#### (D) Asset Liability Management - maturity pattern of certain items of assets and liabilities\*

As at 31 March 2022

(₹ in crore)

Particulars	Over 1 days to 7 days	Over 8 days to 14 days	Over 15 days to 30 days	Over 1 Month to 2 Months	Over 2 Months to 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 3 Years	Over 3 Years to 5 Years	Over 5 Years	Total
Public deposits	144.81	167.21	482.43	735.35	655.61	2,269.50	4,066.47	10,905.11	1,757.97	-	21,184.46
Advances (loans)	10,144.53	1,592.97	4,031.37	6,752.27	6,614.68	16,278.87	23,733.43	46,461.21	18,618.25	10,048.67	144,276.25
Investments	-	511.97	200.41	1,112.34	205.12	4,948.14	3.10	2,386.76	641.13	6,362.85	16,371.82
Borrowings (other than public deposits)	6,305.26	3,194.10	551.18	2,225.19	5,458.31	8,134.39	14,966.18	36,705.24	8,334.23	10,459.27	96,333.35
Foreign currency liabilities	-	3.06	16.95	3.23	-	-	4,178.32	1,320.88	-	-	5,522.44

As at 31 March 2021

(₹ in crore)

Particulars	Over 1 days to 7 days	Over 8 days to 14 days	Over 15 days to 30 days	Over 1 Month to 2 Months	Over 2 Months to 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 3 Years	Over 3 Years to 5 Years	Over 5 Years	Total
Public deposits	55.60	79.63	134.88	456.93	635.49	1,736.43	4,211.81	9,410.13	2,240.33	-	18,961.23
Advances (loans)	3,551.88	1,146.88	2,848.58	5,206.90	5,422.03	13,462.69	19,650.10	38,890.79	17,168.01	5,742.08	113,089.94
Investments	10,274.24	197.15	-	508.88	-	977.94	103.35	2,439.19	-	5,668.37	20,169.12
Borrowings (other than public deposits)	1,252.33	97.77	1,145.48	5,124.74	2,838.31	3,855.49	9,649.37	33,149.44	10,584.31	7,726.89	75,424.13
Foreign currency liabilities	-	3.19	17.45	3.24	-	-	-	5,444.76	-	-	5,468.64

\*Amounts disclosed as per the behaviouralised pattern

#### (E) Exposures

##### (I) Exposure to real estate sector

(₹ in crore)

Category	As at 31 March	
	2022	2021
<b>(i) Direct exposure</b>		
(a) Residential mortgages lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	5,061.59	5,914.84
(b) Commercial real estate lending secured by mortgages on commercial real estates	4,290.02	4,073.08
(c) Investments in Mortgage Backed Securities (MBS) and other securitised exposures:		
- Residential	-	-
- Commercial Real Estate	-	-
<b>(ii) Indirect Exposure</b>		
Fund based and non-fund based exposures on Housing Finance Companies	2,728.97	2,668.20
Investment in Housing Finance Companies	5,028.00	5,028.00

In addition to above, the Company has loan exposures amounting ₹ 2,179.66 crore as on 31 March 2022 (Previous year ₹ 2,097.52 crore) pertaining to commercial properties not required to be classified as commercial real estate exposure and on properties used for dual purpose of commercial and residential usage.

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

### 53 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

#### (II) Exposure to capital market

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt; (Refer note (i) to (iii) below)	664.47	1,390.30
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	5,954.98	174.83
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	8,826.03	5,130.13
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	-	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	103.77	44.32
(vi) Loans sanctioned to corporates against the security of shares/bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) Bridge loans to companies against expected equity flows/issues;	-	-
(viii) All exposures to venture capital funds (both registered and unregistered)	-	-
<b>Total exposure to capital market</b>	<b>15,549.25</b>	<b>6,739.58</b>

Note:

(i) Excludes investments in 100% wholly owned subsidiaries amounting to ₹ 5,698.38 crore current year (Previous year ₹ 5,298.38 crore)

(ii) Includes investment in listed equity shares of RBL Bank having actual cost of ₹ 150 crore considered at net carrying value of ₹ 55.64 crore in current year (Previous year ₹ 88.70 crore)

(iii) Includes loan amounting to ₹ 280.47 crore given to group company for current year (Previous year ₹ Nil) fully convertible into equity shares.

#### (III) Details of financing of Parent Company products

The Company does not have any financing of Parent Company products during the current and previous year.

#### (IV) Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded

The Company has not exceeded the prudential exposure limits during the current and previous year.

#### (V) Unsecured advances

Gross loans and advances includes unsecured advances ₹ 84,865.08 crore (Previous year ₹ 62,883.76 crore). There are no advances secured against intangible assets.

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

### 53 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

#### (F) Registration obtained from other financial sector regulators

Regulator	Registration no.	Date of registration/ renewal
<b>Insurance Regulatory and Development Authority of India</b>		
As a corporate agent for:		
Bajaj Allianz Life Insurance Company Ltd.		
Bajaj Allianz General Insurance Company Ltd.		
Niva Bupa Health Insurance Company Ltd.		
Future Generali Life Insurance Company Ltd.	CA0101	01-Apr-2016
Acko General Insurance Company Ltd.		01-Apr-2019 (Renewed till 31-Mar-25)
Aditya Birla Health Insurance Co. Ltd		
HDFC Life Insurance Company Ltd.		
SBI General Insurance Company Ltd.		
Manipal Cigna Health Insurance Company Ltd.		
		27-Jun-2016
AMFI Registered Mutual Fund Advisor (ARMFA)	ARN - 90319	27-Jun-2019 (Renewed till 26-Jun-2022)

#### (G) Details of penalties imposed by RBI and other regulators

##### Current year:

Financial Intelligence Unit - India (FIU-Ind) vide its Order dated 28 March 2022, imposed penalty of ₹ 3 lakh under PMLA and its Rules, for not having in place an effective internal mechanism to detect, not reporting suspicious transactions reportable as STRs, failure to carry out KYC updation based on periodic risk assessment and to determine ultimate beneficial ownership. The observations were based on the review by FIU-IND during September 2018 for the FY 2016, 2017 and 2018. The Company has since taken necessary corrective actions in this respect. No other penalty has been levied by RBI or any other Regulators.

##### Previous year:

The Reserve Bank of India vide its press release dated 5 January 2021 imposed a monetary penalty of ₹ 2.50 crore on the Company for deficiencies in compliance with directions issued by RBI on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs and Fair Practices Code (FPC). The said penalty does not have any material impact on the Company. No other penalty has been levied by RBI or any other Regulators.

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

### 53 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

#### (H) Details of ratings assigned by credit rating agencies and migration of ratings during the year

Rating agency	Programme	Ratings assigned	Migration in ratings during the year
India Ratings	Non-convertible debenture	IND AAA/Stable	Nil
	Subordinate debt	IND AAA/Stable	Nil
	Long term bank rating	IND AAA/Stable	Nil
	Short term bank rating	IND A1+	Nil
CRISIL	Non-convertible debenture	CRISIL AAA/Stable	Nil
	Lower tier II bond	CRISIL AAA/Stable	Nil
	Fixed deposit	FAAA/Stable	Nil
	Long term bank rating	CRISIL AAA/Stable	Nil
	Short term bank rating	CRISIL A1+	Nil
	Subordinate debt	CRISIL AAA/Stable	Nil
ICRA	Short term debt	CRISIL A1+	Nil
	Non-convertible debenture	ICRA AAA/Stable	Nil
	Fixed deposit	MAAA(Stable)	Nil
	Subordinate debt	ICRA AAA/Stable	Nil
CARE	Short term debt	ICRA A1+	Nil
	Non-convertible debenture	CARE AAA/Stable	Nil
S&P	Subordinate debt	CARE AAA/Stable	Nil
	Entity level	Long term issuer rating of 'BB+' with positive outlook Short term rating of 'B'	On 30 March 2022, S&P has revised the outlook for BFL to 'positive' from 'stable'

#### (I) Remuneration of non-executive Directors

(₹ in crore)

For the year ended 31 March

Particulars	For the year ended 31 March	
	2022	2021
Rahul Bajaj	0.03	0.18
Sanjiv Bajaj	0.86	0.54
Madhur Bajaj	0.21	0.18
Rajiv Bajaj	0.17	0.18
Dipak Poddar	0.41	0.30
Ranjan Sanghi	0.44	0.42
D J Balaji Rao	0.21	0.18
Dr. Omkar Goswami	0.12	0.51
Dr. Gita Piramal	0.21	0.21
Dr. Naushad Forbes	0.48	0.30
Anami N. Roy	0.69	0.24
Pramit Jhaveri	0.28	-



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

### 53 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

#### (J) Provisions and contingencies

(₹ in crore)

Break up of 'Provisions and Contingencies' shown in the Statement of Profit and Loss	For the year ended 31 March	
	2022	2021
Provision for non-performing assets*	189.47	133.46
Provision for income tax	2,242.00	1,470.70
Provision for standard assets**	(204.76)	214.94
Provision for employee benefits	25.68	57.69

\* Represents impairment loss allowance on stage 3 assets

\*\* Represents impairment loss allowance on stage 1 and stage 2 assets

#### (K) Draw Down from Reserves

During the year, the Company has not drawn down any amount from reserves.

#### (L) Concentration of deposits, advances, exposures and NPAs

##### (I) Concentration of deposits

(₹ in crore)

Particulars	As at 31 March	
	2022	2021
Total deposits of twenty largest depositors*	609.34	809.61
Percentage of deposits to twenty largest depositors to total deposits	2.88%	4.27%

\* Includes only public deposits.

##### (II) Concentration of advances

(₹ in crore)

Particulars	As at 31 March	
	2022	2021
Total advances to twenty largest borrowers	6,566.08	4,441.33
Percentage of advances to twenty largest borrowers to total advances	4.43%	3.79%

- The above exposures denotes gross carrying amount

##### (III) Concentration of exposures (including off-Balance Sheet exposure)

(₹ in crore)

Particulars	As at 31 March	
	2022	2021
Total exposure to twenty largest borrowers/customers	6,566.08	4,457.33
Percentage of exposures to twenty largest borrowers/customers to total exposure on borrowers/customers	4.34%	3.71%

- The above exposures denotes gross carrying amount

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

### 53 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

#### (IV) Concentration of NPAs

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Total exposure to top four NPA accounts	466.27	69.59

- The above exposures denotes gross carrying amount

#### (V) Sector-wise NPAs

Sector	As at 31 March 2022			As at 31 March 2021		
	Total advances in the sector	NPA	%	Total advances in the sector	NPA	%
Agriculture & allied activities	42.28	0.35	0.83%	99.45	0.19	0.19%
MSME	14,146.82	215.82	1.53%	11,347.22	173.74	1.53%
Corporate borrowers#	-	-	0.00%	-	-	0.00%
Services	36,726.28	1,561.80	4.25%	29,993.05	885.38	2.95%
Unsecured personal loans*	55,289.84	524.26	0.95%	41,270.58	664.73	1.61%
Auto loans	7,944.33	446.81	5.62%	8,459.40	576.63	6.82%
Other personal loans	25,794.73	162.19	0.63%	21,113.62	286.85	1.36%
Industries	8,268.81	75.91	0.92%	5,933.77	24.13	0.41%
Total	148,213.09	2,987.14	2.02%	118,217.09	2,611.65	2.21%

\* Includes other receivables in current year amounting to ₹ Nil (Previous year ₹ 1,175.00 crore)

# Covered under specific sectors.

#### (M) Movement of NPAs

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
<b>(i) Net NPAs to net advances (%)</b>	0.85%	0.91%
<b>(ii) Movement of NPAs (Gross)</b>		
(a) Opening balance	2,611.65	2,339.31
(b) Additions during the year	7,999.42	7,961.40
(c) Reductions during the year (including loans written-off)	7,623.93	7,689.06
(d) Closing balance	2,987.14	2,611.65
<b>(iii) Movement of net NPAs</b>		
(a) Opening balance	1,061.96	923.09
(b) Additions during the year	1,534.17	2,062.76
(c) Reductions during the year	1,348.15	1,923.89
(d) Closing balance	1,247.98	1,061.96
<b>(iv) Movement of provisions for NPAs</b>		
(a) Opening balance	1,549.69	1,416.22
(b) Provisions made during the year	6,465.25	5,898.64
(c) Writeoff / write-back of excess provisions	6,275.78	5,765.17
(d) Closing balance	1,739.16	1,549.69

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

**53 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)**

(Disclosures are made as per Ind AS financial statements except otherwise stated)

**(N) Disclosure of complaints**

**Customer complaints**

Particulars	For the year ended 31 March	
	2022	2021
No. of complaints pending at the beginning of the year	-	57
No. of complaints received during the year	1,763	4,931
No. of complaints redressed during the year	1,763	4,988
No. of complaints pending at the end of the year	-	-

**(O) Disclosure of gold loan portfolio**

(₹ in crore)

Particulars	As at 31 March	
	2022	2021
Total gold loan portfolio	2,047.91	2,246.28
Total assets (Loans)	148,213.09	117,042.09
Gold loan portfolio as % of total assets	1.38%	1.92%

- The above exposures denotes gross carrying amount

**(P) Disclosure of gold auction**

(₹ in crore)

Particulars	For the year ended 31 March	
	2022	2021
Number of loan accounts	21,876	2,492
Outstanding amount	231.12	18.79
Value fetched on auctions	223.11	19.68

- None of the sister concerns of the Company participated in the auction.

**(Q) The disclosures as required by the Master Direction -Monitoring of frauds in NBFCs issued by RBI dated 29 September 2016**

There were 14 cases of frauds amounting to ₹ 6.65 crore reported during the year. (Previous year 4 cases amounting to ₹ 18.88 crore)

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

### 53 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

#### (R) Disclosures as required for liquidity risk

##### (I) Funding concentration based on significant counterparty (both deposits and borrowings)

Particulars	As at 31 March	
	2022	2021
<b>Borrowings</b>		
Number of significant counter parties	19	16
Amount (₹ in crore)	48,678.65	42,593.36
Percentage of funding concentration to total deposits	NA	NA
Percentage of funding concentration to total liabilities	38.65%	41.62%

##### (II) Top 20 large deposits

Particulars	(₹ in crore) As at 31 March	
	2022	2021
Total amount of top 20 deposits	5,127.13	4,190.78
Percentage of amount of top 20 deposits to total deposits	16.93%	16.24%

##### (III) Top 10 borrowings

Particulars	(₹ in crore) As at 31 March	
	2022	2021
Total amount of top 10 borrowings	34,922.77	35,335.87
Percentage of amount of top 10 borrowings to total borrowings	28.38%	35.39%

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

### 53 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

#### (IV) Funding concentration based on significant instrument/product

Particulars	(₹ in crore)			
	As at 31 March 2022	Percentage of total liabilities	As at 31 March 2021	Percentage of total liabilities
Non-convertible debentures	52,608.53	41.77%	37,220.13	36.37%
Deposits	30,289.52	24.05%	25,803.43	25.21%
Loans from bank	22,348.78	17.74%	21,311.64	20.82%
Commercial paper	6,426.05	5.10%	5,851.58	5.72%
External commercial borrowings	5,522.44	4.38%	5,468.64	5.34%
Subordinated debts	3,845.77	3.05%	3,898.61	3.81%
TREPs	1,999.16	1.59%	299.97	0.29%

#### (V) Stock ratios

Particulars	As at 31 March	
	2022	2021
(i) Commercial paper as a percentage of total public funds*	5.22%	5.86%
(ii) Commercial paper as a percentage of total liabilities	5.10%	5.72%
(iii) Commercial paper as a percentage of total assets	3.82%	4.23%
(iv) Other short term liabilities as a percentage of total public funds	39.88%	26.59%
(v) Other short term liabilities as a percentage of total liabilities	38.96%	25.95%
(vi) Other short term liabilities as a percentage of total assets	29.21%	19.20%
(vii) Non-convertible debentures** as a percentage of total public funds	NA	NA
(viii) Non-convertible debentures** as a percentage of total liabilities	NA	NA
(ix) Non-convertible debentures** as a percentage of total assets	NA	NA

\* Public funds is as defined in Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Direction, 2016

\*\* Non-convertible debentures with original maturity of less than one year

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

### 53 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

#### (VI) Institutional set-up for liquidity risk management

For qualitative disclosure on liquidity risk management, refer note no. 48.

#### Quarter on quarter liquidity coverage ratio for the financial year ended 31 March 2022 :

(₹ in crore)

Particulars	Q1 FY22		Q2 FY22		Q3 FY22		Q4 FY22	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
1 Total High Quality Liquid Assets (HQLA)	4,614.15	3,877.70	5,306.64	4,550.83	5,094.33	4,300.57	6,007.41	5,212.43
<b>Cash Outflows</b>								
2 Deposits	956.17	1,099.60	1,258.29	1,447.04	1,089.91	1,253.40	1,309.47	1,505.89
3 Unsecured wholesale funding	1,593.15	1,832.13	5,286.78	6,079.80	3,210.29	3,691.83	3,269.94	3,760.43
4 Secured wholesale funding	2,139.25	2,460.14	1,333.35	1,533.36	2,937.01	3,377.57	3,471.94	3,992.74
5 Additional requirements, of which	2,972.53	3,418.41	3,063.62	3,523.17	3,034.76	3,489.97	3,517.22	4,044.80
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	2,972.53	3,418.41	3,063.62	3,523.17	3,034.76	3,489.97	3,517.22	4,044.80
6 Other contractual funding obligations	1,251.19	1,438.87	4,455.32	5,123.62	2,182.38	2,509.73	1,980.03	2,277.03
7 Other contingent funding obligations	-	-	-	-	-	-	-	-
<b>8 Total Cash outflows</b>	<b>8,912.29</b>	<b>10,249.15</b>	<b>15,397.36</b>	<b>17,706.99</b>	<b>12,454.35</b>	<b>14,322.50</b>	<b>13,548.60</b>	<b>15,580.89</b>
<b>Cash Inflows</b>								
9 Secured lending	-	-	600.00	450.00	50.00	37.50	-	-
10 Inflows from fully performing exposures	7,547.40	5,660.55	17,169.42	12,877.07	9,428.30	7,071.23	10,288.53	7,716.40
11 Other cash inflows	13,286.03	9,964.52	12,581.18	9,435.89	13,457.06	10,092.79	11,295.32	8,471.49
<b>12 Total cash inflows</b>	<b>20,833.43</b>	<b>15,625.07</b>	<b>30,350.60</b>	<b>22,762.96</b>	<b>22,935.36</b>	<b>17,201.52</b>	<b>21,583.85</b>	<b>16,187.89</b>
	<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>	
13 Total HQLA		3,877.70		4,550.83		4,300.57		5,212.43
14 Total net cash outflow		2,562.28		4,426.75		3,580.63		3,895.22
15 Liquidity coverage ratio (%)		151.34%		102.80%		120.11%		133.82%

(₹ in crore)

High Quality Liquid Assets (HQLA)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	1 Assets to be included as HQLA without any haircut	931.91	931.91	1,527.57	1,527.57	1,125.50	1,125.50	2,032.51
2 Assets to be considered for HQLA with a minimum haircut of 15%	-	-	-	-	-	-	-	-
3 Assets to be considered for HQLA with a minimum haircut of 50%	-	-	-	-	-	-	-	-
4 Approved securities held as per the provisions of section 45 IB of RBI Act	3,682.23	2,945.79	3,779.07	3,023.26	3,968.84	3,175.07	3,974.90	3,179.92
<b>Total HQLA</b>	<b>4,614.14</b>	<b>3,877.70</b>	<b>5,306.64</b>	<b>4,550.83</b>	<b>5,094.34</b>	<b>4,300.57</b>	<b>6,007.41</b>	<b>5,212.43</b>

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

**53 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)**

(Disclosures are made as per Ind AS financial statements except otherwise stated)

**Quarter on quarter liquidity coverage ratio for the financial year ended 31 March 2021 :**

(₹ in crore)

Particulars	Q1 FY21		Q2 FY21		Q3 FY21		Q4 FY21	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
1 Total High Quality Liquid Assets (HQLA)	2,964.97	2,430.26	3,419.30	2,862.44	3,969.44	3,405.81	4,928.42	4,304.30
<b>Cash Outflows</b>								
2 Deposits	835.44	960.76	611.48	703.20	471.86	542.64	885.10	1,017.87
3 Unsecured wholesale funding	732.53	842.41	2,091.55	2,405.28	1,484.09	1,706.70	6,098.28	7,013.02
4 Secured wholesale funding	3,975.16	4,571.44	4,437.63	5,103.28	5,737.62	6,598.26	3,000.87	3,451.00
5 Additional requirements, of which	3,158.02	3,631.72	2,915.21	3,352.49	3,017.36	3,469.97	3,068.27	3,528.51
(i) Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	3,158.02	3,631.72	2,915.21	3,352.49	3,017.36	3,469.97	3,068.27	3,528.51
6 Other contractual funding obligations	1,163.21	1,337.69	1,354.33	1,557.48	1,869.52	2,149.95	1,469.46	1,689.88
7 Other contingent funding obligations	-	-	-	-	-	-	-	-
<b>8 Total Cash outflows</b>	<b>9,864.36</b>	<b>11,344.02</b>	<b>11,410.20</b>	<b>13,121.73</b>	<b>12,580.45</b>	<b>14,467.52</b>	<b>14,521.98</b>	<b>16,700.28</b>
<b>Cash Inflows</b>								
9 Secured lending	33.33	25.00	58.33	43.75	200.00	150.00	50.00	37.50
10 Inflows from fully performing exposures	7,914.10	5,935.58	9,691.02	7,268.26	10,567.52	7,925.64	18,093.00	13,569.75
11 Other cash inflows	20,525.83	15,394.38	22,011.75	16,508.82	19,883.26	14,912.44	8,619.09	6,464.31
<b>12 Total cash inflows</b>	<b>28,473.26</b>	<b>21,354.96</b>	<b>31,761.10</b>	<b>23,820.83</b>	<b>30,650.78</b>	<b>22,988.08</b>	<b>26,762.09</b>	<b>20,071.56</b>
	<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>	
13 Total HQLA		2,430.26		2,862.44		3,405.81		4,304.30
14 Total net cash outflow		2,836.01		3,280.43		3,616.88		4,175.07
15 Liquidity coverage ratio (%)		85.69%		87.26%		94.16%		103.10%
		<b>Total Unweighted Value (average)</b>		<b>Total Unweighted Value (average)</b>		<b>Total Unweighted Value (average)</b>		<b>Total Unweighted Value (average)</b>
<b>High Quality Liquid Assets (HQLA)</b>								
1 Assets to be included as HQLA without any haircut	289.34	289.34	634.98	634.98	1,151.30	1,151.30	1,807.82	1,807.82
2 Assets to be considered for HQLA with a minimum haircut of 15%	8.33	7.08	-	-	-	-	-	-
3 Assets to be considered for HQLA with a minimum haircut of 50%	-	-	-	-	-	-	-	-
4 Approved securities held as per the provisions of section 45 IB of RBI Act	2,667.29	2,133.83	2,784.33	2,227.46	2,818.15	2,254.52	3,120.60	2,496.48
<b>Total HQLA</b>	<b>2,964.96</b>	<b>2,430.25</b>	<b>3,419.31</b>	<b>2,862.44</b>	<b>3,969.45</b>	<b>3,405.82</b>	<b>4,928.42</b>	<b>4,304.30</b>



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

### 53 The disclosures as required by the NBFC Master Directions issued by RBI (Contd.)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

Liquidity Coverage Ratio (LCR) is one of the key parameters closely monitored by RBI to enable a more resilient financial sector. The objective of the LCR is to promote an environment wherein balance sheet carry a strong liquidity for short term cash flow requirements. To ensure strong liquidity NBFCs are required to maintain adequate pool of unencumbered high-quality liquid assets (HQLA) which can be easily converted into cash to meet their stressed liquidity needs for 30 calendar days. The LCR is expected to improve the ability of financial sector to absorb the shocks arising from financial and/or economic stress, thus reducing the risk of spill over from financial sector to real economy.

The Liquidity Risk Management of the Company is managed by the Asset Liability Management Committee (ALCO) under the governance of Board approved Liquidity Risk Framework and Asset Liability Management policy. The LCR levels for the balance sheet date is derived by arriving the stressed expected cash inflow and outflow for the next calendar month. To compute stressed cash outflow, all expected and contracted cash outflows are considered by applying a stress of 15%. Similarly, inflows for the Company is arrived at by considering all expected and contracted inflows by applying a haircut of 25%.

Company for purpose of computing outflows, have considered: (1) all the contractual debt repayments, (2) committed credit facilities contracted with the subsidiaries and customers, and (3) other expected or contracted cash outflows. Inflows comprises of: (1) expected receipt from all performing loans, and (2) liquid investment which are unencumbered and have not been considered as part of HQLA.

For the purpose of HQLA the Company considers: (1) Unencumbered government securities, (2) Cash and Bank balances and (3) Pledged Government Securities for purpose of Statutory Liquid Ratio (SLR) with haircut of 20%.

The LCR is computed by dividing the stock of HQLA by its total net cash outflows over one-month stress period. LCR guidelines have become effective from 1 December 2020, requiring NBFCs to maintain minimum LCR of 50%, LCR is gradually required to be increased to 100% by 1 December 2024. Deposit taking NBFCs are required to maintain LCR of 60% as on 31 March 2022.

#### **(S) Related party transactions**

Details of transactions with related parties are disclosed in note no. 44.

#### **(T) Overseas assets**

The Company does not have any joint ventures and subsidiaries abroad.

#### **(U) Off-balance sheet SPVs sponsored**

The Company does not have any off-balance sheet SPVs sponsored.

#### **(V) Participation in currency futures & currency options**

The Company has not undertaken any transaction during the current year and previous year for currency futures and currency options.

#### **(W) Net profit or loss for the period, prior period items and changes in accounting policies**

There are no prior period items which are impacting Company's current year profit and loss.

#### **(X) Revenue recognition**

There are no such circumstances in which revenue has been postponed pending the resolution of significant uncertainties.

#### **(Y) Consolidated financial statement (CFS)**

The Company has consolidated financial statement of its all the underlying subsidiaries.

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

#### 54 Disclosure of restructured accounts as required by the NBFC Master Directions issued by RBI for the year ended 31 March 2022

(₹ in crore)

Type of restructuring-others <sup>+</sup>		Asset classification				Total
		Standard	Sub-standard	Doubtful	Loss	
Restructured Accounts as on 1 April 2021 (opening figures)	No of borrowers	54	2,070	4	-	2,128
	Amount outstanding	3.65	141.75	12.51	-	157.91
	provision thereon**	0.15	37.29	5.65	-	43.09
Fresh restructuring during the FY*	No of borrowers	-	1,078	-	-	1,078
	Amount outstanding	-	189.77	-	-	189.77
	provision thereon**	-	111.32	-	-	111.32
Upgradations to restructured standard category during the FY <sup>#</sup>	No of borrowers	14	(14)	-	-	-
	Amount outstanding	0.74	(0.74)	-	-	-
	provision thereon**	0.01	(0.01)	-	-	-
Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No of borrowers	(34)	-	-	-	(34)
	Amount outstanding	(1.34)	-	-	-	(1.34)
	provision thereon**	(0.05)	-	-	-	(0.05)
Downgradations of restructured accounts during the FY <sup>#</sup>	No of borrowers	(4)	3	1	-	-
	Amount outstanding	(0.50)	(0.28)	0.78	-	-
	provision thereon**	(0.01)	(0.77)	0.78	-	-
Write-offs/Settlements/ Recoveries of restructured accounts during the FY*	No of borrowers	(16)	(1,622)	(3)	-	(1,641)
	Amount outstanding	(1.81)	(31.16)	(9.53)	-	(42.50)
	provision thereon**	(0.09)	(0.57)	(2.67)	-	(3.33)
Restructured Accounts as on 31 March 2022 (Closing figures)	No of borrowers	14	1,515	2	-	1,531
	Amount outstanding	0.74	299.34	3.76	-	303.84
	provision thereon**	0.01	147.26	3.76	-	151.03

+ Since the disclosure of restructured advance account pertains to section 'Others', the first two sections, namely, 'Under CDR Mechanism' and 'Under SME Debt Restructuring Mechanism' as per format prescribed in the guidelines are not included above.

\* Includes movement of amount outstanding and provision thereon of the existing restructured accounts.

\*\* Provisions considered as per ECL.

<sup>#</sup> Represents movement by asset classification.

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

**55 The disclosures as required by the NBFC Master Directions issued by RBI - A comparison between provision required under income recognition, asset classification and provisioning (IRACP) and impairment allowances as per Ind AS 109 'Financial instruments' as of 31 March 2022**

(₹ in crore)

Asset classification as per RBI Norms (1)	Asset classification as per Ind AS 109 (2)	Gross carrying amount as per Ind AS (3)	Loss allowance (provisions) as required under Ind AS 109 (4)	Net carrying amount (5) = (3) - (4)	Provision required as per IRACP norms* (6)	Difference between Ind AS 109 provision and IRACP norms (7) = (4) - (6)
<b>(a) Performing assets</b>						
Standard	Stage 1	141,969.01	1,246.44	140,722.57	593.86	652.58
	Stage 2	3,256.94	951.24	2,305.70	59.66	891.58
Subtotal (a)		145,225.95	2,197.68	143,028.27	653.52	1,544.16
<b>(b) Non-performing assets (NPA)</b>						
(i) Substandard	Stage 3	2,926.30	1,702.84	1,223.46	275.97	1,426.87
(ii) Doubtful up to :						
1 year	Stage 3	60.65	36.17	24.48	11.76	24.41
1 to 3 years	Stage 3	0.19	0.15	0.04	0.07	0.08
More than 3 years	Stage 3	-	-	-	-	-
		60.84	36.32	24.52	11.83	24.49
(iii) Loss	Stage 3	-	-	-	-	-
Subtotal (b)		2,987.14	1,739.16	1,247.98	287.80	1,451.36
<b>(c) Other Items</b>						
	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal (c)		-	-	-	-	-
<b>Total (a+b+c)</b>	Stage 1	141,969.01	1,246.44	140,722.57	593.86	652.58
	Stage 2	3,256.94	951.24	2,305.70	59.66	891.58
	Stage 3	2,987.14	1,739.16	1,247.98	287.80	1,451.36
		148,213.09	3,936.84	144,276.25	941.32	2,995.52

\* Computed on the value as per the erstwhile IRACP norms.

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

**56 (a) Disclosures pursuant to RBI Notification - RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated 6 August 2020 and RBI/2021-22/31/DOR.STR.REC.11/21.04.048/2021-22 dated 5 May 2021**

For half year ended 31 March 2022 for OTR 1.0 implemented till 31 March 2021 and OTR 2.0 implemented till 30 September 2021

(₹ in crore)

Type of borrower	Exposure to accounts classified as standard consequent to implementation of resolution plan – position as at the end of the previous half year i.e. 30 September 2021 (A)	Of (A), aggregate debt that slipped into NPA during the half year ended 31 March 2022	Of (A) amount written off during the half year ended 31 March 2022 #	Of (A) amount paid by the borrowers during the half year ended 31 March 2022 ^	Exposure to accounts classified as standard consequent to implementation of resolution plan – position as at the end of this half year i.e. 31 March 2022
Personal Loans*	555.24	94.70	36.60	60.84	399.70
Corporate persons	400.67	393.38	-	0.31	6.98
of which, MSMEs	-	-	-	-	-
Others	400.67	393.38	-	0.31	6.98
Total	955.91	488.08	36.60	61.15	406.68

\* Includes restructuring implemented pursuant to OTR 2.0 till 30 September 2021 for personal loans, individual business loans and small business loans

# represents debt that slipped into stage 3 and was subsequently written off during the half year ended 31 March 2022

^ represents receipts net of interest accruals and disbursements, if any

There were 161 borrower accounts having an aggregate exposure of ₹ 39.03 crore to the Company, where resolution plans had been implemented under RBI's Resolution Framework 1.0 dated 6 August 2020 and now modified under RBI's Resolution Framework 2.0 dated 5 May 2021.

For half year ended 30 September 2021 for OTR 1.0 implemented till 31 March 2021

(₹ in crore)

Type of borrower	Exposure to accounts classified as standard consequent to implementation of resolution plan – position as at the end of the previous half year i.e. 31 March 2021 (A)	Of (A), aggregate debt that slipped into NPA during the half year ended 30 September 2021	Of (A) amount written off during the half year ended 30 September 2021 #	Of (A) amount paid by the borrowers during the half year ended 30 September 2021 ^	Exposure to accounts classified as standard consequent to implementation of resolution plan – position as at the end of this half year i.e. 30 September 2021
Personal Loans	616.69	201.34	86.06	21.75	393.60
Corporate persons	404.68	-	-	4.01	400.67
of which, MSMEs	-	-	-	-	-
Others	404.68	-	-	4.01	400.67
Total	1,021.37	201.34	86.06	25.76	794.27

# represents debt that slipped into stage 3 and was subsequently written off during the half-year

^ represents receipts net of interest accruals and disbursements, if any

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

**(b) Details of resolution plan implemented as per RBI circular on Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances dated 6 August 2020 as at 31 March 2022 are given below:**

Type of borrower	No. of accounts restructured and outstanding as on 31 March 2022	Amount outstanding as on 31 March 2022 (₹ in crore)
MSMEs	9,225	315.12

**(c) Details of resolution plan implemented as per RBI circular on Resolution Framework 2.0 – Resolution of COVID-19 related stress of Micro, Small and Medium Enterprises (MSMEs) dated 5 May 2021 as at 31 March 2022 are given below:**

Type of borrower	No. of accounts restructured and outstanding as on 31 March 2022	Amount outstanding as on 31 March 2022 (₹ in crore)
MSMEs	25	17.80

**57 Disclosure pursuant to RBI Notification - RBI/DOR/2021-22/86/DOR.STR.REC.51/21.04.048 /2021-22 dated 24 September 2021 'Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021'**

**(a) Details of transfer through assignment in respect of loans not in default during the financial year ended 31 March 2022**

Amount of loans transferred through assignment	₹ 738.78 crore
Retention of beneficial economic interest	1%
Weighted average residual maturity	185 months
Weighted average holding period	55 months
Coverage of tangible security coverage	100%
Rating-wise distribution of rated loans	Unrated

**(b) Details of loans (not in default) acquired through assignment during the financial year ended 31 March 2022**

Amount of loans acquired through assignment	₹ 1,503.68 crore
Retention of beneficial economic interest	1%
Weighted average residual maturity	140 months
Weighted average holding period	18 months
Coverage of tangible security coverage	100%
Rating-wise distribution of rated loans	Unrated

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

**(c) Details of stressed loans transferred during the financial year ended 31 March 2022**

Particulars	To Asset Reconstruction Companies (ARC)		To permitted transferees	
	NPA	SMA	NPA	SMA
Number of accounts	983	374	338	-
Aggregate principal outstanding of loans transferred (₹ in crore)	78.45	2.70	34.52	-
Weighted average residual tenor of the loans transferred (in years)	14.27	2.57	6.53	-
Net book value of loans transferred (at the time of transfer) (₹ in crore)	59.96	1.83	26.85	-
Aggregate consideration (₹ in crore)	39.50	0.15	16.89	-
Additional consideration realized in respect of accounts transferred in earlier years	-	-	-	-
Excess provisions reversed to the Profit and Loss Account on account of sale	-	-	-	-

In addition to above the Company has transferred written off loans amounting to ₹ 1,117.45 crore for consideration of ₹ 60.02 crore.

(d) The Company has not acquired any stressed loan during the financial year ended 31 March 2022.

**58 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	2.93	2.78
2. Net Worth [Total Equity] (₹ in crore)	42,055.88	35,938.74
3. Net Profit after tax (₹ in crore)	6,350.49	3,955.51
4. Earnings per share		
Basic (₹)	105.39	65.85
Diluted (₹)	104.63	65.33
5. Total debts to total assets ratio [Debt securities+Borrowings (other than debt securities)+Deposits+Subordinated debts] / Total Assets	0.73	0.72
6. Net profit margin [Profit after tax / Total Income]	22.78%	16.80%
7. Sector specific equivalent ratio, as applicable		
(A) Gross NPA (stage 3 asset, gross) ratio	2.02%	2.21%
(B) Net NPA (stage 3 asset, net) ratio	0.85%	0.91%
(C) Capital to risk-weighted assets ratio (calculated as per RBI guidelines)	27.22%	28.34%
(D) Liquidity Coverage Ratio (calculated as per RBI guidelines)	134.32%	270.00%

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.

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

- 59** The financial statement of the 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.
- 60** 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

For G.M. Kapadia & Co

Chartered Accountants

Chartered Accountants

Sandeep Jain

Sanjiv Bajaj

Firm registration number: 302009E

Firm registration number: 104767W

Chief Financial Officer

Chairman

Sanjiv V. Pilgaonkar

Rajen Ashar

R Vijay

Rajeev Jain

Partner

Partner

Company Secretary

Managing Director

Membership number: 039826

Membership number: 048243

Pune: 26 April 2022



Annexure (Forming part of the financial statements)

**Schedule to Balance Sheet****As required by RBI Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('the NBFC Master Directions')**

Particulars	(₹ in crore)	
	Amount outstanding as on 31 March 2022	Amount overdue
<b>Liabilities side</b>		
<b>(1) Loans and advances availed by the Company inclusive of interest accrued thereon but not paid</b>		
(a) Debentures		
Secured	47,288.30	-
Unsecured (Other than falling within the meaning of public deposit)	9,166.00	-
(b) Deferred credits	-	-
(c) Term loans	26,830.52	-
(d) Inter-corporate loans and borrowings	9,105.06	-
(e) Commercial paper	6,426.05	-
(f) Public deposits (as defined in chapter II, para 3 (xiii) of Master directions -Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank Directions, 2016 as issued by RBI.)	21,184.46	-
(g) Other Loans (TREPs, cash credit and working capital demand loan)	3,039.86	-
<b>(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid)</b>		
(a) In the form of unsecured debentures	-	-
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security.	-	-
(c) Other public deposits	21,184.46	-

Particulars	(₹ in crore)	
	Amount Outstanding as on 31 March 2022	
<b>Asset side</b>		
<b>(3) Break - up of loans and advances including bills receivables (other than those included in (4) below)</b>		
(a) Secured		61,681.29
(b) Unsecured		84,241.86
<b>(4) Break up of leased assets and assets under finance and hypothecation loans counting towards asset finance activities</b>		
(a) Lease assets including lease rentals under sundry debtors:		
(i) Financial lease		-
(ii) Operating lease		-
(b) Stock under finance including financing charges under sundry debtors		
(i) Assets under finance, net of unmatured finance charges and advance EMI		-
(ii) Repossessed assets		-
(c) Hypothecation loans counting towards asset financing activities*		
(i) Loans where assets have been repossessed		-
(ii) Loans other than (a) above		-

\* The Company has not disclosed amount outstanding under assets financing activities under note 4(iii) and included entire loan amount outstanding under note 3 as RBI has merged Asset Financing Companies, Loan Companies and Investment companies in to a new category 'NBFC - Investment and Credit Company' vide its circular no. DN BR (PD) CC . No.097/03.10.001/2018-19 dated 22 February 2019.

Annexure (Forming part of the financial statements)

**Schedule to Balance Sheet (Contd.)**

(₹ in crore)

<b>Particulars</b>	<b>Amount Outstanding as on 31 March 2022</b>
<b>(5) Break-up of investments</b>	
<b>Current Investments</b>	
a. Quoted	
(i) Shares - Equity	-
Preference	-
(ii) Debentures and bonds	-
(iii) Units of mutual funds	3.10
(iv) Government securities	6,977.98
(v) Others - Certificate of Deposits & Commercial paper	-
b. Unquoted	
(i) Shares - Equity	-
Preference	-
(ii) Debentures and bonds	-
(iii) Units of mutual funds	-
(iv) Government securities	-
(v) Others - Investment in FD	-
<b>Long-Term Investments</b>	
a. Quoted	
(i) Shares - Equity	55.73
Preference	-
(ii) Debentures and bonds	-
(iii) Units of mutual funds	-
(iv) Government securities	3,027.90
(v) Others	-
b. Unquoted	
(i) Shares - Equity	6,307.11
Preference	-
(ii) Debentures and bonds	-
(iii) Units of mutual funds	-
(iv) Government securities	-
(v) Others (Investment FD)	-

**(6) Borrower group-wise classification of all leased assets, stock under financing and loans and advances**

(₹ in crore)

<b>Category</b>	<b>Amount net of Provisions</b>		<b>Total</b>
	<b>Secured</b>	<b>Unsecured</b>	
Related parties			
Subsidiaries	-	50.29	50.29
Companies in the same group	-	63.57	63.57
Other related parties	-	0.46	0.46
Other than related parties	61,681.29	84,127.54	145,808.83
	61,681.29	84,241.86	145,923.15

Annexure (Forming part of the financial statements)

**Schedule to Balance Sheet** (Contd.)

**(7) Investor group-wise classification of all investments (current and long term in shares and securities)**

Category	(₹ in crore)	
	Market Value	Book Value
Related parties		
Subsidiaries	5,698.38	5,698.38
Companies in the same group	283.16	283.16
Other related parties	-	-
Other than related parties	10,390.28	10,390.28
	<b>16,371.82</b>	<b>16,371.82</b>

**(8) Other information**

Particulars	(₹ in crore)	
	Amount	
Gross non-performing assets		
Related parties		-
Other than related parties		2,987.14
Net non-performing assets *		
Related parties		-
Other than related parties		1,247.98
Assets acquired in satisfaction of debt		-

\* Stage 3 net of impairment has been considered.

## Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures

### Form AOC- 1

(Pursuant to first proviso to sub-section (3) of section 129 read with Rule 5 of Companies (Accounts) Rules, 2014)

#### Part A: Subsidiaries

		(₹ in crore)	
1	Name of the subsidiary	Bajaj Housing Finance Ltd.	Bajaj Financial Securities Ltd.
2	The date since when subsidiary was acquired	01.11.2014	10.08.2018
3	Reporting period for the subsidiary concerned, if different from the Holding company's reporting period	NA	NA
4	Reporting currency and exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries.	NA	NA
5	Share capital	4,883.33	631.65
6	Other equity	1,858.03	63.69
7	Total assets	48,527.08	1,830.19
8	Total liabilities	41,785.72	1,134.84
9	Investments	1,248.27	323.83
10	Turnover	3,767.13	124.32
11	Profit before taxation	959.86	22.64
12	Provision for taxation (net)	250.24	5.80
13	Profit after taxation	709.62	16.84
14	Proposed dividend	NIL	NIL
15	% of shareholding	100%	100%

Note:

1. Names of subsidiaries which are yet to commence operations: NIL

2. Names of subsidiaries which have been liquidated or sold during the year: NIL

#### Part B: Associates and Joint Ventures – Not Applicable

On behalf of the Board of Directors

Sandeep Jain  
Chief Financial Officer

Sanjiv Bajaj  
Chairman

R Vijay  
Company Secretary

Rajeev Jain  
Managing Director

Pune: 26 April 2022

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# **CONSOLIDATED FINANCIAL STATEMENTS**

## Independent Auditors' Report on the Consolidated Financial Statements

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

### Opinion

We have audited the accompanying consolidated financial statements of Bajaj Finance Ltd. (the 'Parent'/ the 'Holding Company') and its subsidiaries, (the Parent/Holding Company and its subsidiaries together referred to as the 'Group'), which comprise the Consolidated Balance Sheet as at 31 March 2022, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the 'consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of the other auditors on separate financial statements of the subsidiaries, referred to in the Other Matters section below, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 (the 'Act') in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS') and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2022, and their consolidated profit, their consolidated total comprehensive income, their consolidated changes in equity and their consolidated cash flows for the year ended on that date.

### Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act ('SAs'). Our responsibilities under those Standards are further described in the Auditors' responsibility for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the sub-paragraphs (a) and (b) of the other matters section below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Emphasis of matter

We draw attention to note no. 48(c) to the consolidated financial statements in which the Group describes the continuing uncertainties arising from the COVID-19 pandemic. Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.



## Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

S. N.	Key audit matter	Auditors' response
1.	<p>Allowances for expected credit losses ('ECL'): As at 31 March 2022, the carrying value of loan assets measured at amortised cost, aggregated ₹ 191,423.25 crore (net of allowance for expected credit loss ₹ 4,404.79 crore) constituting approximately 90% of the Group's total assets. Significant judgement is used in classifying these loan assets and applying appropriate measurement principles. ECL on such loan assets is a critical estimate involving greater level of management judgement.</p> <p>As part of our risk assessment, we determined that ECL on such loan assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes for the consolidated financial statements. The elements of estimating ECL which involved increased level of audit focus are the following:</p> <ul style="list-style-type: none"> <li>• Qualitative and quantitative factors used in staging the loan assets measured at amortised cost;</li> <li>• Basis used for estimating probabilities of default ('PD'), loss given default ('LGD') and exposure at default ('EAD') at product level with past trends;</li> <li>• Judgements used in projecting economic scenarios and probability weights applied to reflect future economic conditions; and</li> <li>• Adjustments to model driven ECL results to address emerging trends.</li> </ul> <p>(Refer note no. 3.4, 9 and 48(c) to the consolidated financial statements).</p>	<p>Auditors of one subsidiary and we have examined the policies approved by the Boards of Directors of the Company and of the subsidiary that articulate the objectives of managing each portfolio and their business models. Auditors of the subsidiary and we have also verified the methodology adopted for computation of ECL ('ECL Model') that addresses policies approved by the Boards of Directors, procedures, and controls for assessing and measuring credit risk on all lending exposures measured at amortised cost. Additionally, Auditors of the subsidiary and we have confirmed that adjustments to the output of the ECL Model are consistent with the documented rationale and basis for such adjustments and that the amount of adjustment have been approved by the Audit Committee of the Board of Directors. Our audit procedures related to the allowance for ECL included the following, among others:</p> <p>Testing the design and operating effectiveness of the following:</p> <ul style="list-style-type: none"> <li>• Completeness and accuracy of the EAD and the classification thereof into stages consistent with the definitions applied in accordance with the policy approved by the Board of Directors including the appropriateness of the qualitative factors to be applied;</li> <li>• Completeness, accuracy and appropriateness of information used in the estimation of the PD and LGD for the different stages depending on the nature of the portfolio;</li> <li>• Accuracy of the computation of the ECL estimate including methodology used to determine macro-economic overlays and adjustments to the output of the ECL Model; and</li> <li>• Validity of changes made to the structured query language ('SQL') queries used for the ECL calculations including approval thereof by the designated officials.</li> </ul> <p>Test of details on a sample basis in respect of the following:</p> <ul style="list-style-type: none"> <li>• Accuracy and completeness of the input data such as period of default and other related information used in estimating the PD.</li> <li>• The mathematical accuracy of the ECL computation by using the same input data as used by the Group.</li> <li>• Use of the appropriate SQL queries for calibration of ECL rates and its application to the corresponding loan asset portfolio of the Group or part thereof.</li> <li>• Completeness and accuracy of the staging of the loans and the underlying data based on which the ECL estimates have been computed.</li> <li>• Evaluating the adequacy of the adjustment after stressing the inputs used in determining the output as per the ECL Model to ensure that the adjustment was in conformity with the overlay amount approved by the Audit Committee of the Group.</li> </ul>

## Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

S. N. Key audit matter	Auditors' response
<p>2. Information technology and general controls: technology ('IT') systems due to the significant number of transactions that are processed daily across such multiple and discrete IT systems. Also, IT application controls are critical to ensure that changes to applications and underlying data are made in an appropriate manner and under controlled environments. Appropriate controls contribute to mitigating the risk of potential fraud or errors as a result of changes to applications and data.</p> <p>On account of the pervasive use of its IT systems, the testing of the general computer controls of the IT systems used in financial reporting was considered to be a key audit matter.</p>	<p>With the assistance of IT specialists, the Auditors of a subsidiary and we obtained an understanding of the Group's IT applications, databases, and operating systems relevant to financial reporting and the control environment. For these elements of the IT infrastructure the areas of our focus included access security (including controls over privileged access), program change controls, database management and network operations. In particular:</p> <ul style="list-style-type: none"> <li>• Auditors of one subsidiary and we tested the design, implementation, and operating effectiveness of the Group's general IT controls over the IT systems relevant to financial reporting. This included evaluation of Group's controls over segregation of duties and access rights being provisioned/modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being recertified during the period of audit.</li> <li>• Auditors of a subsidiary and we also tested key automated and manual business cycle controls and logic for the reports generated through the IT infrastructure that were relevant for financial reporting or were used in the exercise of internal financial controls with reference to financial statements. Our tests including testing of the compensating controls or alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the consolidated financial statements.</li> </ul>

### Information other than the financial statements and Auditors' report thereon

The Parent's/Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Board's Report (including annexures thereto), Business Responsibility Statement and Management Discussion and Analysis ('MD&A') (collectively referred to as 'other information'), but does not include the consolidated financial statements, standalone financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, compare with the financial statements of the subsidiaries audited by the other auditors, to the extent it relates to these entities and, in doing so, place reliance on the work of the other auditors and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

We have nothing to report in this regard.

### Management's responsibility for the consolidated financial statements

The Parent's/Holding Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. The respective

## Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

Boards of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Parent/Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Boards of Directors of the companies included in the Group are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Boards of Directors either intend to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

The respective Boards of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

### Auditors' responsibility for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Parent/Holding Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the financial statements of business activities included in the consolidated financial statements of which we are the independent auditors. For the business activities included in the consolidated financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Parent/Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other matters

- We did not audit the financial statements of Bajaj Housing Finance Ltd., a subsidiary, whose financial statements reflect total assets of ₹ 48,527.08 crore as at 31 March 2022, total revenues of ₹ 3,767.13 crore and net cash outflows amounting to ₹ 54.75 crore for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, and our report in terms of section 143(3) of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the reports of the other auditors.
- Further the financial statements of a subsidiary included in the consolidated financial statements, whose financial statements reflect total assets of ₹ 1,830.19 crore as at 31 March 2022, total revenues of ₹ 124.32 crore and net cash inflows amounting to ₹ 85.72 crore for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by G. M. Kapadia & Co., one of the joint auditors of the Group whose reports have been furnished to us by the Management and our opinion on the consolidated financial statement, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the report of the other auditor and the procedures performed by us as stated under Auditor's responsibilities section above.

## Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

Our opinion on the consolidated financial statements above and our report on other legal and regulatory requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

### Report on other legal and regulatory requirements

1. As required by section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on the separate financial statements of the subsidiaries referred to in the other matters section above we report, to the extent applicable that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books, returns and the reports of the other auditors.
  - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - (d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.
  - (e) On the basis of the written representations received from the Directors of the Parent/Holding Company as on 31 March 2022 taken on record by the Board of Directors of the Company and the reports of the statutory auditors of its subsidiary companies, none of the Directors of the Group companies is disqualified as on 31 March 2022 from being appointed as a Director in terms of section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls with reference to financial statements and the operating effectiveness of such controls, refer to our separate report in Annexure A which is based on the auditors' reports of the Parent/Holding Company, subsidiary companies. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls with reference to financial statements of those companies.
  - (g) With respect to the other matters to be included in the Auditors' Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Parent/Holding Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
  - (h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
    - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.

**Independent Auditors' Report on the Consolidated Financial Statements (Contd.)**

- ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Parent/Holding Company and its subsidiary companies.
- iv. (a) The respective Managements of the Company and its subsidiaries which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us and to the other auditors of such subsidiaries, respectively, that, to the best of their knowledge and belief, other than as disclosed in the notes to the accounts, 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 Company or any of such subsidiaries 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 Company or any of such subsidiaries ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the ultimate beneficiaries;
- (b) The respective Managements of the Company and its subsidiaries which are companies incorporated in India, whose financial statements have been audited under the Act, have represented to us and to the other auditors of such subsidiaries respectively that, to the best of their knowledge and belief, other than as disclosed in the notes to accounts, no funds (which are material either individually or in the aggregate) have been received by the Company or any of such subsidiaries from any person(s) or entity(ies), including foreign entities ('Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Company or any of such subsidiaries 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; and
- (c) Based on the audit procedures that has been considered reasonable and appropriate in the circumstances performed by us and those performed by the auditors of the subsidiaries which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our or other auditor's notice that has caused us or the other auditors to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement.
- v. The final dividend proposed with respect to previous year, declared, and paid by the Company during the year is in accordance with section 123 of the Act, as applicable.

As stated in note no. 45(iii) to the financial statements, the Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The amount of proposed dividend is in accordance with section 123 of the Act, as applicable.

**Independent Auditors' Report on the Consolidated Financial Statements** (Contd.)

2. With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditors' Report) Order, 2020 (the 'Order') issued by the Central Government in terms of section 143(11) of the Act, to be included in the Auditors' report, according to the information and explanations given to us, and based on the CARO reports issued by the auditors of the subsidiaries included in the consolidated financial statements of the Company, to which reporting under CARO is applicable, provided to us by the Management of the Company and based on the identification of matters of qualifications or adverse remarks in their CARO reports by the respective component auditors and provided to us, we report that the auditors of such companies have not reported any qualifications or adverse remarks in their CARO report.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Firm's Registration No. 302009E)

For G.M. Kapadia & Co.  
Chartered Accountants  
(Firm's Registration No. 104767W)

Sanjiv V. Pilgaonkar  
Partner  
(Membership No. 039826)  
(UDIN: 22039826AHUJHJ9092)

Rajen Ashar  
Partner  
(Membership No. 048243)  
(UDIN: 22048243AHUFYZ8061)

Date: 26 April 2022  
Place: Pune

Date: 26 April 2022  
Place: Pune



## Annexure A to Independent Auditors' Report

[Referred to in paragraph 1(f) under 'Report on other legal and regulatory requirements' section of our report of even date]

### **Report on the internal financial controls with reference to financial statements under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 (the 'Act')**

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2022, we have audited the internal financial controls with reference to financial statements of Bajaj Finance Ltd. (hereinafter referred to as the 'Parent') and its subsidiary companies.

#### **Management's responsibility for internal financial controls**

The respective Boards of Directors of the Parent and its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the respective Companies considering the essential components of internal control stated in the guidance note on audit of internal financial controls over financial reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' responsibility**

Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Parent and its subsidiary companies, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the guidance note on audit of internal financial controls over financial reporting (the 'Guidance Note') issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the subsidiary companies, which are companies incorporated in India, in terms of their reports referred to in the other matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system with reference to financial statements of the Parent and its subsidiary companies, which are companies incorporated in India.

#### **Meaning of internal financial controls with reference to financial statement**

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

## Annexure A to Independent Auditors' Report (Contd.)

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of Management and directors of the Company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

### Inherent limitations of internal financial controls with reference to financial statements

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

### Opinion

In our opinion to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors referred to in the other matters paragraph below, the Parent and its subsidiary companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2022, based on the criteria for internal financial controls with reference to financial statements established by the respective companies considering the essential components of internal control stated in the guidance note.

### Other matters

Our aforesaid report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to financial statements insofar as it relates to a subsidiary company, which is company incorporated in India, is based solely on the corresponding report of the auditors of this company incorporated in India.

Further with respect to a subsidiary company included in the consolidated financial statements, which is a company incorporated in India, have been audited by G. M. Kapadia & Co., one of the joint auditors of the Group whose reports have been furnished to us by the Management and our opinion on the internal financial controls with reference to financial statements, in so far as it relates to the internal financial controls with reference to financial statements in respect of this subsidiary, is based solely on the corresponding report of the auditors' of this Company incorporated in India.

Our opinion is not modified in respect of the above matters.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Firm's Registration No. 302009E)

For G.M. Kapadia & Co.  
Chartered Accountants  
(Firm's Registration No. 104767W)

Sanjiv V. Pilgaonkar  
Partner  
(Membership No. 039826)  
(UDIN: 22039826AHUJHJ9092)

Rajen Ashar  
Partner  
(Membership No. 048243)  
(UDIN: 22048243AHUFYZ8061)

Date: 26 April 2022  
Place: Pune

Date: 26 April 2022  
Place: Pune

## Consolidated Balance Sheet

Particulars	Note No.	(₹ in crore)	
		As at 31 March	
		2022	2021
<b>ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	5	3,407.17	1,849.33
Bank balances other than cash and cash equivalents	6	273.13	314.99
Derivative financial instruments	7	121.90	-
Trade receivables	8	1,265.89	1,096.86
Loans	9	191,423.25	146,686.87
Investments	10	12,245.54	18,396.91
Other financial assets	11	721.49	536.98
		<b>209,458.37</b>	<b>168,881.94</b>
<b>Non-financial assets</b>			
Current tax assets (net)		168.30	159.77
Deferred tax assets (net)	12	951.11	945.90
Property, plant and equipment	13	1,282.58	1,041.69
Capital work-in-progress	13	13.27	7.07
Intangible assets under development	13	20.87	43.99
Goodwill		3.27	3.27
Other intangible assets	13	430.45	270.74
Other non-financial assets	14	177.14	116.03
		<b>3,046.99</b>	<b>2,588.46</b>
<b>Total assets</b>		<b>212,505.36</b>	<b>171,470.40</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
<b>Financial liabilities</b>			
Derivative financial instruments	7	140.02	137.87
Payables	15		
Trade payables			
Total outstanding dues of micro enterprises and small enterprises		0.24	0.27
Total outstanding dues of creditors other than micro enterprises and small enterprises		1,169.08	884.01
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
Debt securities	16	76,223.07	54,502.14
Borrowings (other than debt securities)	17	54,363.56	47,429.36
Deposits	18	30,799.52	25,803.43
Subordinated debts	19	3,845.77	3,898.61
Other financial liabilities	20	1,110.43	945.12
		<b>167,993.47</b>	<b>133,814.63</b>

## Consolidated Balance Sheet (Contd.)

(₹ in crore)

Particulars	Note No.	As at 31 March	
		2022	2021
<b>Non-financial liabilities</b>			
Current tax liabilities (net)		100.06	180.17
Provisions	21	166.90	137.69
Other non-financial liabilities	22	532.24	419.50
		<b>799.20</b>	<b>737.36</b>
<b>Equity</b>			
Equity share capital	23	120.66	120.32
Other equity	24	43,592.03	36,798.09
		<b>43,712.69</b>	<b>36,918.41</b>
<b>Total liabilities and equity</b>		<b>212,505.36</b>	<b>171,470.40</b>
Summary of significant accounting policies	3		

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

As per our report of even date

On behalf of the Board of Directors

For Deloitte Haskins & Sells

For G.M. Kapadia & Co

Chartered Accountants

Chartered Accountants

Sandeep Jain

Sanjiv Bajaj

Firm registration number: 302009E

Firm registration number: 104767W

Chief Financial Officer

Chairman

Sanjiv V. Pilgaonkar

Rajen Ashar

R Vijay

Rajeev Jain

Partner

Partner

Company Secretary

Managing Director

Membership number: 039826

Membership number: 048243

Pune: 26 April 2022

## Consolidated Statement of Profit and Loss

Particulars	Note No.	(₹ in crore)	
		For the year ended 31 March	
		2022	2021
<b>Revenue from operations</b>			
Interest income	26	27,269.76	23,303.38
Fees and commission income	27	3,066.69	2,452.39
Net gain on fair value changes	28	327.74	591.22
Sale of services	29	74.96	157.53
Other operating income	30	893.27	163.58
<b>Total revenue from operations</b>		<b>31,632.42</b>	<b>26,668.10</b>
Other income	31	7.99	14.95
<b>Total income</b>		<b>31,640.41</b>	<b>26,683.05</b>
<b>Expenses</b>			
Finance costs	32	9,748.24	9,414.00
Fees and commission expense	33	1,745.55	1,246.48
Impairment on financial instruments	34	4,803.40	5,968.58
Employee benefits expense	35	3,589.66	2,498.67
Depreciation and amortisation expenses	13	384.57	325.27
Other expenses	36	1,865.21	1,237.79
<b>Total expenses</b>		<b>22,136.63</b>	<b>20,690.79</b>
<b>Profit before tax</b>		<b>9,503.78</b>	<b>5,992.26</b>
<b>Tax expense</b>			
Current tax		2,497.45	1,660.26
Deferred tax (credit)/charge		(21.90)	(87.82)
<b>Total tax expense</b>	12	<b>2,475.55</b>	<b>1,572.44</b>
<b>Profit after tax</b>		<b>7,028.23</b>	<b>4,419.82</b>
<b>Other comprehensive income (OCI)</b>			
Items that will not be reclassified to profit or loss:			
Remeasurement gains/(losses) on defined benefit plans		(5.09)	(32.86)
Tax impact on above		1.28	8.27
Changes in fair value of fair value through OCI (FVOCI) equity instruments		(4.36)	30.87
Tax impact on above		(2.78)	(16.17)
Items that will be reclassified to profit or loss in subsequent periods:			
Changes in fair value of FVOCI debt securities		(23.26)	(41.73)
Tax impact on above		5.86	10.50
Cash flow hedge reserve		83.68	(21.24)
Tax impact on above		(21.06)	5.35
<b>Total other comprehensive income for the year (net of tax)</b>		<b>34.27</b>	<b>(57.01)</b>
<b>Total comprehensive income for the year</b>		<b>7,062.50</b>	<b>4,362.81</b>

**Consolidated Statement of Profit and Loss** (Contd.)

<b>Particulars</b>	<b>Note No.</b>	For the year ended 31 March	
		<b>2022</b>	<b>2021</b>
Earnings per equity share:	37		
(Nominal value per share ₹ 2)			
Basic (₹)		116.64	73.58
Diluted (₹)		115.79	73.00
Summary of significant accounting policies	3		

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

As per our report of even date

On behalf of the Board of Directors

For Deloitte Haskins & Sells  
Chartered Accountants

For G.M. Kapadia & Co  
Chartered Accountants

Sandeep Jain  
Chief Financial Officer

Sanjiv Bajaj  
Chairman

Firm registration number: 302009E

Firm registration number: 104767W

Sanjiv V. Pilgaonkar  
Partner

Rajen Ashar  
Partner

R Vijay  
Company Secretary

Rajeev Jain  
Managing Director

Membership number: 039826

Membership number: 048243

Pune: 26 April 2022

## Consolidated Statement of Changes in Equity

### Equity share capital

(₹ in crore)

Particulars	For the year ended 31 March	
	2022	2021
Balance at the beginning of the year	120.32	119.99
Changes in equity share capital during the year [refer note no. 23(a)]	0.34	0.33
<b>Balance at the end of the year</b>	<b>120.66</b>	<b>120.32</b>

### Other equity

For the year ended 31 March 2022

(₹ in crore)

Particulars	Note No.	Reserves and surplus						Other comprehensive income on				Total other equity
		Securities premium	Retained earnings	Reserve fund as per NHB Act	Reserve fund as per RBI Act	General reserve	Infra-structure reserve	Share options outstanding account	Debt securities through OCI	Equity instruments through OCI	Cash flow hedge reserve	
<b>Balance as at 31 March 2021</b>	24	16,978.45	14,242.84	149.62	4,371.75	788.36	83.65	303.25	6.91	(54.22)	(72.52)	36,798.09
Profit after tax		-	7,028.23	-	-	-	-	-	-	-	-	7,028.23
Other comprehensive income for the year (net of tax)		-	(3.81)	-	-	-	-	-	(17.40)	(7.14)	62.62	34.27
		<b>16,978.45</b>	<b>21,267.26</b>	<b>149.62</b>	<b>4,371.75</b>	<b>788.36</b>	<b>83.65</b>	<b>303.25</b>	<b>(10.49)</b>	<b>(61.36)</b>	<b>(9.90)</b>	<b>43,860.59</b>
Share issue expenses		(0.02)	-	-	-	-	-	-	-	-	-	(0.02)
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		-	(1,271.00)	-	1,271.00	-	-	-	-	-	-	-
Transfer to reserve fund in terms of section 29C of the National Housing Bank Act, 1987		-	(81.93)	81.93	-	-	-	-	-	-	-	-
Transfer to infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961		-	(60.00)	-	-	-	60.00	-	-	-	-	-
Dividend including tax thereon		-	(602.34)	-	-	-	-	-	-	-	-	(602.34)
Share based payment to employees - for the year		-	-	-	-	-	-	161.21	-	-	-	161.21
Received on allotment of shares to Trust for employees pursuant to ESOP scheme		369.46	-	-	-	-	-	-	-	-	-	369.46
Transfer on allotment of shares to employees pursuant to ESOP scheme		66.75	-	-	-	-	-	(66.75)	-	-	-	-
Transfer on cancellation of stock options		-	-	-	-	0.15	-	(0.15)	-	-	-	-
		<b>17,414.64</b>	<b>19,251.99</b>	<b>231.55</b>	<b>5,642.75</b>	<b>788.51</b>	<b>143.65</b>	<b>397.56</b>	<b>(10.49)</b>	<b>(61.36)</b>	<b>(9.90)</b>	<b>43,788.90</b>
Add: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2021		86.96	-	-	-	-	-	-	-	-	-	86.96
Less: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2022		283.83	-	-	-	-	-	-	-	-	-	283.83
<b>Balance as at 31 March 2022</b>	24	<b>17,217.77</b>	<b>19,251.99</b>	<b>231.55</b>	<b>5,642.75</b>	<b>788.51</b>	<b>143.65</b>	<b>397.56</b>	<b>(10.49)</b>	<b>(61.36)</b>	<b>(9.90)</b>	<b>43,592.03</b>



## Consolidated Statement of Changes in Equity (Contd.)

### Other equity (Contd.)

For the year ended 31 March 2021

(₹ in crore)

Particulars	Note No.	Reserves and surplus						Other comprehensive income on				Total other equity
		Securities premium	Retained earnings	Reserve fund as per NHB Act	Reserve fund as per RBI Act	General reserve	Infra-structure reserve	Share options outstanding account	Debt securities through OCI	Equity instruments through OCI	Cash flow hedge reserve	
<b>Balance as at 31 March 2020</b>	24	16,841.43	10,752.91	78.32	3,579.75	787.82	41.65	213.17	38.14	(68.92)	(56.63)	32,207.64
Profit after tax		-	4,419.82	-	-	-	-	-	-	-	-	4,419.82
Other comprehensive income for the year (net of tax)		-	(24.59)	-	-	-	-	-	(31.23)	14.70	(15.89)	(57.01)
		<b>16,841.43</b>	<b>15,148.14</b>	<b>78.32</b>	<b>3,579.75</b>	<b>787.82</b>	<b>41.65</b>	<b>213.17</b>	<b>6.91</b>	<b>(54.22)</b>	<b>(72.52)</b>	<b>36,570.45</b>
Transfer to reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		-	(792.00)	-	792.00	-	-	-	-	-	-	-
Transfer to reserve fund in terms of section 29C of the National Housing Bank Act, 1987		-	(71.30)	71.30	-	-	-	-	-	-	-	-
Transfer to infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961		-	(42.00)	-	-	-	42.00	-	-	-	-	-
Share based payment to employees - for the year		-	-	-	-	-	-	124.76	-	-	-	124.76
Received on allotment of shares to Trust for employees pursuant to ESOP scheme		122.80	-	-	-	-	-	-	-	-	-	122.80
Transfer on allotment of shares to employees pursuant to ESOP scheme		34.14	-	-	-	-	-	(34.14)	-	-	-	-
Transfer on cancellation of stock options		-	-	-	-	0.54	-	(0.54)	-	-	-	-
		<b>16,998.37</b>	<b>14,242.84</b>	<b>149.62</b>	<b>4,371.75</b>	<b>788.36</b>	<b>83.65</b>	<b>303.25</b>	<b>6.91</b>	<b>(54.22)</b>	<b>(72.52)</b>	<b>36,818.01</b>
Add: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2020		67.04	-	-	-	-	-	-	-	-	-	67.04
Less: Premium on equity shares held in Trust for employees under the ESOP scheme as at 31 March 2021		86.96	-	-	-	-	-	-	-	-	-	86.96
<b>Balance as at 31 March 2021</b>	24	<b>16,978.45</b>	<b>14,242.84</b>	<b>149.62</b>	<b>4,371.75</b>	<b>788.36</b>	<b>83.65</b>	<b>303.25</b>	<b>6.91</b>	<b>(54.22)</b>	<b>(72.52)</b>	<b>36,798.09</b>

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

As per our report of even date

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

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

On behalf of the Board of Directors

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

## Consolidated Statement of Cash Flows

Particulars	(₹ in crore)	
	For the year ended 31 March	
	<b>2022</b>	<b>2021</b>
<b>(I) Operating activities</b>		
Profit before tax	9,503.78	5,992.26
Adjustments for:		
Interest income	(27,269.76)	(23,303.38)
Depreciation and amortisation	384.57	325.27
Impairment on financial instruments	4,803.40	5,968.58
Net loss on disposal of property, plant and equipment and intangible assets	24.84	6.85
Finance costs	9,748.24	9,414.00
Share based payment expenses	161.03	124.75
Net gain on fair value changes	(327.74)	(591.22)
Service fees for management of assigned portfolio of loans	(74.96)	(157.53)
Dividend income (₹ 30,750, Previous year ₹ Nil)		-
	<b>(3,046.60)</b>	<b>(2,220.42)</b>
Cash inflow from interest on loans	27,605.27	21,342.24
Cash inflow from service asset	86.25	73.65
Cash outflow towards finance costs	(8,961.18)	(9,025.49)
<b>Cash generated from operation before working capital changes</b>	<b>15,683.74</b>	<b>10,169.98</b>
<b>Working capital changes</b>		
(Increase)/decrease in trade receivables	(320.93)	45.95
(Increase)/decrease in loans	(50,246.38)	(9,573.87)
(Increase)/decrease in other financial assets	(175.97)	(337.54)
(Increase)/decrease in other non-financial assets	(23.48)	(11.13)
Increase/(decrease) in trade payables	286.12	122.31
Increase/(decrease) in other payables	127.95	15.98
Increase/(decrease) in other financial liabilities	89.52	206.36
Increase/(decrease) in provisions	22.70	25.00
Increase/(decrease) in other non-financial liabilities	114.21	12.00
	<b>(50,126.26)</b>	<b>(9,494.94)</b>
Income tax paid (net of refunds)	(2,586.10)	(1,482.31)
<b>Net cash used in operating activities (I)</b>	<b>(37,028.62)</b>	<b>(807.27)</b>
	Carried forward	(37,028.62)
		(807.27)

## Consolidated Statement of Cash Flows (Contd.)

(₹ in crore)

For the year ended 31 March

Particulars	2022	2021
Brought forward	(37,028.62)	(807.27)
<b>(II) Investing activities</b>		
Purchase of property, plant and equipment and capital work-in-progress	(375.55)	(138.73)
Sale of property, plant and equipment	19.14	11.39
Purchase of intangible assets and intangible assets under development	(258.62)	(170.76)
Purchase of investments measured under amortised cost	(14,366.94)	(3,975.00)
Sale of investments measured under amortised cost	10,279.41	2,995.32
Purchase of investments measured under FVOCI	(3,291.40)	(3,004.37)
Sale of investments measured under FVOCI	2,083.84	2,082.54
Purchase of investments measured under FVTPL	(223,245.35)	(234,606.53)
Sale of investments measured under FVTPL	235,384.89	236,150.89
Purchase of equity investments designated under FVOCI	(283.16)	-
Dividend received (₹ 30,750, Previous year ₹ Nil)	-	-
Interest received on investment	400.58	226.70
<b>Net cash generated from/(used in) investing activities (II)</b>	<b>6,346.84</b>	<b>(428.55)</b>
<b>(III) Financing activities</b>		
Issue of equity share capital (including securities premium)	172.90	103.21
Dividends paid	(602.63)	(2.74)
Payment of lease liability	(105.89)	(86.84)
Deposits received (net)	4,784.07	4,172.75
Short term borrowing availed (net)	4,702.39	3,148.54
Long term borrowing availed	41,178.35	(2,338.69)
Long term borrowing repaid	(17,889.57)	(3,255.60)
<b>Net cash generated from financing activities (III)</b>	<b>32,239.62</b>	<b>1,740.63</b>
<b>Net increase in cash and cash equivalents (I+II+III)</b>	<b>1,557.84</b>	<b>504.81</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,849.33</b>	<b>1,344.52</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>3,407.17</b>	<b>1,849.33</b>

• The above Statement of Cash Flows has been prepared under the indirect method as set out in Ind AS 7 'Statement of Cash Flows'.

• Components of cash and cash equivalents are disclosed in note no. 5

As per our report of even date

On behalf of the Board of Directors

For Deloitte Haskins &amp; Sells

For G.M. Kapadia &amp; Co

Chartered Accountants

Chartered Accountants

Firm registration number: 302009E

Firm registration number: 104767W

Sandeep Jain  
Chief Financial OfficerSanjiv Bajaj  
Chairman

Sanjiv V. Pilgaonkar

Rajen Ashar

Partner

Partner

Membership number: 039826

Membership number: 048243

R Vijay  
Company SecretaryRajeev Jain  
Managing Director

Pune: 26 April 2022

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 4<sup>th</sup> 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 rebut 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

Name of the entities in the Group	Net Assets (i.e. Total Assets minus Total Liabilities)		Share in Profit or (Loss)		Share in other comprehensive income		Share in total comprehensive income	
	As a % of consolidated net assets	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)
<b>Parent</b>								
Bajaj Finance Ltd.	83.02%	36,290.87	90.73%	6,376.50	101.75%	34.87	90.78%	6,411.37
<b>Subsidiaries</b>								
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 specified.

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

##### (1) 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) Credit impaired (stage 3)

The Group recognises a financial asset to be credit impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- Contractual payments of either principal or interest are past due for more than 90 days;
- The loan is otherwise considered to be in default.

Notes to consolidated financial statements for the year ended 31 March 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 recalibrates above components of its ECL model on a periodical basis by using the available incremental and recent information, except where this information 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 differential 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 fulfillment 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 specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The 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 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**

Particulars	(₹ in crore)	
	As at 31 March	
	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
	<b>3,407.17</b>	<b>1,849.33</b>

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

## 6 Bank balances other than cash and cash equivalents

Particulars	(₹ in crore)	
	As at 31 March	
	2022	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 exchanges 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)

Particulars	(₹ in crore)		
	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

Particulars	(₹ in crore)		
	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**

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Considered good - unsecured		
Interest subsidy	677.16	440.07
Fees, commission and others	359.07	415.84
Service asset	229.66	240.95
	<u>1,265.89</u>	<u>1,096.86</u>

- 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**

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

**Trade receivables aging as at 31 March 2021**

Particulars	(₹ in crore)							Total
	Outstanding from due date of payment							
	Not due	Unbilled due	Less than 6 months	6 months - 1 year	1-2 years	2-3 years	More than 3 years	
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
<b>(A) Term loans</b>	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>(B) Out of above</b>						
<b>(I) Secured by tangible assets</b>						
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
<b>(II) Unsecured</b>	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
<b>(C) Out of above</b>						
<b>(I) Loans in India</b>						
(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
<b>(II) Loans outside India</b>	-	-	-	-	-	-
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
<b>As at 31 March 2021</b>	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)
<b>As at 31 March 2022</b>	<b>188,833.91</b>	<b>1,506.76</b>	<b>3,860.64</b>	<b>1,079.41</b>	<b>3,133.49</b>	<b>1,818.62</b>	<b>195,828.04</b>	<b>4,404.79</b>

## 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
<b>As at 31 March 2020</b>	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)
<b>As at 31 March 2021</b>	<b>141,539.38</b>	<b>1,146.08</b>	<b>6,724.72</b>	<b>1,567.04</b>	<b>2,730.77</b>	<b>1,594.88</b>	<b>150,994.87</b>	<b>4,308.00</b>

## 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**

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>(A) At amortised cost</b>		
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 triparty repo dealing and settlement (TREPs).		
<b>(B) At fair value through other comprehensive income</b>		
(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 triparty 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
<b>(C) At fair value through profit or loss</b>		
(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

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>Out of above</b>		
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

Particulars	(₹ in crore)	
	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

Particulars	(₹ in crore)	
	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

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Deferred tax relates to the following:		
<b>(a) Deferred tax assets</b>		
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.)

Particulars	(₹ in crore)	
	As at 31 March	
	<b>2022</b>	<b>2021</b>
<b>(b) Deferred tax liabilities</b>		
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**

Particulars	(₹ in crore)	
	For the year ended 31 March	
	<b>2022</b>	<b>2021</b>
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**

Particulars	(₹ in crore)	
	For the year ended 31 March	
	<b>2022</b>	<b>2021</b>
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			As at 31 March 2022	Depreciation and amortisation			Net block	
	As at 1 April 2021	Additions	Deductions / Adjustments		As at 1 April 2021	Deductions / Adjustments	For the year	As at 31 March 2022	As at 31 March 2022
<b>Property, plant and equipment (a)</b>									
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
<b>Sub-total</b>	<b>1,759.69</b>	<b>586.83</b>	<b>160.23</b>	<b>2,186.29</b>	<b>718.00</b>	<b>101.98</b>	<b>287.69</b>	<b>903.71</b>	<b>1,282.58</b>
Capital work-in-progress	7.07	6.20	-	13.27	-	-	-	-	13.27
<b>Sub-total</b>	<b>7.07</b>	<b>6.20</b>	<b>-</b>	<b>13.27</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13.27</b>
<b>Other intangible assets (d)</b>									
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
<b>Sub-total</b>	<b>515.13</b>	<b>282.21</b>	<b>123.05</b>	<b>674.29</b>	<b>244.39</b>	<b>97.43</b>	<b>96.88</b>	<b>243.84</b>	<b>430.45</b>
Intangible assets under development	43.99	20.87	43.99	20.87	-	-	-	-	20.87
<b>Sub-total</b>	<b>43.99</b>	<b>20.87</b>	<b>43.99</b>	<b>20.87</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20.87</b>
<b>Total</b>	<b>2,325.88</b>	<b>896.11</b>	<b>327.27</b>	<b>2,894.72</b>	<b>962.39</b>	<b>199.41</b>	<b>384.57</b>	<b>1,147.55</b>	<b>1,747.17</b>

**For the financial year 2020-21**

(₹ in crore)

Particulars	Gross block			As at 31 March 2021	Depreciation and amortisation			Net block	
	As at 1 April 2020	Additions	Deductions / Adjustments		As at 1 April 2020	Deductions / Adjustments	For the year	As at 31 March 2021	As at 31 March 2021
<b>Property, plant and equipment (a)</b>									
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
<b>Sub-total</b>	<b>1,640.15</b>	<b>221.12</b>	<b>101.58</b>	<b>1,759.69</b>	<b>542.89</b>	<b>73.72</b>	<b>248.83</b>	<b>718.00</b>	<b>1,041.69</b>
Capital work-in-progress	-	7.07	-	7.07	-	-	-	-	7.07
<b>Sub-total</b>	<b>-</b>	<b>7.07</b>	<b>-</b>	<b>7.07</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.07</b>
<b>Other intangible assets (d)</b>									
Computer softwares	388.63	126.72	0.22	515.13	168.17	0.22	76.44	244.39	270.74
<b>Sub-total</b>	<b>388.63</b>	<b>126.72</b>	<b>0.22</b>	<b>515.13</b>	<b>168.17</b>	<b>0.22</b>	<b>76.44</b>	<b>244.39</b>	<b>270.74</b>
Intangible assets under development (f)	-	43.99	-	43.99	-	-	-	-	43.99
<b>Sub-total</b>	<b>-</b>	<b>43.99</b>	<b>-</b>	<b>43.99</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43.99</b>
<b>Total</b>	<b>2,028.78</b>	<b>398.90</b>	<b>101.80</b>	<b>2,325.88</b>	<b>711.06</b>	<b>73.94</b>	<b>325.27</b>	<b>962.39</b>	<b>1,363.49</b>

(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

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>(I) Trade payables</b>		
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
	<b>1,169.32</b>	<b>884.28</b>
<b>(II) Other payables</b>		
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
	<b>341.78</b>	<b>213.82</b>

# 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:

Particulars	(₹ in crore)	
	As at 31 March	
	2022	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

Particulars	(₹ in crore)						
	Outstanding from due date of payment						
	Not due	Unbilled due	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
	<b>407.99</b>	<b>643.07</b>	<b>117.28</b>	<b>0.65</b>	<b>0.32</b>	<b>0.01</b>	<b>1,169.32</b>

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				Total
			Less than 1 year	1-2 years	2-3 years	More than 3 years	
(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
<b>(A) At amortised cost</b>		
<b>(I) Secured*</b>		
Privately placed redeemable non-convertible debentures	59,018.97	41,019.22
Sub-total (I)	59,018.97	41,019.22
<b>(II) Unsecured</b>		
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>(B) Out of above</b>		
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)
<b>Total</b>					<b>65,100.45</b>

- 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**

Original maturity of loan (In no. of days)	(₹ in crore)				
	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**

Particulars	(₹ in crore)	
	As at 31 March	
	<b>2022</b>	<b>2021</b>
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	2021
<b>(A) In India</b>		
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
<b>Outside India</b>		
External commercial borrowing (ECB)*	5,522.44	5,468.64
	5,522.44	5,468.64
<b>(B) Out of above</b>		
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 Defaulter 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
<b>Quarterly</b>									
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
<b>Half yearly</b>									
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
<b>Yearly</b>									
More than 1460	25	1,770.00	23	1,757.50	15	1,459.58	11	966.67	5,953.75
<b>On maturity (Bullet)</b>									
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		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
<b>Monthly</b>									
Up to 1095	12	150.00	4	50.00	-	-	-	-	200.00
<b>Quarterly</b>									
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
<b>Half yearly</b>									
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
<b>Yearly</b>									
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
<b>On maturity (Bullet)</b>									
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		As at 31 March 2021	
	No. of instalments	₹ in crore	No. of instalments	₹ in crore
<b>On maturity (Bullet)</b>				
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		As at 31 March 2021	
	No. of instalments	₹ in crore	No. of instalments	₹ in crore
<b>On maturity (Bullet)</b>				
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**

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
	No. of instalments	₹ in crore	No. of instalments	₹ in crore	No. of instalments	₹ in crore	No. of instalments	₹ in crore	₹ in crore
<b>On maturity (Bullet)</b>									
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**

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
	No. of instalments	₹ in crore	No. of instalments	₹ in crore	No. of instalments	₹ in crore	No. of instalments	₹ in crore	₹ in crore
<b>On maturity (Bullet)</b>									
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)**

Particulars	(₹ in crore)	
	As at 31 March 2022	2021
<b>(A) At amortised cost</b>		
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**

Original maturity of deposits (In no. of days)					(₹ in crore)
	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)

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>(A) In India</b>		
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>(B) Outside India</b>	-	-

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

Original maturity of loan (In no. of days)					(₹ in crore)
	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

Original maturity of loan (In no. of days)	(₹ in crore)				
	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

Particulars	(₹ in crore)	
	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

Particulars	(₹ in crore)	
	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**

Particulars	(₹ in crore)	
	As at 31 March	
	2022	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**

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Within 12 months	109.35	88.26
After 12 months	345.71	255.55

**21 Provisions**

Particulars	(₹ in crore)	
	As at 31 March	
	2022	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**

Particulars	(₹ in crore)	
	As at 31 March	
	2022	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

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>Authorised</b>		
750,000,000 (750,000,000) equity shares of ₹ 2 each	150.00	150.00
<b>Issued</b>		
605,429,233 (602,587,339) equity shares of ₹ 2 each	121.09	120.52
<b>Subscribed and paid up</b>		
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
	<b>120.66</b>	<b>120.32</b>

### (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
<b>As at 31 March 2021</b>	<b>601,565,625</b>	<b>120.32</b>
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
<b>As at 31 March 2022</b>	<b>603,279,841</b>	<b>120.66</b>

### (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)

Promoter Name	As at 31 March 2022		As at 31 March 2021		% Changes during the year	% Changes during the previous year
	Nos.	% Holding	Nos.	% Holding		
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

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>(i) Securities premium</b>		
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.)

Particulars	(₹ in crore)	
	As at 31 March	
	<b>2022</b>	<b>2021</b>
<b>(ii) Retained earnings</b>		
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
<b>Other reserves</b>		
<b>(iii) Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934</b>		
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
<b>(iv) Reserve fund in terms of section 29C of the National Housing Bank Act, 1987</b>		
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
<b>(v) General reserve</b>		
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
<b>(vi) Infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961</b>		
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.)

Particulars	(₹ in crore)	
	As at 31 March	
	<b>2022</b>	<b>2021</b>
<b>(vii) Other comprehensive income</b>		
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)
<b>(viii) Share options outstanding account</b>		
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:

Particulars	(₹ in crore)	
	As at 31 March	
	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 <sup>1</sup>	Amortised <sup>1</sup> cost	FVTPL	Total	FVOCI <sup>1</sup>	Amortised <sup>1</sup> 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

<sup>1</sup> 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
<b>(A) Net gain/(loss) on financial instruments at fair value through profit or loss</b>		
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>(B) Others</b>		
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

Particulars	(₹ in crore)	
	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
	<u>893.27</u>	<u>163.58</u>

### 31 Other income

Particulars	(₹ in crore)	
	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
	<u>7.99</u>	<u>14.95</u>

### 32 Finance costs

Particulars	(₹ in crore)	
	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
	<u>9,748.24</u>	<u>9,414.00</u>

### 33 Fees and commission expense

Particulars	(₹ in crore)	
	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
	<u>1,745.55</u>	<u>1,246.48</u>

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)**

Particulars	(₹ in crore)	
	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**

Particulars	(₹ in crore)	
	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:

Particulars	For the year ended 31 March	
	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

Particulars	(₹ in crore)	
	For the year ended 31 March	
	2022	2021
<b>Type of services</b>		
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
	<u>3,066.69</u>	<u>2,452.39</u>
<b>Geographical markets</b>		
In India	3,066.69	2,452.39
Outside India	-	-
	<u>3,066.69</u>	<u>2,452.39</u>
<b>Timing of revenue recognition</b>		
Services transferred at a point in time	3,066.69	2,452.39
Services transferred over time	-	-
	<u>3,066.69</u>	<u>2,452.39</u>

#### Contract balances

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Fees, commission and other receivables	359.07	415.84
	<u>359.07</u>	<u>415.84</u>

- 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

Particulars	(₹ in crore)	
	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

Particulars	(₹ in crore)	
	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

Particulars	(₹ in crore)	
	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

Particulars	(₹ in crore)	
	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

Particulars	(₹ in crore)	
	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

Particulars	(₹ in crore)	
	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

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
Discount rate	7.25%	6.80%
Salary escalation rate (p.a.)	11%	11%
<b>Category of plan assets</b>		
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%)
Impact of decrease in 50 bps on defined benefit obligation	4.38%	(3.94%)	5.71%	(5.09%)

##### Projected plan cash flow

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>Maturity Profile</b>		
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

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

##### (B) Compensated absences

Particulars	(₹ in crore)	
	As at 31 March	
	2022	2021
<b>Maturity Profile</b>		
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

Particulars	(₹ in crore)	
	As at 31 March	
	2022	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

Particulars	(₹ in crore)
	<b>For the year ended 31 March 2021</b>
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

Particulars	(₹ in crore)
	<b>For the year ended 31 March 2021</b>
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

Particulars	(₹ in crore)
	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

Particulars	(₹ in crore)
	For the year ended 31 March 2021
Current service cost	35.44
	35.44

##### Remeasurement gains/(losses) in other comprehensive income

Particulars	(₹ in crore)
	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

Particulars	(₹ in crore)
	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

Particulars	(₹ in crore)	
	As at 31 March	
	2022	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	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		2021	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
<b>(A) Holding Company</b>					
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>(B) Fellow subsidiaries</b>					
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		2021	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	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
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
<b>(C) Key management personnel (KMP) and their relatives</b>					
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		2021	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	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	-	-	-	-
<b>(D) Entities in which KMP and their relatives have significant influence</b>					
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)

Name of the related party and nature of relationship	Nature of Transaction	2022		2021	
		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)

Name of the related party and nature of relationship	Nature of Transaction	2022		2021	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
<b>(E) Post employment benefit plans</b>					
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 respectively 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)

Particulars	As at 31 March	
	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.

Particulars	(₹ in crore)	
	As at 31 March	
	2022	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

Particulars	(₹ in crore)	
	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			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
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			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
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		Sensitivity to fair value as at 31 March 2021	
	1% increase	1% decrease	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			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2) *	Significant unobservable inputs (Level 3) *	
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2) *	Significant unobservable inputs (Level 3) *	
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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:

Nature of risk	Arising from	Executive governance structure	Measurement, monitoring and management of risk
Liquidity and funding risk	<p>Liquidity risk arises from mismatches in the timing of cash flows.</p> <p>Funding risk arises from:</p> <ul style="list-style-type: none"> <li>• inability to raise incremental borrowings and deposits to fund business requirement or repayment obligations</li> <li>• when long term assets cannot be funded at the expected term resulting in cashflow mismatches;</li> <li>• Amidst volatile market conditions impacting sourcing of funds from banks and money markets</li> </ul>	<p>Board appointed Risk Management Committee (RMC) and Asset Liability Management Committee (ALCO)</p>	<p>Liquidity and funding risk is:</p> <ul style="list-style-type: none"> <li>• measured by               <ul style="list-style-type: none"> <li>- identification of gaps in the structural and dynamic liquidity statements.</li> <li>- assessment of incremental borrowings required for meeting the repayment obligation, the Group's business plan and prevailing market conditions.</li> <li>- liquidity coverage ratio (LCR) in accordance with guidelines issued by RBI and Board approved liquidity risk framework.</li> </ul> </li> <li>• monitored by               <ul style="list-style-type: none"> <li>- assessment of the gap between visibility of funds and the near term liabilities given current liquidity conditions and evolving regulatory framework for NBFCs.</li> <li>- a constant calibration of sources of funds in line with emerging market conditions in banking and money markets.</li> <li>- 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.</li> </ul> </li> <li>• 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.</li> </ul>
Market risk	<p>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</p>	<p>Board appointed RMC and ALCO</p>	<p>Market risk is:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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</li> <li>• managed by the Group's treasury team under the guidance of ALCO and Investment Committee.</li> </ul>

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)	<p>Credit risk is:</p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul>
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)	<p>Operational risk is:</p> <ul style="list-style-type: none"> <li>measured by KPI's set for each of the processes/functions, system and control failures and instances of fraud.</li> <li>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.</li> <li>managed by in house compliance units established across different businesses and functions, operations and internal audit function under the guidance of RMC and AC.</li> </ul>

##### (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)

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
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
<b>ASSETS</b>						
<b>Financial assets</b>						
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
<b>Non-financial assets</b>						
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
	<u>82,917.31</u>	<u>129,588.05</u>	<u>212,505.36</u>	<u>72,520.14</u>	<u>98,960.64</u>	<u>171,480.78</u>
<b>LIABILITIES</b>						
<b>Financial liabilities</b>						
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
<b>Non-financial liabilities</b>			-			-
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
	<u>69,262.40</u>	<u>99,530.27</u>	<u>168,792.67</u>	<u>43,366.48</u>	<u>91,195.89</u>	<u>134,562.37</u>

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	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	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	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	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)

Particulars	As at 31 March 2022		As at 31 March 2021	
	USD	JPY	USD	JPY
<b>Hedged</b>				
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
<b>Unhedged</b>	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)

Particulars	As at 31 March 2022			As at 31 March 2021		
	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 volatile 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 :

Lending verticals	Nature of businesses	PD			EAD	LGD
		Stage 1	Stage 2	Stage 3		
Consumer lending - B2B	Financing for products such as two wheeler, three wheeler, consumer durable, digital, lifecare and furniture etc.	Use of statistical automatic interaction detector tools to identify PDs across a homogenous set of customers.		100%	EAD is ascertained based on past trends of proportion of outstanding at time of default to the opening outstanding of the analysis period.	LGD is ascertained using past trends of recoveries for each set of portfolios and discounted using a reasonable approximation of the original effective rates of interest.
Consumer lending - B2C	Personal loans to salaried and self employed individuals					
SME lending	Unsecured and secured loans to SME's, self employed customers and professionals					
Rural Lending - B2B	Financing for products such as consumer durable, digital and furniture etc.					
Rural Lending - B2C	Personal loans to salaried, self employed customers, professionals and gold loans					
Mortgages	Home loans, loans against property, developer finance and lease rental discounting	Use of statistical automatic interaction detector tools to identify PDs across a homogenous set of customers, and also basis DPD bucket approach for retail loans and management evaluation/ judgement for wholesale loans.		100%		
Loans against securities	Loans against shares, mutual funds, deposits and insurance policies	Determined on evaluation of time to sell in event of defaults		100%	EAD is computed based on assessment of time to default considering customer profile and time for liquidation of securities	Based on associated risk of the underlying securities
Commercial lending	Working capital and term loans to small and mid sized corporates	Internal evaluation/ judgement by customer or industry segment.		100%	EAD is computed taking into consideration the time to default based on historic trends across rating profile	Based on estimates of cash flows

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 granulation 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 downside 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 successive 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 uncertainties.

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:

Particulars	(₹ in crore)	
	As at 31 March	
	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%
<b>Assumptions for central scenario</b>		
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
<b>ECL amounts for alternate scenario</b>		
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
<b>Management overlay for Macro economic factors and COVID-19</b>		
Management overlay representing COVID-19 stress	853.00	663.00
Management overlay for macro economic factors	207.00	177.00
<b>ECL coverage ratios by scenario</b>		
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

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

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**

Particulars	(₹ in crore)			
	Jun-21	Sep-21	Dec-21	Mar-22
Receivables as reported 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 $\left(\frac{[\text{Debt securities} + \text{Borrowings (other than debt securities)} + \text{Deposits} + \text{Subordinated debts}]}{\text{Total Equity}}\right)$	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 $\left(\frac{[\text{Debt securities} + \text{Borrowings (other than debt securities)} + \text{Deposits} + \text{Subordinated debts}]}{\text{Total Assets}}\right)$	0.78	0.77
6. Net profit margin $[\text{Profit after tax} / \text{Total Income}]$	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

For G.M. Kapadia & Co

Chartered Accountants

Chartered Accountants

Sandeep Jain

Sanjiv Bajaj

Firm registration number: 302009E

Firm registration number: 104767W

Chief Financial Officer

Chairman

Sanjiv V. Pilgaonkar

Rajen Ashar

R Vijay

Rajeev Jain

Partner

Partner

Company Secretary

Managing Director

Membership number: 039826

Membership number: 048243

Pune: 26 April 2022











“It is important that all of us work honestly,  
ethically and make all our choices consciously”.

- Rahul Bajaj