



# Belstar

Microfinance Limited  
A Subsidiary of Muthoot Finance Limited

ANNUAL REPORT  
2019-20

Creating livelihoods...transforming lives

# Belstar

## Microfinance Limited

(Formerly known as Belstar Investment and Finance Private Limited)



## Annual Report 2019-20

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## KEY NUMBERS 2019-20

### Revenue

₹ Millions

**5007.47**

 36

### Loan Assets

₹ Millions

**26300.87**

 43

### PAT

₹ Millions

**989.99**

 36

### EPS

₹


**26.39**

 13

 % increase y-o-y



# Microfinance

- is a category of financial services targeting low income individuals who lack access to conventional banking and related services.
  - includes microcredit, the provision of small loans to poor clients; savings and checking accounts; microinsurance; and payment systems, skill training.
  - services are designed to reach excluded customers, usually poorer population segments, possibly socially marginalized, or geographically more isolated, and to help them become self-sufficient by providing means of saving money, borrowing money, insurance for self and spouse, skill training and assist in creating an income generating sustainable livelihood.
- 

## Corporate Information

### BOARD OF DIRECTORS

- **Dr. Kalpanaa Sankar**, Managing Director
- **Mr. S. Chandrasekar**, Executive Director
- **Mr. K. R. Bijimon**, Investor Director
- **Mr. George Alexander**, Investor Director
- **Mr. George M Jacob**, Investor Director
- **Mr. David Arturo Paradiso**, Investor Director
- **Mr. A. Subramanian**, Independent Director
- **Mr. V A George**, Independent Director
- **Mr. K. Venkataraman**, Independent Director
- **Mr. Chinnasamy Ganesan**, Independent Director

### CHIEF FINANCIAL OFFICER

- Mr. L. Muralidharan

### COMPANY SECRETARY

- Mr. Sunil Kumar Sahu

### STATUTORY AUDITORS

- N. Sankaran & Co.

### INVESTORS

- Muthoot Finance Ltd
- Sarvam Financial Inclusion Trust
- Maj Invest Financial Inclusion Fund II K/S
- Hand in Hand Consulting Services Pvt Ltd

### BANKERS & FINANCIERS

- Axis Bank Ltd
- Bajaj Finance Ltd
- Bandhan Bank Ltd
- Bank of Bahrain & Kuwait B.S.C
- Bank of Baroda
- Bank of India
- Canara Bank
- CSB Bank Ltd
- DCB Bank Ltd
- Dhanlaxmi Bank Ltd
- Equitas Small Finance Bank Ltd
- Hero Fincorp Ltd
- Hinduja Leyland Finance Ltd
- ICICI Bank Ltd

### BANKERS & FINANCIERS

- IDBI Bank Ltd
- IDFC Bank Ltd
- Indian Bank
- Karur Vysya Bank Ltd
- Kotak Mahindra Bank Ltd
- Lakshmi Vilas Bank Ltd
- Micro Units Development & Refinance Agency Ltd
- Maanaveeya Development & Finance Pvt Ltd
- Nabkisan Finance Ltd
- Punjab National Bank
- RBL Bank Ltd
- Small Industries Development Bank of India
- Standard Chartered Bank
- State Bank of India
- SBM Bank India Ltd
- Sumitomo Mitsui Banking Corporation
- UCO Bank
- Ujjivan Small Finance Bank Ltd
- Union Bank India
- United Bank of India
- Woori Bank
- Yes Bank Ltd

### CREDIT BUREAU

- CRIF Highmark
- Equifax
- Experian
- CIBIL

### ASSOCIATES

- MFIN
- AKMI
- KAMFI

### DEBENTURE TRUSTEES

- IDBI Trusteeship Services Ltd
- Beacon Trusteeship Ltd
- Vistra ITCL (India) Ltd



## Vision & Mission



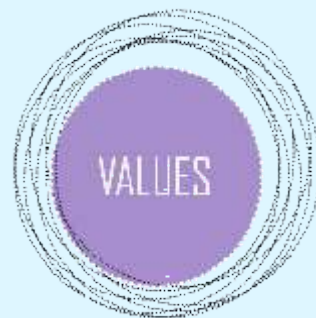
To be a socially responsible microfinance institution that actively contributes to the financial inclusion process by adhering to responsible financing practices

To financially empower women and help them build and manage sustainable livelihoods



To provide financial inclusion to micro entrepreneurs

Integrity, Professionalism,  
Accountability,  
Transparency, Teamwork



A MILLION **JOBS**<sup>o</sup>  
A MILLION **SMILES**<sup>o</sup>

## Awards and Recognitions

### 1. Princess Sabeeka Bint Ibrahim Al Khalifa Global Award for Women's Empowerment from Kingdom of Bahrain and UN Women

On 11<sup>th</sup> March 2019, Dr. Kalpanaa Sankar, Managing Director of Belstar and Managing Trustee of Hand in Hand India received the Princess Sabeeka Bint Ibrahim Al Khalifa Global Award for Women's Empowerment from the Kingdom of Bahrain and UN Women under the Individual Champions category at the United Nations headquarters in New York. In February 2020, Dr. Sankar was invited to the Kingdom of Bahrain by the Supreme Council of Women to meet with Her Royal Highness to present about our work with women's empowerment and job creation.

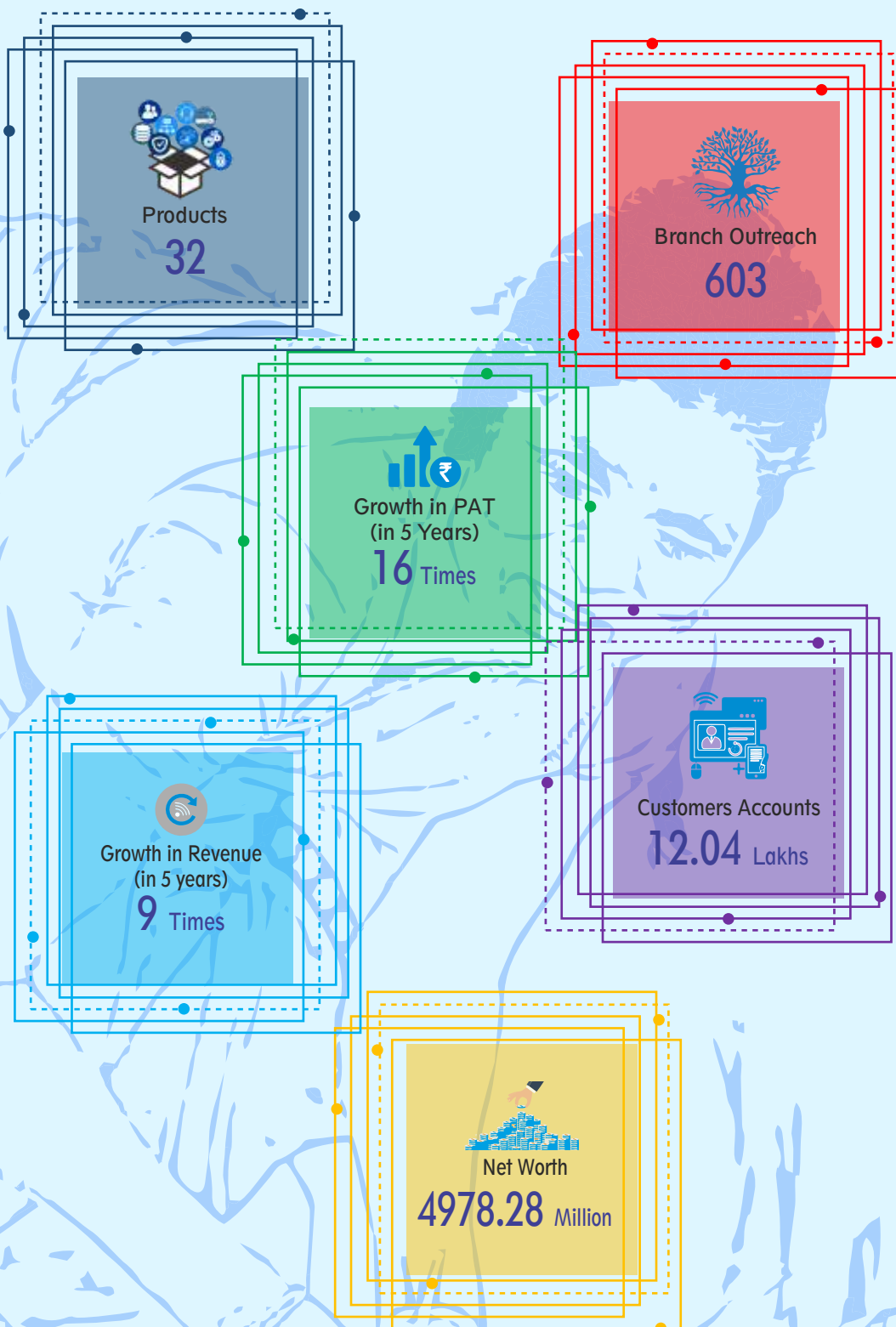
The specific project that got recognition was digital and financial literacy for women at Madhya Pradesh that broke traditional gender stereotypes by introducing women to digital transactions, instilling financial independence and encouraging decision making. After this project, 29,735 persons comprising 28,571 women and 1,164 men in 13 districts in Madhya Pradesh were provided access to savings, credit and financial inclusion.



### 2. Women Transforming India Award from NITI Aayog

Dr. Kalpanaa Sankar, Managing Director of Belstar and Managing Trustee of Hand in Hand India was one of the top 15 women in the country to receive the prestigious Women Transforming India Award from NITI Aayog and United Nations India. The award was presented by Hon'ble Defence Minister Shri Rajnath Singh on International Women's Day, 8th March 2020. She received the award for promoting financial inclusion, formation of self help groups and promoting jobs amongst women.

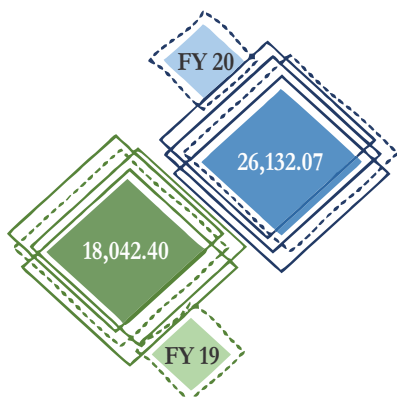
## Competitive Advantages



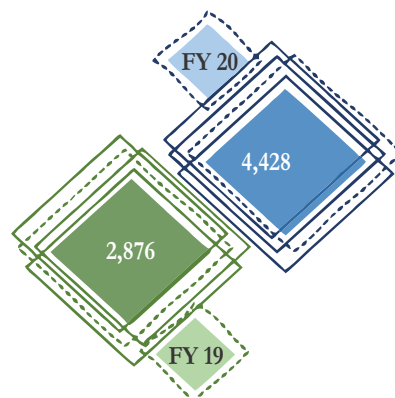


## Corporate Highlights

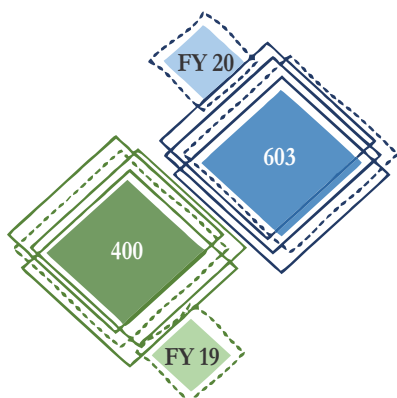
### Disbursement (₹ In Mn)



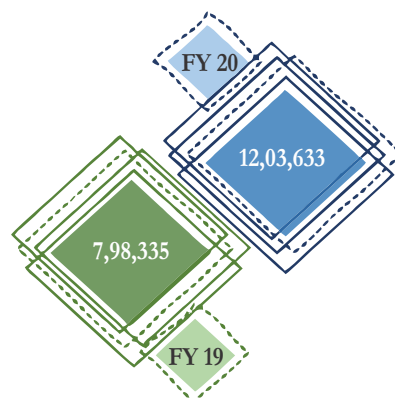
### Employees (No's)



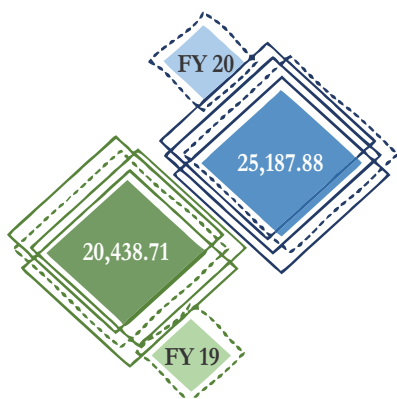
### Branches (No's)



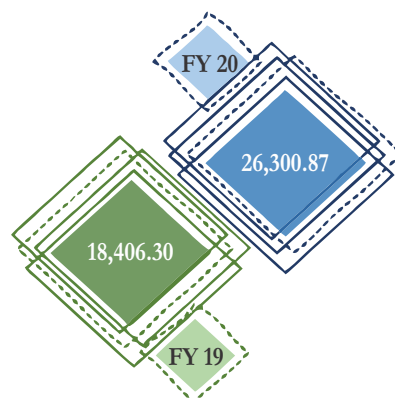
### Customer Accounts (No's)



### Balance Sheet Size (₹ In Mn)

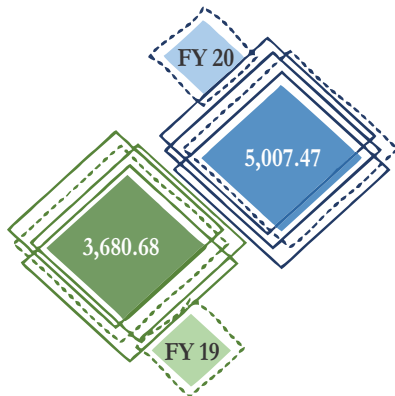


### Loan Assets (₹ In Mn)

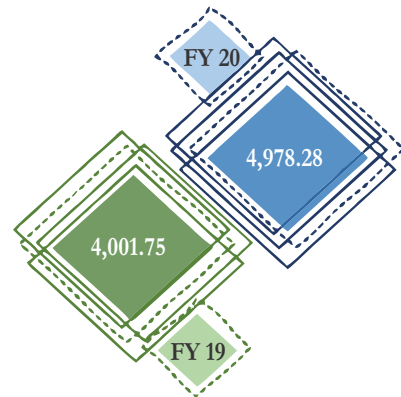


## Financial Highlights

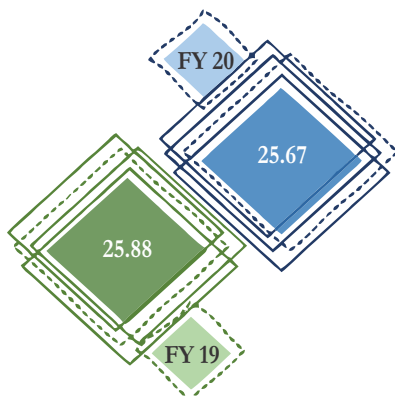
### Total Revenue (₹ In Mn)



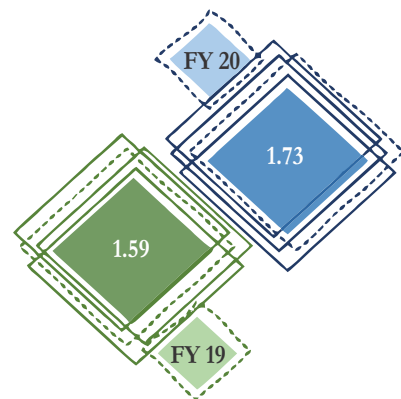
### Net Worth (₹ In Mn)



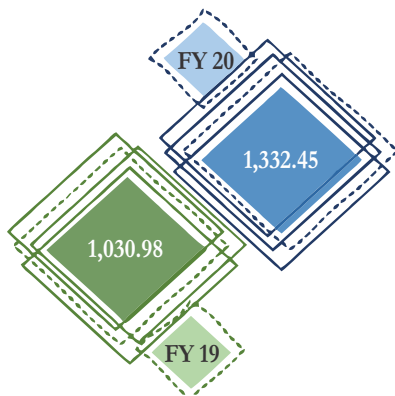
### CRAR (%)



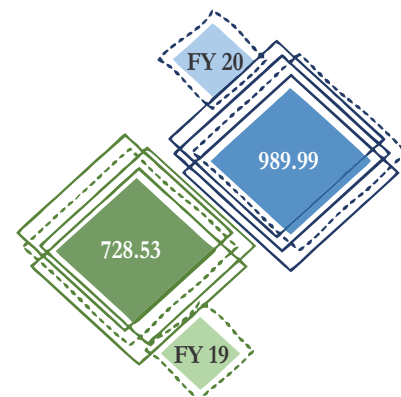
### Expected Credit Loss (%)



### PBT (₹ In Mn)



### PAT (₹ In Mn)



## Geographical Outreach in India

	SHG	Pragati	SP	TOTAL	SHG	Pragati	SP	DA	TOTAL
	Branch Count				Portfolio - Amount in Millions				
TAMILNADU	214	-	27	241	11,975.99	-	727.60	261.57	12,965.17
PUDUCHERRY	5	-	-	5	329.87	-	-	1.50	331.37
KERALA	-	35	-	35	-	1,633.53	-	11.55	1,645.08
KARNATAKA	15	27	12	54	764.22	1,150.47	213.04	80.07	2,207.81
MAHARASHTRA	-	30	-	30	-	1,333.01	-	97.45	1,430.46
MADHYA PRADESH	11	26	3	40	653.19	1,280.81	114.62	87.79	2,136.41
CHATTISGARH	-	25	-	25	-	671.35	-	31.08	702.43
ODISHA	4	13	4	21	100.80	310.22	35.16	27.12	473.30
GUJARAT	-	29	-	29	-	985.43	-	259.74	1,245.17
HARYANA	-	-	3	3	-	-	42.29	14.99	57.28
PUNJAB	-	-	5	5	-	-	229.16	1.51	230.66
RAJASTHAN	-	24	-	24	-	898.10	-	188.17	1,086.28
BIHAR	-	21	-	21	-	491.26	-	202.39	693.65
JHARKHAND	-	-	-	-	-	-	-	10.99	10.99
UTTAR PRADESH	-	23	13	36	-	375.23	329.67	113.51	818.41
UTTARAKHAND	-	9	-	9	-	55.13	-	1.22	56.35
WEST BENGAL	-	-	18	18	-	-	106.96	-	106.96
TRIPURA	-	-	7	7	-	-	103.11	-	103.11
<b>TOTAL</b>	<b>249</b>	<b>262</b>	<b>92</b>	<b>603</b>	<b>13,824.07</b>	<b>9,184.53</b>	<b>1,901.60</b>	<b>1,390.67</b>	<b>26,300.87</b>

## Message from the Managing Director

The FY 2019-20 has been a very productive and high-performance year for Belstar Microfinance Ltd. The year has seen steady growth and progress throughout. We have had the opportunity to uplift the lives of 12,03,633 women, increased our footprint to 603 branches across 16 states and invested in consolidating our IT, HR and credit systems and processes. Our Assets Under Management (AUM) has witnessed a 43% growth from ₹ 1,841 crores at the end of March 2019 to ₹ 2,630 crores as of March 2020. Addition of 92 service provider branches has contributed 7 % to the AUM. Our PBT has gone up 29 % from ₹ 103 crores to ₹ 133 crores and PAT has gone up 36 % from ₹ 73 crores to ₹ 99 crores. The Company's employee headcount has increased from 2876 to 4428.

At Belstar, we continue to focus on maintaining a high-quality portfolio. By transforming our JLG model to 'Pragati', we have brought convergence between the SHG and JLG models. Under Pragati, we have introduced Credit Plus activities, customer connect initiatives and have modified the group size, making it the best of both the SHG and JLG models. With this approach, we have also diversified our risk outside Tamil Nadu making Belstar a pan-India MFI. Risk as a vertical has grown to play a key role in approval of loans to ensure quality of portfolio. Our credit plus activities have focused on financial, functional, and digital literacy for our clients making Belstar a socially responsible MFI. Beyond the credit plus team, senior Belstar staff have personally participated in client connect programmes through the year, directly getting feedback and improving the processes. The branch collection model has yet again proved to be efficient and successful in nurturing relationships with the clients. All these factors have led to Belstar receiving a BB+ social rating from Micro Finance Rating.

Technology has also grown with Belstar in the last year. We have completely transitioned to digital on-boarding through tablets ensuring error free transactions, higher quality of data and faster TAT. The IT team has been strengthened and there is increased security across branches.

Human Resources is the backbone of any organization especially for an MFI like Belstar. The on-boarding process has been streamlined and all the field staff have been given tablets so that we can monitor their movement and productivity. We have implemented "Formula HR", a comprehensive HRMS application, for streamlining the on-boarding process, tracking productivity, and weeding out non-productive staff. Strategy meetings and staff connect programs such as the one with Chennai Super Kings players have been critical in improving ownership and commitment. We are confident that with these new practices in place, attrition will reduce in the coming years and that Belstar will emerge as an employer of choice.

Over the last year, we have invested time in setting up operational standard operating procedures as a means for standardizing processes and systems. We have received the MFI grading from CARE as MFI1, the highest grading. The Code of Conduct Assessment has been completed by ICRA and C1 rating has been awarded, once again making it the highest in the industry. These ratings have helped in raising funding resources at lower cost.

In March 2020, NITI Aayog of Government of India identified me as one of the top 15 Women Transforming India for empowering women through microcredit support, financial and adult literacy offered through Belstar and Hand in Hand India. This award has positioned Belstar as a socially responsible MFI which goes beyond credit, to promote empowerment of women through entrepreneurship development. We are sure that this will lead to new opportunities for the company to grow in the coming year.

Towards the end of the year, the senior team of Belstar had a strategy meet to plan for 2021. Unfortunately, the Covid19 has left the country in the lurch presenting a temporary setback in our plans. Nevertheless, the Covid19 lockdown period has been used for learning and development for staff and transitioning to digital collections. With the guidance of the investors and eminent Board, Belstar is weathering the crisis. Right at its inception in late March 2020, we took steps to reduce unwanted expenditure and focused on better treasury management.



Our collection efficiency and proven track record along with Muthoot Finance's parentage have been instrumental in post Covid19 debt management to continue to serve clients. We are confident that our business will pick up in the months to come.

We wish to thank MD Muthoot for his funding support, strategic guidance, and critical inputs. We thank our Chairman Mr A. Subramaniam for his unbiased opinion on crucial matters and guiding the company to be ever vigilant and compliant. We thank our esteemed Board of Directors and Independent Directors for their rich and valuable insights, mid-course corrective action and continued support enabling the company to scale greater heights during FY 19-20. I wish to thank all my senior colleagues and the staff, who have been responsible for this exceptional performance.

The new financial year moves along tumultuous and uncertain times. Nevertheless, we are confident that we will tide over these with the relentless efforts of our dedicated team, guidance of our experienced Board and support from our trusted clientele.



**Dr. Kalpanaa Sankar**

## Board of Directors

### **Dr. Kalpanaa Sankar, Managing Director**

Dr. Kalpanaa Sankar has been involved in the self-help group movement for 21 years and has specialized in participatory assessment, gender differentiated impact and monitoring tools. She was the Monitoring and Evaluation Officer for IFAD and was Consultant with UNOPS, UNDP, Christian Aid and Wetlands International. She has also been Consultant with the South African government and supported poverty reduction, job creation and microfinance programmes in Afghanistan and Brazil.



Dr. Kalpanaa Sankar has authored publications on child labour, microfinance and self-help groups. She is the co-founder and Managing Trustee of Hand in Hand India.

Dr. Kalpanaa Sankar has an Executive MBA from TRIUM, where she was the first recipient of a scholarship to pursue the programme. TRIUM is an alliance among NYU Stern School of Business, London School of Economics and Political Science and HEC School of Management, Paris.

Dr. Kalpanaa Sankar is the recipient of the “Princess Sabeeka Bint Ibrahim Al- Khalifa Global Award for Women Empowerment under the Individuals Champions category”, an award given in partnership with the Kingdom of Bahrain and UN Women in New York in 2019. She has also received the “Nari Shakti Puraskar-2016” for the contribution to the empowerment of vulnerable and marginalized women from the Hon’ble President of India and Ministry of Women & Child. Under her leadership, her organization, Hand in Hand India has won the ‘Pradhan Mantri Bal Kalyan Puraskar’ for its dedicated work towards child welfare and education.

### **S. Chandrasekar, Executive Director**

Mr. Chandrasekar is a qualified Chartered Accountant with more than 30 years of experience spanning accounting, audit, credit operations, ERP and entrepreneurship. His career graph includes stints at A F Ferguson, Coopers & Lybrand, National Finance Company - Oman and Sundaram Infotech Solutions.

He comes with international business exposure in project delivery management and in solving client issues. He holds a global ERP delivery track record with multi-project and multiple locations management. Chandrasekar also shares the wealth of his knowledge at various reputed management institutes as a Visiting Faculty Member.



**K. R. Bijimon, Investor Director**

Mr. Bijimon is the Chief General Manager of Muthoot Group and oversees credit and operations of zonal offices, internal audit, marketing, IT and vigilance divisions of the company. He is also the Chief Operating Officer for the global operations of Muthoot Group (USA, UK, UAE, Hong Kong, Singapore and Sri Lanka). A Fellow Member of the Institute of Chartered Accountants of India and a Fellow Member of Certified Management Accountants, Institute of Sri Lanka, Mr. Bijimon has over 18 years of experience in the field of financial services and is employed in the Muthoot Group since inception.

**George Alexander, Investor Director**

Mr. George M. Alexander has done his Master's in Business Administration from University of North Carolina's Kenan & Flagler Business School and Bachelor's in Mechanical Engineering from University of Kerala College of Engineering. he is the Executive Director at Muthoot group and takes care of operations in the state of Karnataka and has the additional responsibility of monitoring the global operations of The Muthoot Group in the US. Prior to joining his family business, Mr. George had worked for ING and Kotak Mahindra Banks in India.

**George M Jacob, Investor Director**

A management graduate from Cass Business School (London), Mr. George Muthoot Jacob is the Executive Director at the Muthoot group and manages Legal, Corporate Affairs & Marketing of the Group. He also holds an LLM in international Economic Law from the University of Warwick, Coventry, United Kingdom. He completed his bachelor's degree in law from the National University of Advanced Legal Studies, Kochi. He renders his expertise in the field of legal, compliance, and corporate governance, internal audit, risk management, marketing and sales of the Group.

**David Arturo Paradiso, Investor Director**

David Paradiso has over 13 years of international experience managing finance operations, private equity and venture capital in the US and Latin America at Ernst & Young, Dell Corporation, start-ups and NGOs. Currently leads Maj Invest's India office managing investments in the Financial Inclusion sector. David holds an MBA focused on finance, international business and private equity from Brigham Young University (US) and Strategic Leadership on Inclusive Finance from Harvard University.

**A. Subramanian, Independent Director**

He is former Executive Director of Indian Bank. Before elevation as Executive Director, he was General Manager in Oriental Bank of Commerce in charge of Treasury, International Banking, Investor Relations and HR. He has four decades of banking experience both in administrative offices as well as in the field, covering all facets of banking. Mr. Subramanian has participated in several international seminars and has convened meetings with investors of the bank, in India and outside India. While in service he was an active member of Accounts and Taxation Committee of Indian Banks Association since 2004.

### **V A George, Independent Director**

Mr V A George has more than 4 decades experience in the corporate world, both Public and Private Sectors. Was the past Chairman of Equipment Leasing Association of India. Was also a Member of the Advisory Committee of Reserve Bank of India.

Alumni of IMD Lausanne and INSEAD France, Mr George has participated in the Management Programmes of Business Schools of Harvard and Stanford. Took part in the International Teachers' Programme at Kellogg School of Management, Chicago. Attended the Advanced Case Method Workshop conducted by ECCH, UK. An Adjunct faculty at Loyola Institute of Business Administration, Chennai and Rajagiri Business School, Kochi. Was also a visiting faculty at XLRI, Jamshedpur; Xavier Institute of Management, Mumbai and Reserve Bank Staff College, Chennai.

A member of the Board of Studies of a number of Colleges, including Stella Maris, Chennai and Loyola Institute of Business Administration, Chennai. Currently, Mr George is the Managing Director of Thejo Engineering Limited, Chennai. He is also the Chairman of Knowledge Xchange, a non-profit educational institution which conducts seminars, workshops etc. in the area of teaching/learning. Educational Qualification – BE (Mechanical), PGDM, CAIIB, ITP (Kellogg), INSEAD IDP-C.



### **K. Venkataraman, Independent Director**

Mr Krishnamoorthy Venkataraman has more than 40 years of experience in commercial banking, retail banking, international banking and foreign exchange, credit analysis and credit risk management. He was Managing Director and Chief Executive Officer of Karur Vysya Bank until August 2017, leading a massive transformational growth of the bank for over six years. Prior to this he was associated with SBI Global Factors Ltd as Managing Director and Chief Executive Officer. He was with State Bank of India for over three decades working in various capacities upto the rank of Chief General Manager and in various assignments including a stint in Japan as Vice-President (Credit and Operations) handling loan syndications, treasury and funding, asset liability management and investment banking. He is a Fellow of Indian Institute of Banking and Finance and was a member of Governing Council of the Institute. He has also worked with Foreign Exchange Dealers Association of India (FEDAI) as Chairman. He was Member, Commission on Banking Techniques and Practice, International Chamber of Commerce, Paris and Member, Executive Committee, International Chamber of Commerce, India. He also served as Group Head of India, Indo-Bangladesh Joint Commission-Banking Sub-Group and as Member, Indo-Russian Banking Sub-Group. He is also serving as part-time Non-executive Chairman of Coastal Local Area Bank.





**Chinnasamy Ganesan, Independent Director**

Mr Chinnasamy Ganesan brings with him more than 32 years of experience in the area of audit. He handled Indian and multi-national clients in automotive, auto ancillary, IT/ ITES, BPOs, KPOs, telecom, industrial markets, consumer markets, pharma/ healthcare, transport/ logistics, shipping management, BSRE, oil and gas, plantation, banking, financial services and insurance sector. He was the lead partner for many Indian and multi-national companies and carried out audits, advisory on international financial reporting, taxation, due diligence and other assurance services. Started his practice as a chartered accountant in 1988, Chinnasamy Ganesan was in personal practice till 2005. He then served as a Director in Audit with Lovelock & Lewes (network firm of PwC) for 6 years and served as Audit partner of BSR & Co. LLP (network firm of KPMG) for 6 years.

He is presently

- One of the Senior Partner of M/s CNGSN & Associates LLP, Chartered Accountants, Chennai (a 10 partner firm with staff strength of 120+) and is the Head of Audit and Assurance Practice of the firm
- Advising several chartered accountant/ consultancy firms on financial reporting and company law matters.

## Investors Profile



### **Muthoot Finance**

Muthoot Finance Limited (“the Company”) was incorporated as a private limited Company on 14th March, 1997 and was converted into a public limited Company on November 18, 2008. The Company is promoted by Mr. M. G. George Muthoot, Mr. George Thomas Muthoot, Mr. George Jacob Muthoot and Mr. George Alexander Muthoot collectively operating under the brand name of “The Muthoot Group”, which has diversified interests in the fields of Financial Services, Healthcare, Education, Plantations, Real Estate, Foreign Exchange, Information Technology, Insurance Distribution, Hospitality etc.

The Company obtained permission from the Reserve Bank of India for carrying on the business of Non-Banking Financial Institutions on 13-11-2001 vide Regn No. N 16.00167. The Company is presently classified as Systemically Important Non-Deposit Taking NBFC (NBFC-ND-SI). The Registered Office of the Company is at 2nd Floor, Muthoot Chambers, Opposite Saritha Theatre Complex, Banerji Road, Kochi -682 018, India.



### **Sarvam Financial Inclusion Trust**

Being the apex body of all Mutual Benefit Trusts (MBTs), Sarvam Financial Inclusion Trust (SFIT) has pooled resources from all MBTs and has invested in the equity of BIFPL. SFIT has adequate corporate governance and an independent Board of Trustees with representation from SHGs.

## **MAJ INVEST**

Maj Invest is a Danish asset management company with USD 11.2 billion under management, of which USD 1.0 billion are private equity assets (private equity commitments of a total of USD 2 billion). Maj Invest is a spinoff from a Danish pension fund (LD) and was founded in 2005. HQ in Copenhagen with representation in Lima and Mumbai by the financial inclusion team. Maj Invest Mutual Fund was launched in 2005 and with more than 39,000 private investors, is one of the highest rated in Europe by Morningstar. Maj Invest Holding is owned by management and employees. It has approximately 100 highly skilled specialists in four business areas (a) International Private Equity (b) Asset Management (c) Danish private Equity and (d) Private saving bank. Maj Invest Financial Inclusion strategy focuses on direct growth equity investments in the top segment of financial institutions providing financial services to client group below the middle class in selected countries in Latin America, Asia, and Africa. Currently there are three funds in operational stage:

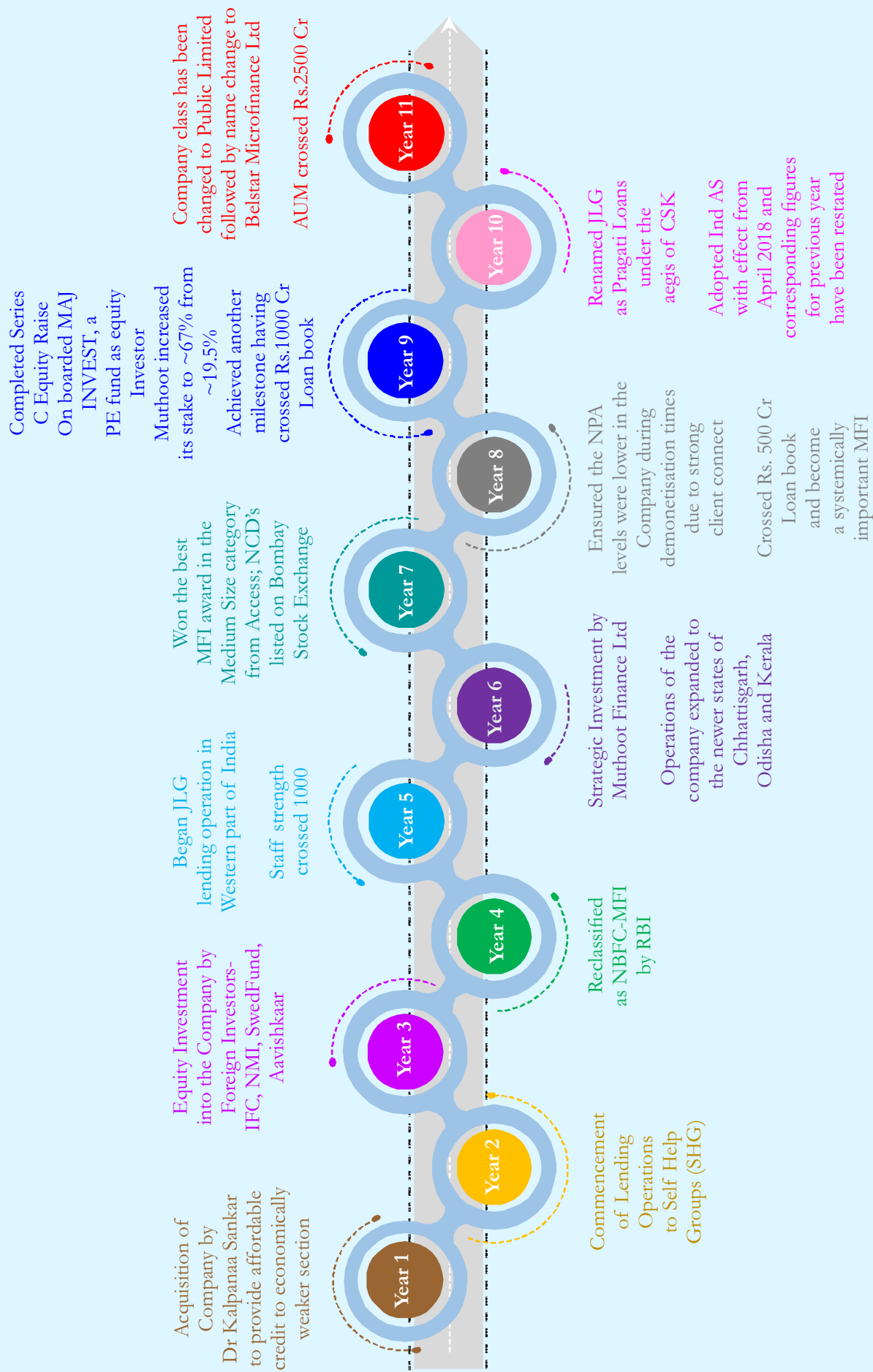
- Danish Microfinance Partners K/S
- Maj Invest Financial Inclusion Fund II K/S
- Maj Invest Financial Inclusion Fund III K/S



### **Hand in Hand Consulting Services Private Limited**

Hand in Hand Consulting Services Private Limited (HIHCSP) is the Consultancy arm of Hand in Hand India. It is a company incorporated under the Companies Act 1956, with its registered office at Kancheepuram, Tamil Nadu, India.

## Key Milestones: Achievements in Eleven Years



## Products and Services

### THE RATIONALE

Belstar's product offerings focus on low income households that are unable to access such services from commercial banks. Typically, the loans are provided for creating and strengthening livelihoods in both farm and non-farm sector. The agriculturists, which form Company's priority clients, mostly small or marginal farmers, who invariably need support in the form of labour and equipment for irrigation and other purposes; for buying seeds, fertilisers and pesticides. Some of them are also engaged in fishing, aquaculture and animal husbandry, and importantly dairy; and other allied activities. Non-farm activities such as textile and cloth shops, tailoring, food production and sale; producing and selling other essential, as well as, luxury goods; and petty shops are also encouraged, based on feasibility and client preferences in respective areas.

Our loan products are evolved over the years to suit requirements of our customers to build assets, create a sustainable livelihood, generate income to support for a range of family needs including medical care, home repairs, social and religious obligations, to support education for their children for enhancing their future career prospects and for constructing household toilet units and water connections to meet their basic water and sanitation requirements. Often, the government subsidy for toilet construction can be availed only after completing the construction, which however, can get delayed because of lack of cash flow. Toilet loans help break through this vicious circle.

In line with our mission, major portion of the GLP is committed towards livelihood enhancements in the form of loans for agriculture and allied activities, production and manufacturing, service provision, trade and business, and Micro, Small and Medium Enterprises (MSME). Only a small fraction of loans are given for other purposes. Home Improvement Loans, Water & Sanitation Loans and Consumer Goods Loans were introduced during year 2016-17. During the FY 2017-18 the Company has enhanced its product bouquet by introducing, a) higher Tenure loans of 16 months for first cycle to the JLG members to give the customers a choice for lower EMI, and b) higher tickets of 30k for the comparatively more credit worthy clients so that their needs can be catered to by a sole lender.

The capacity to absorb economic shocks is one of the key requirements for sustainability of small businesses. The poor always stand the risk of slipping back into the poverty net after natural events such as floods; draughts, cyclones, etc. These events, frequently witnessed in recent times, affect the poor with more intensity than the non-poor. Keeping this in view Belstar offers a life insurance cover along with each of its loan products. All borrowers are insured for life covering the entire loan exposure and repayment duration. Their spouses too are offered and provided with life insurance cover depending on their willingness.

With the objective to compensate for loss of income due to medical emergency hospitalisation, we are offering "Hospicash", an operational insurance product to our clients.

#### OFFERING



Microfinance Loan



Consumer Goods Loan



Small Medium Enterprise Loan



Education Loan



House and Sanitation Loan

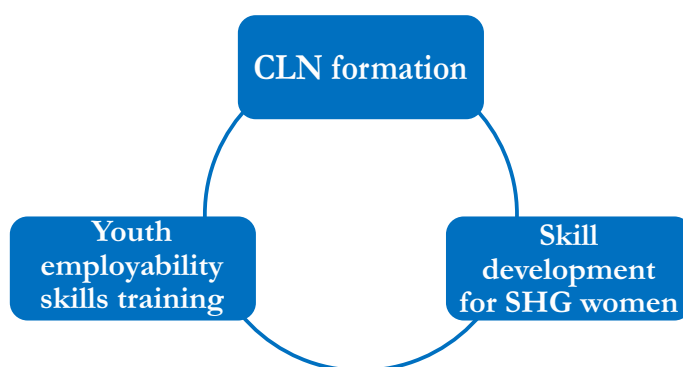


Business Enhancement Loans



## Leading A Helping Hand: CSR

Thanks to the higher budget availability for CSR activities, as per the Board approved program, the Company undertook the following initiatives in FY 19-20 in association with its CSR partner Hand in Hand India.



<b>Project Title</b>	<b>CLN formation at Belstar branches of Arakkonam region</b>
<b>Target group</b>	SHG women
<b>Project period</b>	July 2019 - June 2020
<b>Objective</b>	To support Block Level SHGs Network (Federation) for rendering support services to member SHGs to attain the goals of economic and social empowerment.
<b>Total target members</b>	18 CLNs comprising of 145 SHGs
<b>Working Districts</b>	Arakkonam region, Kancheepuram
<b>Project Progress as at 31st Mar 2020</b>	10 CLNs in Arakkonam branch and 8 CLNs in Sholingar branch of Arakkonam region have been formed in different clusters.

<b>S.No</b>	<b>Way forward actions</b>
1	Enlighten on CLN concept in detail to all the representatives of member SHGs
2	Conduct the training on CLNs function, roles, and responsibilities of CLN for office bearers
3	Support to recover the loan OD amount from SHG members
4	Encourage SHG members to avail the loan from Belstar
5	Enrolment under the social security schemes (Rs.12/- and Rs.330/- insurance schemes) to all the members of SHGs in Poovathamman CLN. Kattarikuppam, Sholingar branch
6	CLN formation in Virudhunagar, Rajapalayam and Vembakkottai branches



CLN formation at Kodaikal Village



CLN meeting at Kaatarikuppam

<b>Project Title</b>	Skill development program for SHG women
<b>Target group</b>	SHG women
<b>Project period</b>	July 2019- June 2020
<b>Objective</b>	To impart skill training on Sewing Machine Operator (SMO) and Assistant Beauty Therapist (ABT) 200
<b>Total target members</b>	<ul style="list-style-type: none"> <li>• 100-SMO</li> <li>• 100-ABT</li> </ul>
<b>Working Districts</b>	Villupuram and Coimbatore

## Way forward

Assistant Beauty Therapist Skill Training to be provided to vulnerable women at Madurai. Key Interventions are:

- \* Scoping Study
- \* Recruitment of resource person(s) for mobilization and skill training
- \* Setting up the resource centre with necessary equipment
- \* Mobilization
- \* Orientation
- \* Enrollment of trainees
- \* Profiling of trainees
- \* Training on Assistant Beauty Therapist Course
- \* Monitoring and Evaluation
- \* Documentation & Reporting
- \* Certification
- \* Support for placement
- \* Support for bank linkages

Expected outcome: Beneficiaries will be able to:

- \* Sharpen their knowledge on basic beauty treatments and procedures as per market scenario.
- \* Develop their personality, gain confidence and become a professional.
- \* Understand parlor setup, hygiene, customer relationship and other essential job roles.
- \* Improve their livelihood by starting commercial service from home/work in a parlor or establish their own parlor

Timeline

- \* Center establishment will be done in the first month.
- \* The training course will be carried out in the next five months.
- \* Conversion follow up will be done for two months after training to ensure income generation

### Assistant Beauty Therapist - Coimbatore

The Assistant Beauty Therapist training centre at Coimbatore is fully equipped with the necessary infrastructure required for training such as facial chairs, facial bed, pedicure and manicure stool, cutting stool, steamer, pedicure tub, wax heater and necessary tools (towels, head bands, wax strips, facial kit, bleach cream, wax cream, mirror, brushes, make up kit).

### Sewing Machine Operator – Tindivanam

Skills trainings are the key interventions of Hand in Hand India that has been focusing on the development of the youth in rural areas. Training is intended to equip the rural SHG women with adequate capacity to create their own enterprises or get into a job. The vision of the program was to provide skill training for 100 SHG members.

### Business Development Training

It is an undeniable truth that entrepreneurs spur the growth of any society. Every entrepreneur is a gift to the nation, who must be molded and guided in the right path to gain success. From innovation to social change, there is not a thing that a strong entrepreneur cannot do! Entrepreneurs help create wealth and strive for betterment of the society and the nation. Due to these reasons, it is mandatory to find potential talents and sculpt them to pave way for other aspirants.

As a part of entrepreneurship, various business development training sessions are being conducted monthly for beneficiaries to sharpen their skills. During the session, various methods related to business development, market tie-ups and entrepreneurship skills will be discussed.



### Case study: S. Rajalakshmi- ABT- Coimbatore

Earlier, I was just a homemaker, cocooned within the four walls of my home. Through the Assistant Beauty Therapist training, I had the chance to realize my inner talent and bring it out. The training had fuelled my thirst for success. With sheer determination, I completed the course in flying colours. Now, I have joined in La Helen's Femme Beauty Salon, Ramanathapuram for a pay of INR 6000. I owe my sincere gratitude to the entire team of Hand in Hand India and Belstar Microfinance Limited for helping me to achieve my goals.



<b>Project Title</b>	Training Youth On Appropriate Soft Skills For Employability
<b>Target group</b>	Children of SHG women
<b>Project period</b>	July 2019- June 2020
<b>Objective</b>	To impart soft skill training on employability and entrepreneurship
<b>Total target members</b>	200
<b>Working Districts</b>	Kancheepuram
	Hand in Hand India extended support to the Academy to purchase a public transport vehicle through its CSR project funded by Belstar Microfinance Limited. After exploring multiple options, the Academy purchased a Tempo Traveller on 14.10.2019, a 17-seater AC vehicle of Force Motors make. This was purchased through our Purchase Committee after a rigorous search and negotiation process.

### How the vehicle has been supporting the Skill Training?

1. The vehicle is used very actively for transport of students pursuing the 'Certificate Program in Microfinance Management' and the trainees of Belstar.
2. Further, the vehicle is also supporting other programs that are being conducted at the Academy



## Why Life insurance?

The loss of lives, apart from leaving an emotional scar on near and dear ones creates an unforeseen economic shock for the family. This is more so valid in the poorer segment of our population where each able individual tends to be net earner in the family. Belstar offers its clients a choice of life insurance, covering the entire loan exposure for the entire tenure at a nominal premium.

The family members can be rest assured that in the event of an unfortunate death of their Belstar client, the debts would not carry forward and would be taken care of by the insurance company. Besides, any surplus would be paid to the nominee.

Belstar also provides optional insurance for spouse of the member as death of spouse creates the same economic hardship for family as members death. Here also life insurance plays a very important part as it alleviates the suffering of the family in case of loss of the loved one. A total of 5755 claims were settled under this program for the FY 19-20.

The whole exercise is taken very seriously by the organisation starting with a dedicated support unit handling origination and servicing of the policies including support to members for claims. The company has a carefully curated a training program for employees to teach them basics of insurance so that the right advice can flow to members.

The below table gives the status for FY 19-20:

S.No	Particulars	Particulars	Count	Amount
1	Member Enrolment	Mem	714563	24,73,01,821
		Spouse	711962	27,52,20,521
		<b>Total</b>	<b>1426525</b>	<b>52,25,22,342</b>
2	Insurance Claim	Mem	2238	8,56,37,000
		Spouse	3517	13,32,09,000
			<b>5755</b>	<b>21,88,46,000</b>

## Insurance: A Safety Net for Clients

To protect oneself from risk is natural. Belstar Microfinance Ltd believes that life insurance is a safety net for clients at the bottom of the pyramid as these clients are more often prone to risks. Life insurance acts as a safety net for the poor in times of emergencies. Women belonging to self-help and joint liability groups are covered with life insurance while taking a loan for growing or starting their enterprises. As there is more risk prevalent with their spouse, their spouse is also covered with life insurance for the tenure of the loan, though this is voluntary. In times of emergency, the family benefits immensely by timely settlement of the claim. The money acts as an opportunity for the family members to continue the business and ensure sustained income for better standard of life.

In 2019-20, Belstar continued to partner with Exide Life Insurance as the insurance service provider. In July 2020, Kotak Life Insurance was added as an additional service provider to give customers the option of choosing the provider they wanted to go with. During the year 5755 fresh claims were lodged out of which 5346 have been settled. As the Belstar staff have trained clients on the benefits of insurance and required documentation during the time of disbursement, the average turnaround time for settlement of claims has reduced to 14 days in FY 19-20.

Further, as a part of documenting the benefits of life insurance for the members who receive it and their nominees, Belstar has been actively capturing case studies of the beneficiaries. Close to 500 case studies have been captured pan India, clearly indicating a trend that the insurance claim amount has been crucial in powering through difficult times.



Take the case of Mrs. Parimala, a beneficiary of Exide Life Insurance. She is a member of Ideal Self-Help Group belonging to the Vellore branch. She earlier took Loan Rs.30000/- from Belstar for her business of preparing snacks. Unfortunately, her husband (nominee) died on 25.11.2019 owing to jaundice. Fortunately, as she had opted for spouse insurance, she received Rs.35000/- as the insurance claim amount and used this amount to continue her business and expand it, ensuring sustained income.

On the other hand, take Mrs. Mohani Bai, a beneficiary of Kotak Life Insurance. She was a member of Bhesra Khurd Kali JLG of Girwa branch, Rajasthan. She earlier took loan Rs.30,000/- from Belstar for her business as a milk merchant and to purchase one milch animal. Unfortunately, she passed away in a few months after taking loan, owing to fever. Her husband received the claim amount and used it to support the family and maintain the milch animal, thanking Belstar for the timely support.



Cases like those above prove the benefits of insuring the life of the client and the spouse. Belstar ensures the best services reach the clients at an affordable cost.

## Going Hand in Hand with Belstar : A synergy model for success:

### Dr. Kalpanaa Sankar

Hand in Hand India started its activities with the child labour elimination programme concentrating on the children employed in the silk weaving looms of Kanchipuram. It soon discovered that poverty and lack of income were the prime reasons for increasing child labour. To create value for the family, Hand in Hand India's women empowerment and self help group model began, with a target group of mothers of child labourers. Hand in Hand India's spread grew rapidly with over 400,000 clients in just 4 years, but as a Trust, efficient financial services could not be given at that scale. Further, other financial institutions were offering just credit to women, which we believed was not a game changer and thus Belstar was acquired in 2008.

The integrated model of women empowerment cushioned with microcredit support along with financial and adult literacy training leading to enterprise creation has proved to be an efficiently packaged and sustainable model to boost the standard of women in the rural communities. Apart from credit, credit plus activities such as Enterprise Development Programme, business training and allied services including health, education & skill training for the community make Belstar stand apart. Tie-ups with institutes like IIT-Madras turn these women into complete entrepreneurs. E-commerce solutions for women entrepreneurs ensure they reach far flung markets and scale.

### *Why Women?*

Forming 48% of India's population, we believe that women can be game changers of economic growth. Our experience shows that empowering women with skill training, making them financially literate and then providing credit enables them to multiply their borrowings ten times, vs lending for consumption. Women if empowered can be changemakers for their community, leading by example. Our direct market is women at the bottom of the pyramid. Indirectly our initiative benefits children, youth and farmers. We have reached out to over 4 million women through our programmes.

### **Our Model**

Our model of financial inclusion comprises of social mobilization, capacity building, access to finance, support enterprise promotion and job creation.

### *Coming together - social mobilization*

Hand in Hand India targets the people at the Bottom of the Pyramid (BoP) and those who lack access to education, health, clean environment, information, market, technology, skill and credit. The identified target groups are organized into homogenous groups of 10 to 20 women, called self help groups (SHGs).

### *Capacity Building*

Interventions are not sustainable when the financial inclusion happens without capacity building. In many cases, even though the access may be created i.e. opening a bank account, it may be kept dormant without utilizing the services. Hence, capacity building of the SHG members assumes significance. Hand in Hand adopts a process oriented approach to build the capacity of SHGs by offering them the trainings on group management, financial literacy, entrepreneurship development and specific activity based skill development. These capacity building inputs prepare the SHGs to sustain their operations and enable them to link with the formal financial institutions.

### *Savings – a start*

We believe in savings driven microfinance and encourage savings by members. The amount, frequency and interest rates are decided internally by the group who are empowered with these skills from frequent trainings conducted by Hand in Hand India. The savings is the first access to credit the women get a taste of by rotating it amongst the group. The savings is critical in ensuring the poor don't fall into a debt and poverty trap. Clients of Hand in Hand India and Belstar have saved INR 750 crores so far.

### *Credit & Credit Plus*

To expand outreach through credit services is the primary driver of Belstar. What started as extending credit to beneficiaries of Hand in Hand India's self help groups has organically grown to 600 branches pan India! This growth with a high quality portfolio is owing to a robust credit plus mechanism with client relationships at the heart of it. Women require a gamut of services to thrive as entrepreneurs. Our training module is tailored towards building demand for credit, imbibing financial discipline and ensuring timely loan repayment, ensuring more productive investments. At Belstar, a focus remains on skill assessment and enterprise feasibility that in turn determines repayment capacity. Aside from this, we offer skill training to either learn a new skill or upgrade an existing one.

### *Safety net: Insurance*

Access to insurance for the poor continues to be limited as insurance companies lack client-centric micro insurance products. The awareness level of SHG members on insurance is limited. Hand in Hand India overcomes this through advocacy and behavioral change communication on importance of life, asset, livestock and health insurance.

### *Job creation:*

The value added service that Belstar and Hand in Hand India provide is the support for enterprise promotion through the trainings as well as handholding support to the entrepreneurs. Based on the maturity of the group and its entrepreneurial spirit, interventions on the “Value chain approach” and “Activity Based Groups” approach to deepen the credit services and to facilitate backward and forward linkages are promoted.

### *Microentrepreneurs*

Creating a demand for access to credit is the first step women take to build their enterprise. They require handholding support for it to breakeven and later sustain. Hand in Hand India supplements Belstar's entrepreneurs with all the ingredients to make them successful entrepreneurs. An entrepreneurship development training course has been developed in local language in partnership with IIT Madras. This module trains women on preparation of a business plan, working out financial statements and most importantly creating access to markets. Overall, these training programmes remain an opportunity for them to network but also gain confidence to sell their product! The Hand in Hand Academy for Social Entrepreneurship is also being effectively used to further these objectives – to ensure synergy and nurture more entrepreneurs.

Belstar's focus remains achieving profitability, RoE and RoA to maximise value for its shareholders. The synergy with Hand in Hand India ensures that the double bottom line is reached by focusing on social performance, measuring impact, client satisfaction, implementation of code of conduct and efficient customer grievance redressal thus ensuring the sustainability and growth of women led enterprises!



# Hello Belstar Calling

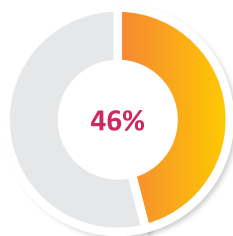
Effective communication is about more than just exchanging information. It is about understanding the emotion and intentions behind the information. As well as being able to clearly convey a message, you need to also listen in a way that gains the full meaning of what is being said and makes the other person feel, heard, and understood.

When communicating with others, we often focus on what we should say. However, effective communication is less about talking and more about listening. Listening well means not just understanding the words or the information being communicated, but also understanding the emotions the speaker is trying to convey.

Yes, the call center plays a vital role in ensuring a clear communication to all our customers and also ensure the business demands and organization goal is met.

Belstar has outsourced the calling to an external agency, Simply Grameen which is located in Krishnagiri. Simply Grameen was established in 2010 by like minded professionals after few years of thoughts on social entrepreneurship which supports both corporate vision and community at large.

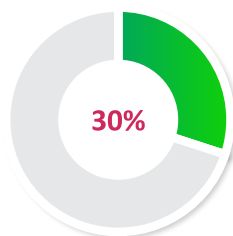
Calling done for our customer can be categorized as follows:



## POST DB CALLING

Every month close to average 70K to 75k customer are out-called.

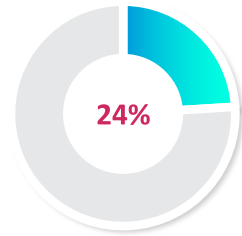
1. Daily base is getting shared
2. Alerts are shared daily
3. Weekly and Monthly Report



## OD CALLING

Every month close to average 45K to 50k customer are out-called.

1. Daily base is getting shared
2. Alerts are shared daily
3. Weekly and Monthly Report
4. PTP – 25- 30Lac Collection



## SPECIAL CALLING

We do special calling like the CGL Calling, Non OTR Calling , CGL recovery Calling and Survey Calling

1. Base shared based requirement
2. Daily Leads shared
3. Weekly and Monthly Report
4. Potential Revenue – 1.99 Cr

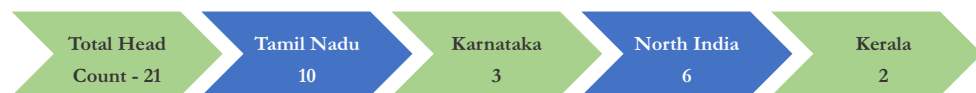
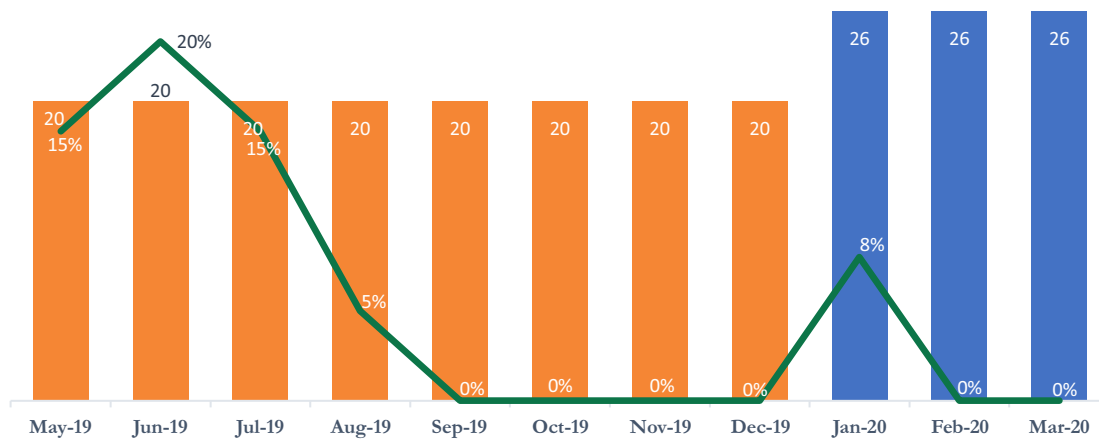
## HEADCOUNT

At the start, we deployed 15 agents to handle South India customer and now we are handling the PAN India Operations with 21 billable headcounts.

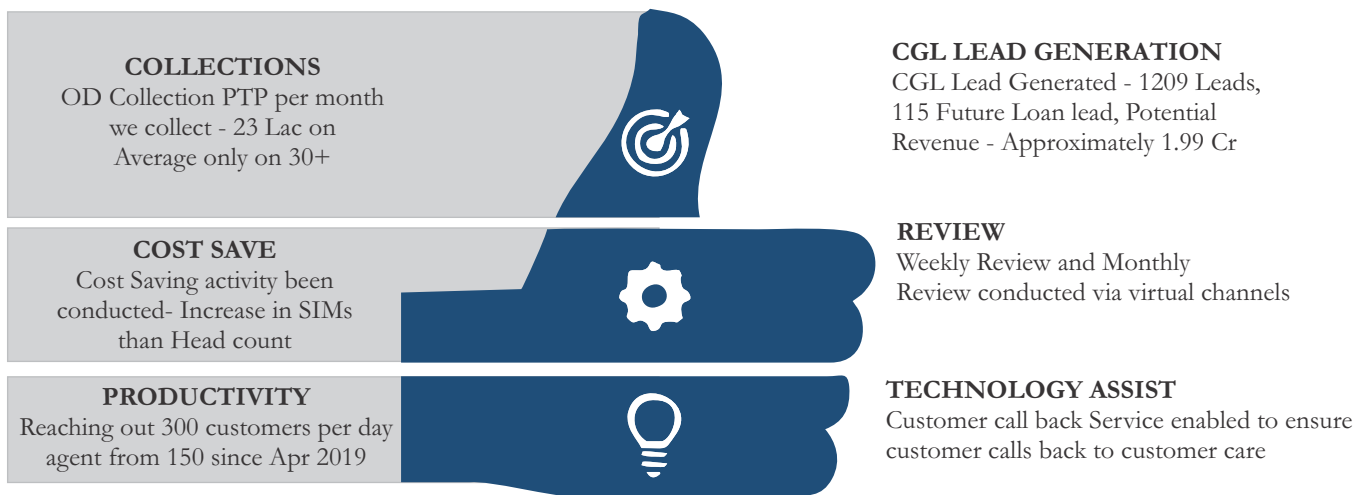
The attrition from the center for the last 2 quarters is at 0%, which shows the tenure in place will lead to a quality calling to the customers and will help us communicate the requirement in the best possible manner.



Attrition % Head count Head count



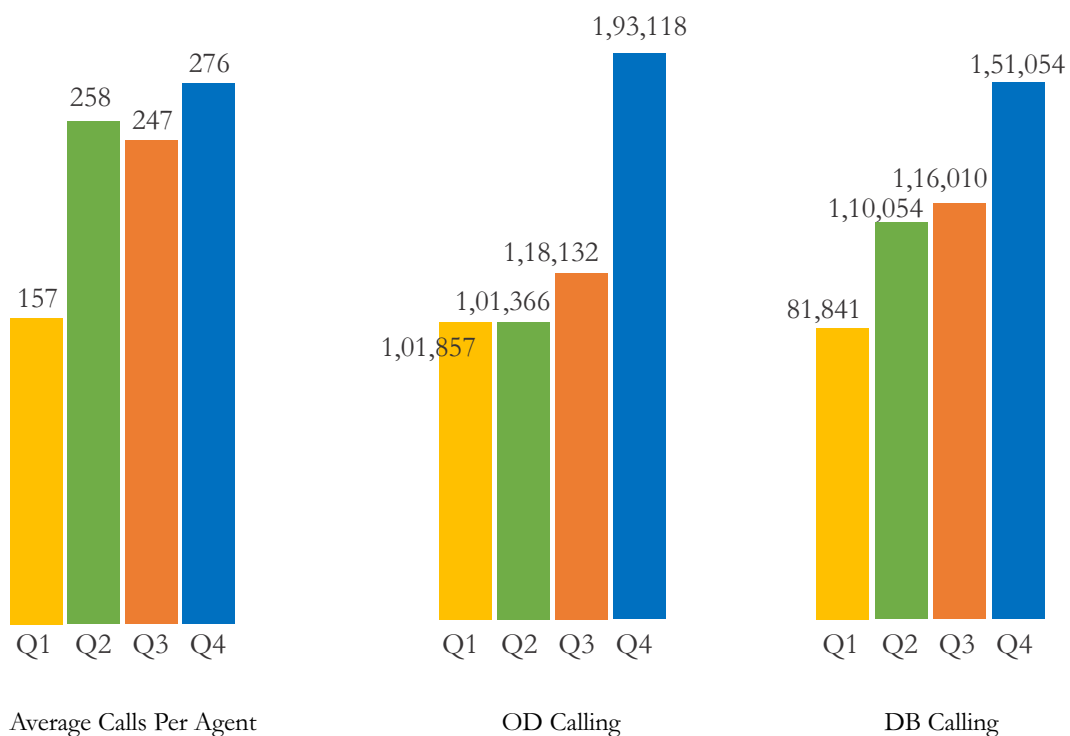
## KEY SUCCESS MEASURES



## PERFORMANCE DASHBOARD

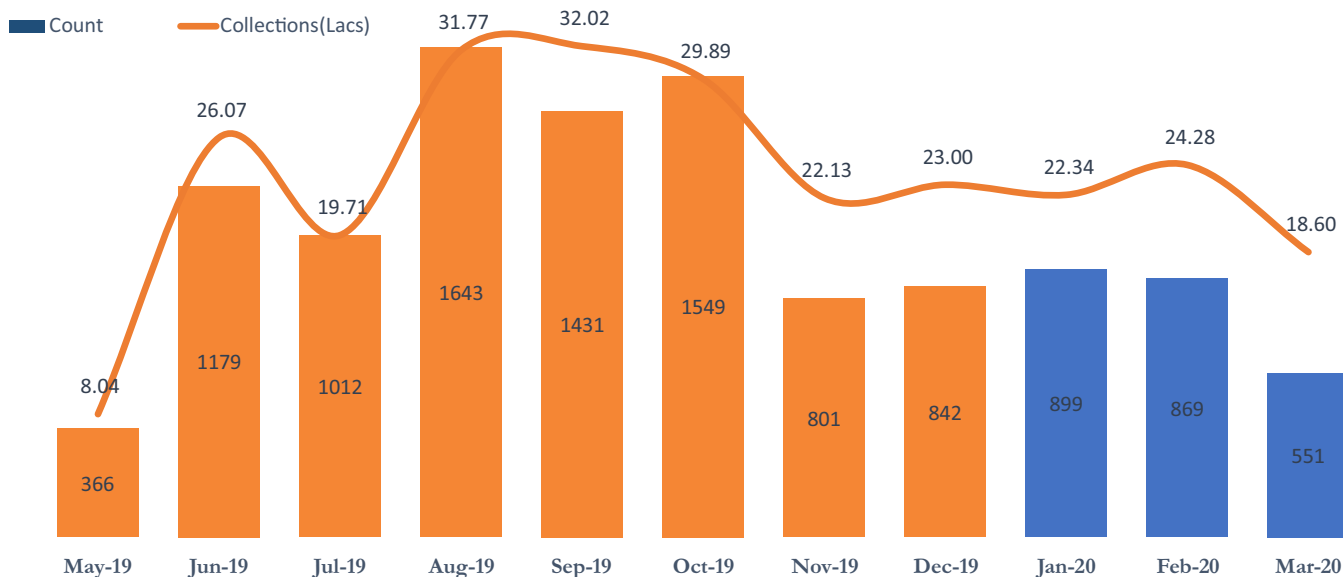
Find below the dashboard on the performance quarter wise, where we see a growth in performance month on month to yield the results to reach the organization goal and to ensure the business demands are met.

Dashboard		Q1	Q2	Q3	Q4
OD– Overdue Calling – 30+ Bucket Customers	Total Base Out called	1,01,857	1,01,366	1,18,132	1,93,118
	Karnataka	13,618	22,641	14,667	26,504
	North India				12,552
	Kerala	8,528	10,486	9,962	3,632
	TN & Pondy	79,711	68,239	93,503	1,50,430
DB– Post Loan Disbursement Validation and Education on loan taken	Total Base Out called	81,841	1,10,054	1,16,010	1,51,054
	Karnataka	12,879	16,656	17,374	15,725
	North India				42,704
	Kerala	8,408	13,609	15,325	10,637
	TN & Pondy	60,554	79,789	83,311	81,988
Other Call – Pre-Disbursement Calling, Survey Calling etc.	Total Base Out Called	-	94,396	40,006	37,704
	Karnataka	-	5,321	2,949	3,575
	North India		-	-	8,298
	Kerala	-	3,786	-	380
	TN & Pondy	-	85,289	37,057	25,451
Total Base		1,83,698	3,05,816	2,74,148	3,81,876
Billing Per Quarter		11,20,775	11,38,303	11,25,968	15,39,200
Cost per Subscriber		6.10	3.72	4.11	4.03



## COLLECTION

The most important part of business is to fetch revenue via collections, we successfully reached all those customers who are in overdue (>30 days Payment not made customers) and collected Rs.20+lakhs monthly, on an average.



## CGL-LEAD

To enhance the business in Belstar with the consumer good products , call center was instrumental in creating the opportunity of identifying the interested customers from the existing base, where the team had created opportunity to sell within the Belstar existing customers to an approximated amount of Rs. 2 Crs in a month of calling,

STATE	BASE	LEAD	CONNECT %
TAMIL NADU	25413	848	31%
KARNATAKA	3507	125	40%
GUJARAT	2872	82	46%
MADYA PRADESH	1870	69	45%
MAHARASTRA	1609	48	34%
BIHAR	1417	23	36%
CHATTISGARH	310	7	28%
KERALA	381	4	45%
UTTAR PRADESH	207	3	31%
<b>TOTAL</b>	<b>37583</b>	<b>1209</b>	<b>34%</b>



Total Lead generated is 1209  
( 3.2% of the called base)  
1.99 Cr Revenue LEAD.



11% of the customers  
aren't interested in loans



60% of the customers  
numbers aren't getting  
connected

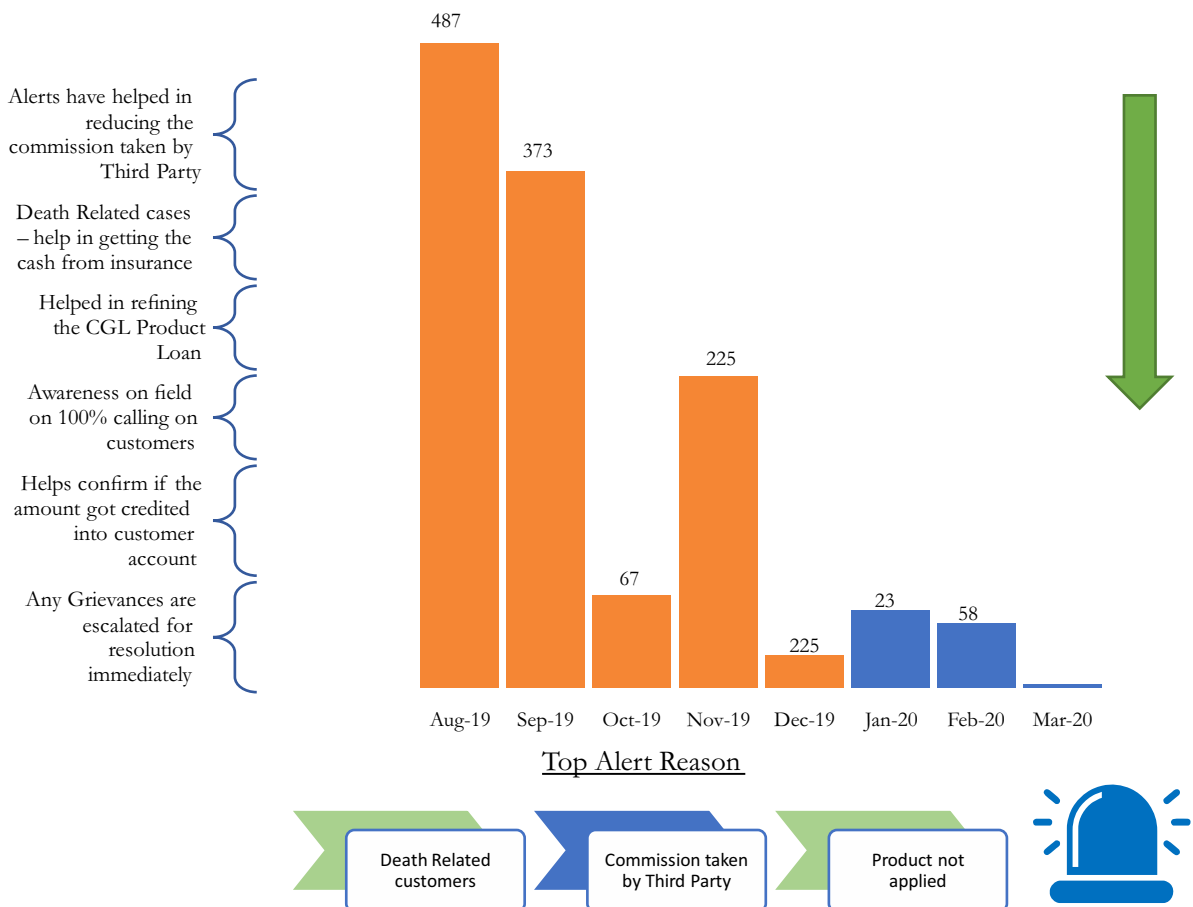


Lead Generation stopped  
due to Coronavirus  
Pandemic

## ALERTS

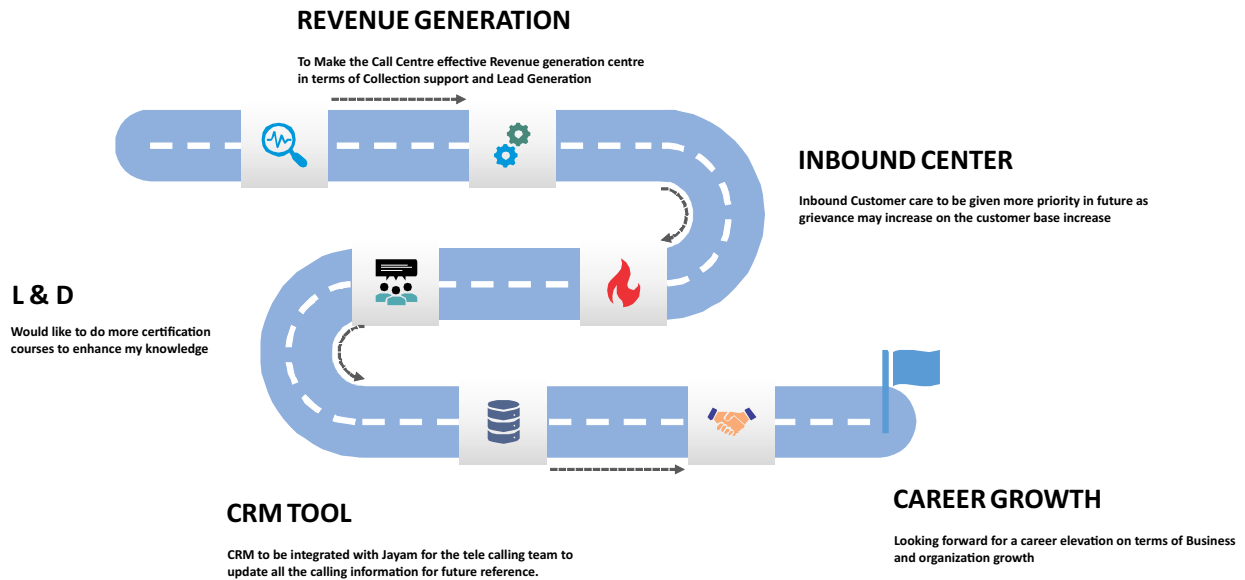
Early warning on customer behavior and the quality of sales will ensure a strong portfolio in building the right customer to the system, the Alert plays a pivotal role on revenue generation.

### Customer Related Alert



## WAY FORWARD

The Top workaround for the future lies in how the revenue is getting generated from the customer care, which should play as an revenue generation center with more focus on serving customers via inbound and to ensure the same is getting recording in an application for future reference





## CASE STUDIES

### Case Study 1 - Namakkal (TN)

#### Karthika – Garments Business

Karthika is an engineering graduate, the owner of a garments shop, leader of her Self Help Group and a happy mother of two children. She lives in Thiruchengode, Namakkal district.

Three years ago, Karthika's life changed when she got introduced to Belstar. Karthika's parents did not support her as she went for a love marriage. Her husband's family was in the garments business, but did not have enough savings to successfully go through with it.

A small starter loan from Belstar set off this young woman and helped her re-start the garment business.

The loan helped her buy dye making equipments, moulds and raw materials. With her husband's expertise, they set off on this track. Today she thanks the day that her neighbour pointed her to Belstar.

She is thankful that she is running a profit-making business and is also able to give jobs to more women like her. Karthika helps other women like her in getting loans and starting their ventures.



## Case Study 2 – Tirupur (TN)

### Anees Fatima – Mobile store

Anees Fatima has been part of the Belstar family for 5 years now and leads her Self Help Group called Bismi. The 30-year-old living in Kangayam, Tirupur maintains her group savings account.

Anees owns a cell phone shop that does sales and services. She also sells accessories for cell phones. With loans from Belstar, she has added on new products and increases the profit she earns. Her customer's demands tell her how to stock new products.

She runs this shop with her husband supporting her and together they have made this venture a successful one. She is very thankful to have been a member of Belstar. It has taught her financial independence and she is happy that she is supporting her family too.



## Case Study 3 – Annamalai (TN)

### Jayanthi – Provisions store

Jayanthi from Annamalai village, Coimbatore has a long connection with Belstar. The 35-year-old is married with two children and has been part of the Belstar family for over 7 years now.

Jayanthi's husband has a job as an on-call driver and does not earn a regular income. With growing children, the couple struggled to make ends meet. When she joined a Belstar Self Help Group, she met more women like herself. She took her first livelihood loan from Belstar to help start a small petty shop.

Her village being in a remote location, Jayanthi found it difficult to stock vegetables and groceries from the nearby town. She would initially walk many miles to buy stock. Later with another loan from Belstar, Jayanthi bought a second-hand two-wheeler. This helped her pick up things from the market and sell fresher produce, thereby giving her a better business.

Belstar's link with Jayanthi didn't stop here. Her children were growing up and paying school fees wasn't easy. This is where Belstar's educational loan helped Jayanthi pay her fees.

Today, Jayanthi runs a big grocery and provisions store at Annamalai and she is a happy customer of Belstar. When she **looks back, she is thankful that Belstar has offered her a helping hand at all stages of her growth.**





## Case Study – 4 Sarkar Samakulam (TN)

### Mariammal – Sells tender coconuts

Mariammal is a member of Aalayam SHG in a small village near Coimbatore. Her story is one of perseverance. The 38-year-old has only studied till her grade-12 and got married very young to a toddy-collector from Kerala. Senthil Kumar, her husband climbs coconut and palm trees to make his living. It is more than 10 years since the couple settled down in Sarkar Samakulam to make a better living.

Mariammal joined a Belstar SHG and received INR 8000 as loan. She utilized this smartly to start a tender coconut stall. While the stall did well, it still wasn't enough income and the couple were living in a rented house. Then she took yet another loan of INR 30,000 and purchased more coconuts and a rack to store them as well. She also updated her husband's equipment and tools for tree climbing. The investments paid off well and her sales went up to 50 coconuts per day, with a profit of INR 10 per tender coconut.

Today, with gradual increase in sales, Mariammal is living in her own thatched house with a washing machine. She is not only doing steady sales, but also pooled up her savings for a rainy day.



## Case Study 5 – Bihar

### Anjali Devi – Cosmetic shop

Anjali Devi aged 38 years from Barar village of Darbhanga district of Bihar, lives with her husband and 3 grown up children. Since she and her husband are not educated, they had a dream of educating their children and giving them a good livelihood. She also wanted to supplement her husband's income whose work at a factory in Delhi gave him a salary of Rs.1500-2000 per month only.

Anjali Devi realized that there were no cosmetic shops around her neighbourhood. She hit upon the idea of opening a small cosmetic store at her residence. Having the shop at her home gave her time to finish her home responsibilities and look after her business too. That is when she heard about Belstar and approached the company and attended a projection meeting.

Before becoming a member of Belstar, she had taken a loan from other microfinance companies and purchased cattle and used to sell milk door to door. But it was a very tedious process & seasonal too with a small income of hardly 1500-2000 /- in month.

But after she took the loan of INR 30,000/- from Belstar at Darbhanga branch, she not only started her cosmetic shop but also started generating more income. Now she earns 12000/- p.m. and is able to save 4500-5500/- from this income.

Due to the pandemic situation, her husband had been terminated from work at Delhi and returned to Bihar and has joined her cosmetic shop. Now she is thankful to Belstar that even in these hard times she has managed to pay her EMI's on time. She is also planning to increase her cattle stock to boost income by selling milk.

Belstar has helped to keep her head raised and she has gained a respectable livelihood.





## Case Study 6 – Rajasthan

### Suresh Kunwar's Pav Bhaji cart

In Udaipur, Rajasthan, Suresh Kunwar owns a 'Pav Bhaji cart' which she takes around the locality with her husband Chandan Singh to earn her living.

When she looks back, her story was not a happy one. Her family was struggling to meet ends since her husband did not have a steady income. There were some days he would have work and others when he would come home empty handed. Suresh has a great passion to cook, her specialities being fried 'pakoras', Pav Bhaji and Pani puris. She thought of making a business out of her cooking skills along with her husband who was also willing to support her.

Having no assets, the couple faced challenges in securing a bank loan. One of her friends in the village introduced her to Belstar and a staff explained to her on how to procure a loan. In a short while, Suresh Kunwar was the leader of the Suresh Kunwar Dholi Gagari Joint Liability Group (JLG), created by Belstar.

For many rural women like her, to meet daily household expenses on a small income, these loans are lifesavers. An initial sum of INR 30,000 was used towards buying a 'Pav Bhaji cart'. She and her husband started earning an average income of 500 per day by selling Pav Bhajis and Pani Puris.

Suresh Kunwar has a dream of moving from a small 'Pav Bhaji cart' to a full-fledged shop, soon with further financial support from Belstar.



## Case Study 7 – Karnataka

### Seema Taj- Disposable Platemaking

Seema lives in Shimoga with her husband and children. She has been engaged in 'plate-making', while her husband is a daily-wage labourer. Their joint income was not enough to keep the family running. While Seema had ideas to start her own business, there was a paucity of funds.

Seema found that in the village and the neighbouring markets, there is always a demand for disposable plates made of areca-nut. She was introduced to Belstar where she joined a group of women and borrowed a business loan. She borrowed INR 15000 towards machinery purchase and another similar amount towards raw materials. Thus, began Seema's own enterprise.

With a margin of INR 2 per plate, she was able to make INR 7000 profit month. With her college-going kids pitching in too, she is now able to bring home INR15000 per month.

Her future plans include purchasing more machines and employing people to help grow the business.



## Case Study 8 – Uttar Pradesh

### Gudiya Singh - Tailoring shop

At Gudiya Singh's small home in Lucknow, Uttar Pradesh the hum of the sewing machine has become the norm. Gudiya runs a tailoring shop from her home, she has two machines and uses them to do embroidery.

Gudiya is happy to have become part of the Belstar family. Her husband earns daily wages that are erratic and not enough to run the family. Gudiya decided to open the tailoring unit to help bring in income. However, she required more capital to enhance her business. Belstar's loan helped her bring in one more machine, buy more raw materials for decorative tailoring. Her JLG group is called Gudiya Singh Hajipur and consists of her neighbours and herself.

Today her monthly income has not only increased but is also steady with a sizeable and loyal customer base. Gudiya is a happy woman, thanks to Belstar!





## Case Study 9 – Uttarakhand

### Hema Prasad - General Store

Hema Prasad is 38 years old and lives in Khatima, Uttarakhand with her family. Her husband is a factory worker and earns a very minimal daily income. With a desire to improve the standard of living for both her and her family she started a small general store about 9 months ago. She received good support from her husband and other family members, but she was not making enough profit because she had spent all money to support her family.

One day she came to know that a new company Belstar has started its operation in that area and are providing loans to women for their livelihood promotion.

She had discussion with the Belstar staff and formed a group of women which required funds for their income generated activity.

After a few days she got the loan of Rs-/ 30000 which she has invested to buy cosmetics items and other stationary articles for her shop.

She said that she is very happy and thankful to Belstar as it helps her to diversify her business.



## Case Study 10 – Kerala

### Shajeena Shanavas - Biryani specialist caterer

Belstar's objective is to identify and effectively empower women to build a sustainable livelihood by giving them access to credit and training. Shajeena from Aluva is one such empowered woman and belongs to the Belstar JLG named Ambal.

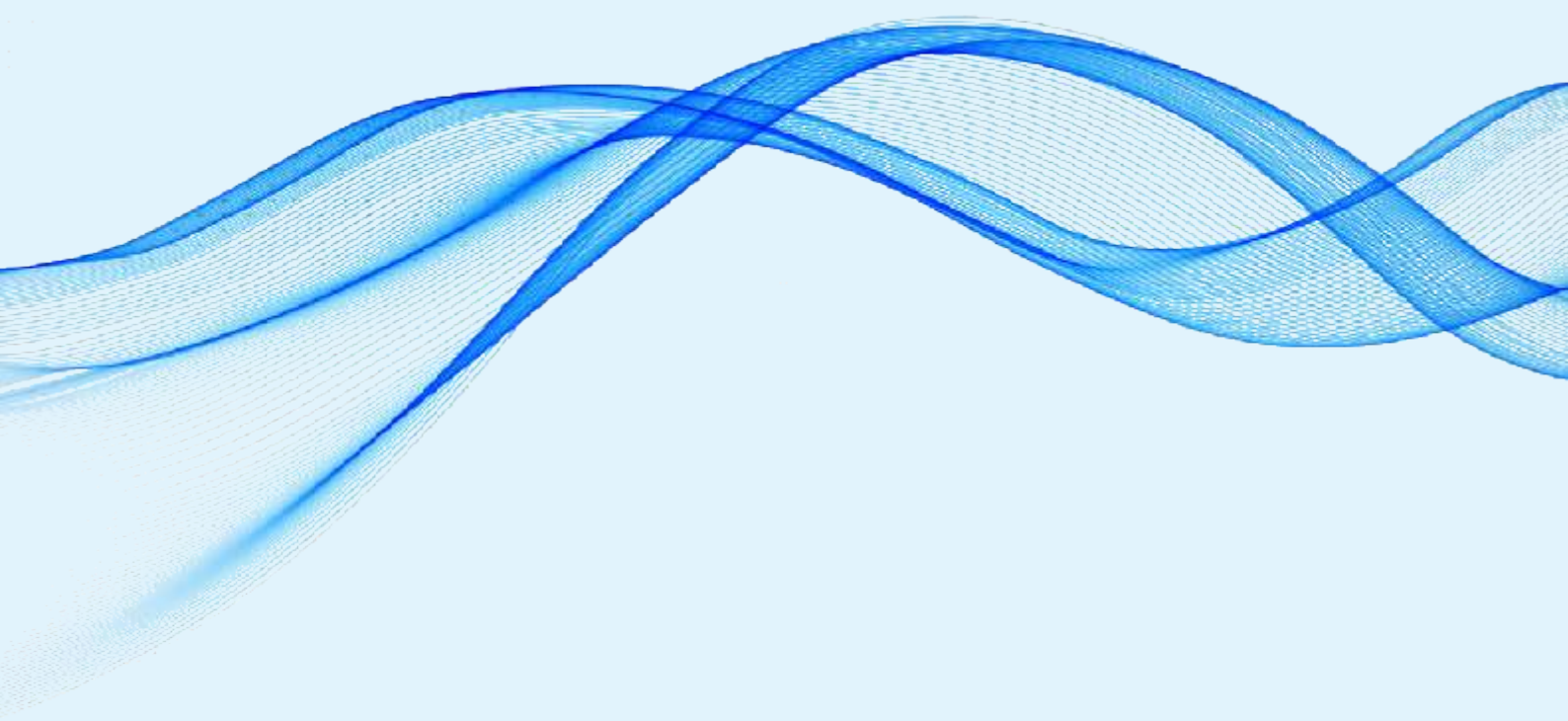
An enthusiastic person, Shajeena loves to spend her time in the kitchen experimenting with various recipes. Over time she came to understand that her 'Biryani' was much sought after and was her signature dish. Her dream was to become a Biryani specialist caterer. She joined the JLG in 2018 and has since then realized her dream.

The group not only helped Shajeena take a loan to start her business, she also found five other like-minded members to help her start this business. The road to success was not easy; Shajeena had to follow trial and error and learn to market her product as well. Being a family woman, she had to take care of her children, send them to school and only then start her work. Demand was erratic and Shajeena had to have tremendous perseverance to keep up the business.

With the Belstar Credit Plus team giving her valuable business advice and business plan help, Shajeena took off to a great start. Today she is earning INR 30,000 per month and is also ready to train women who are interested in the business. Also, in the pipeline is business expansion with another loan.



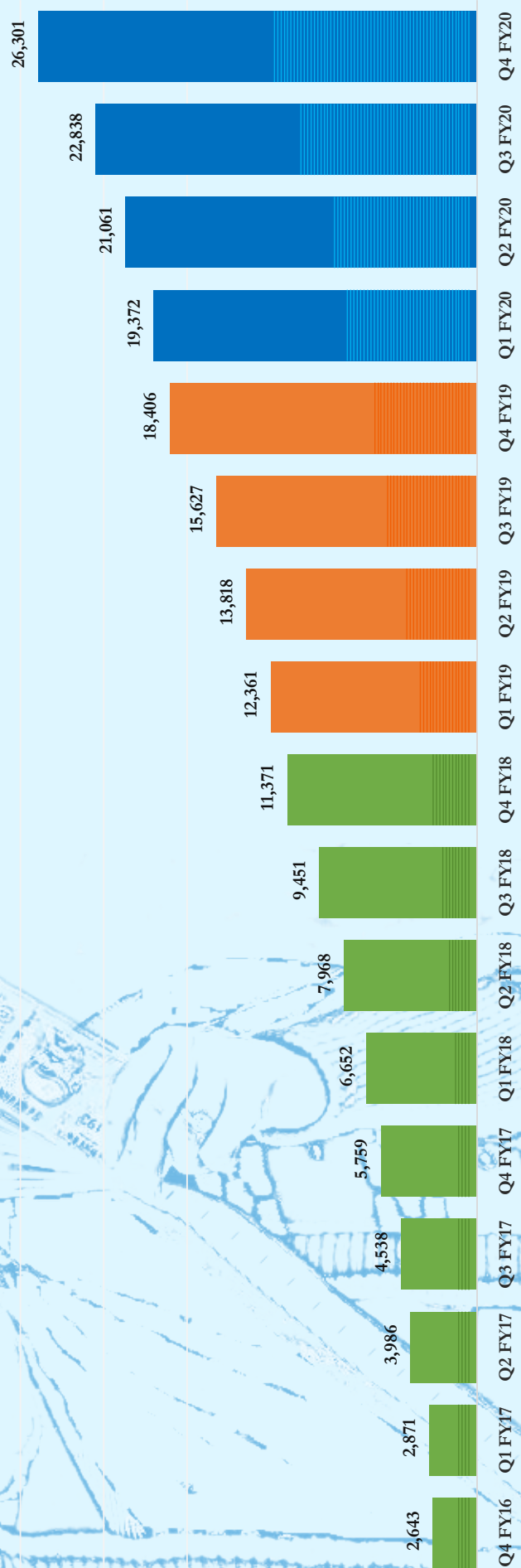




# **Management Discussion Analysis**

# Finance & Operation

## AUM GROWTH OVER THE YEARS ( ₹ IN MILLION )



## Industry Environment and Belstar

### NBFC-MFI sector and Belstar Comparison

The year 2019 -2020 saw the MFI industry grow to a staggering INR 231,788 Cr, indicating a growth rate of 29%, buckling the trend of an otherwise tepid economic growth in the country. The industry broadly now consists of Banks occupying a 39% share of portfolio and NBFC MFIs occupying another 31% share with the rest being catered to by SFB's, pure play NBFC's, NGOs etc.

The NBFC-MFIs registered a modest 10% growth rate over the previous year and covered 599 districts with 3.84 Cr. active loans and a portfolio of INR 73,792 Cr. The industry has been performing a major role in facilitating access to formal credit to the far-flung areas of the country. The year has also seen a perceptible rise in public acceptance of the role of MFIs in poverty alleviation and this would help the industry stability in the long run especially during crisis situations.

The credit profile has deteriorated over the year with PAR 30 rising to 1.88% over the last year's figure of 0.88%. The economic slump coupled with natural disasters in several parts of the country has had an effect on the industry with challenges seen in loan repayments especially in the eastern parts of the country.

In this backdrop, Belstar has seen a robust growth in GLP of 42% and has now spread to 18 states with 603 branches. The portfolio outstanding stands at INR 2630 Crs covering 12 Lakh active borrowers. The path of geographical diversification which the company took in 2016 from its traditional stronghold of Tamil Nadu is now clearly evident with portfolio contribution from non-TN states coming to 49% in FY 19-20 as against 41% in FY 18-19.

The unique credit plus approach which emphasises on non- financial initiatives as much as financial has allowed us to avoid the trap of over indebtedness in the industry. The company has registered a decline in PAR 30, which now stands at 1.3%, below the last year mark of 1.4%. The branch-based collection model stands as USP of the company with almost all major players following a centre meeting-based collection model. Our confidence that customers would come to branch and repay, stems from a carefully cultivated credit and risk process and we continue to strengthen them along with our traditional strength of customer relations backed by non-financial interventions.

Going forward we look towards the financial year 20-21 with cautious optimism inspite of the worldwide COVID-19 pandemic and the disruptions it has caused. We believe that the sector will move back to normalcy post the pandemic and the need for credit would increase as newer micro business entrepreneurs would emerge. We stand pledged to help our existing customers with newer and innovative products at cheaper rates of interest such as emergency loans etc to tide over temporary incomes losses. The company has deliberately kept a rural skew in the branch expansion, and we expect that the rural incomes would remain resilient in the ongoing crisis which would help the company going forward.

The company is poised to ride on the wave of instability backed by its strong parent The Muthoot Group and its strong institutional processes built over the years.

#### Note

1. Industry growth rate has muted also because of the fact that the largest NBFC-MFI namely BFIL has now merged with Indusind Bank Limited
2. Figures from MFIN Micrometer Issue 33

## NBFC-MFI Sector & Belstar Comparison

### NBFC - MFI

FY 19-20

FY 18-19

YoY Change %

YoY Change %

### BELSTAR

FY 19-20

FY 18-19

YoY Change %

No. of Active Borrowers

Total Disbursements

No. of States Covered

No. of Branches

Total Staff

AUM - Crs

Active Borrowers / Branch

Loan Outstanding / Branch

Average Loan Outstanding

3.22

77,072

32

14,275

1,16,738

74,371

2,256

5.21

23,097

2.71

62,521

33

11,676

93,269

56,683

2,321

4.85

20,916

19%

23%

-3%

22%

25%

31%

-3%

7%

10%

51%

45%

13%

51%

54%

43%

0%

-5%

-5%

12.04

2,613

18

603

4,428

2,630

1,996

4.36

21,851

7.98

1,804

16

400

2,876

1,841

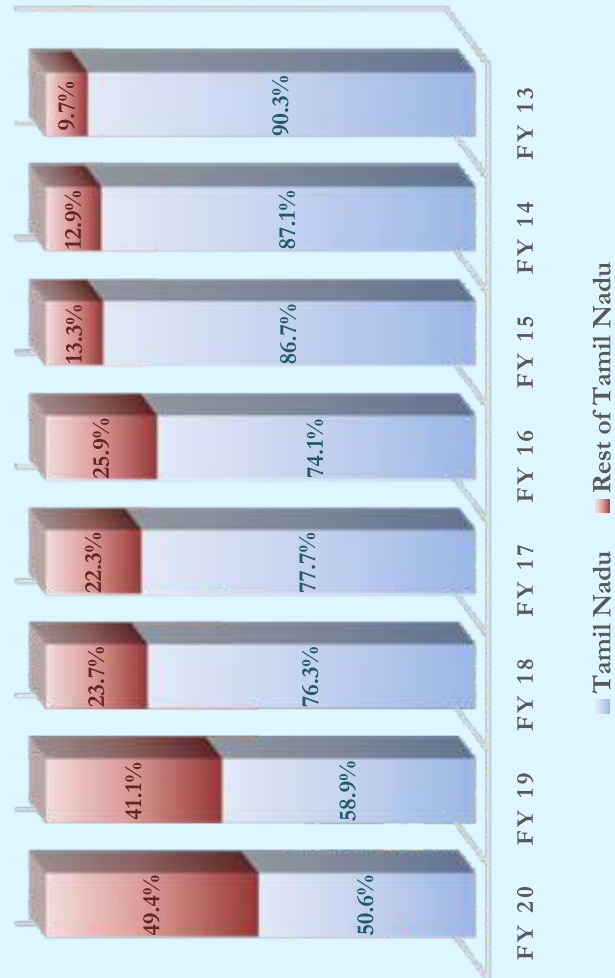
1,995

4.60

23,070

## Geographical Diversification

### PORTFOLIO MIX



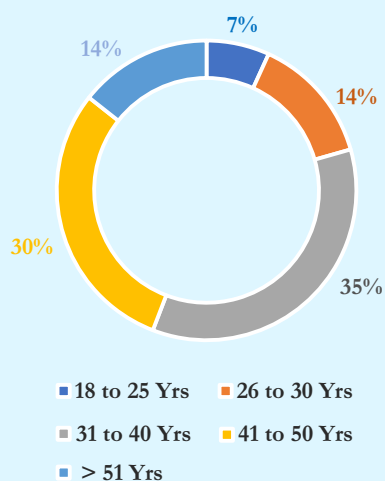
Company has increased its portfolio concentration in Rest of Tamil Nadu from 9.7% to 49.4% over 8 Years

	BELSTAR	SP	BUYOUT
TAMILNADU	✓		✓
KERALA	✓		✓
KARNATAKA	✓	✓	✓
MAHARASHTRA	✓		✓
MADHYA PRADESH	✓	✓	✓
CHATTISGARH	✓		✓
ODISHA	✓	✓	✓
GUJARAT	✓		✓
HARYANA		✓	✓
PUNJAB		✓	✓
RAJASTHAN	✓		✓
BIHAR	✓		✓
JHARKHAND			✓
UTTAR PRADESH	✓	✓	✓
UTTARAKHAND	✓		✓
WEST BENGAL		✓	
TRIPURA		✓	
<b>TOTAL</b>	<b>12</b>	<b>9</b>	<b>15</b>

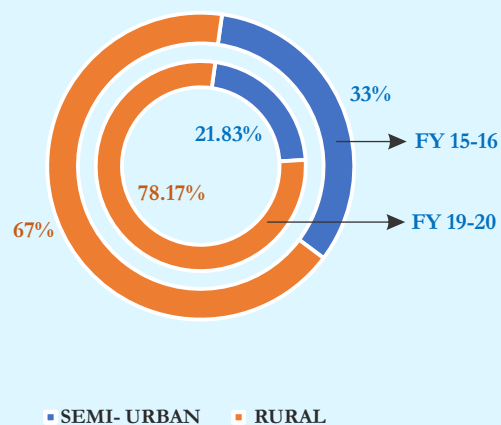
## Portfolio Highlights

INDUSTRY	FY 19-20	FY 18-19	FY 17-18
AGRICULTURE AND ALLIED	60.25%	53.65%	54.55%
SERVICES	21.14%	23.08%	15.19%
TRADE AND BUSINESS	13.92%	9.22%	18.11%
EDUCATION LOAN	0.59%	4.83%	1.65%
PRODUCTION OR MANUFACTURING	2.58%	3.58%	3.67%
CONSUMER GOODS	0.29%	4.96%	2.35%
SEL LOAN	1.24%	0.69%	4.47%
TOTAL	100.00%	100.00%	100.00%

### AGE WISE DISTRIBUTION OF BORROWERS



### BORROWER BASE







## SWOT ANALYSIS OF BELSTAR

### Strength:

1. Professional and experienced management team together with dedicated field force.
2. Strong parentage of Muthoot Finance group
3. Vast distribution network, especially in rural areas and small towns, diversified product range and robust Branch Collection model
4. Strong customer base
5. Simplified and quick turnaround of loan request appraisals and disbursements.
6. Controlled & Digitised customer on-boarding process.

### Weakness :

1. Physical cash handling during collections
2. Lower retention rate of customers

### Opportunities:

1. Good scope for expansion into newer geographies
2. Credit deepening in existing States
3. Use Digital solution platform for business/ collections.
4. Career growth for employees
5. Secured loan product for higher ticket individual loans

### Threats:

1. Competition from Banks, SFBs and NBFCs as there is no level playing field.
2. Regulatory restrictions – continuously evolving government regulations may impact operations.
3. Uncertain economic and political environment.
4. Corona Pandemic affecting loss of livelihoods of customers.

## Inorganic Vertical- Together we grow

The Microfinance Sector in India has seen substantial growth, particularly in the last two decades. It has emerged as a flag bearer of a formal financial system, with unmatched penetration to a segment that was considered as 'Unbankable', not too long ago. The industry has already touched the lives of almost 51 million clients with a CAGR of 20 percent. The industry has also seen many innovation/transformations since its inception in the 1970s, and Inorganic Portfolio grow this one of them.

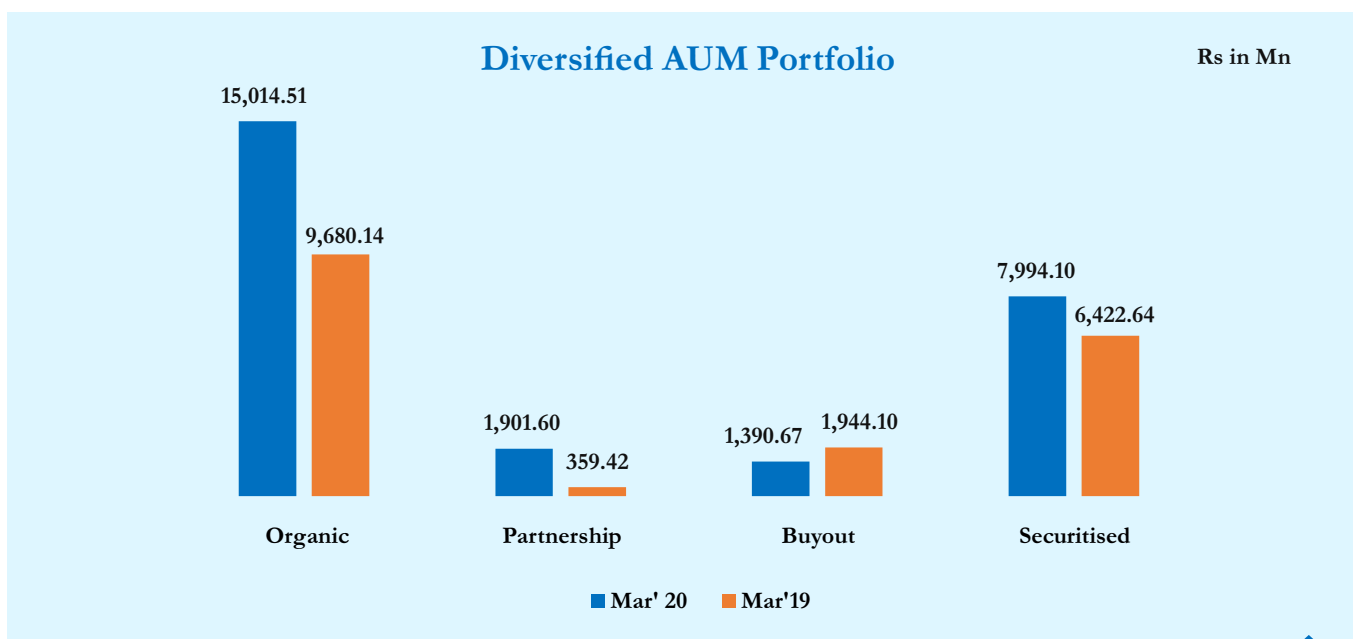
With numerous banks, NBFCs and not for profits functioning towards financial inclusion, the competition in the sector has increased exponentially, making sustainability a challenge. This can only be contested through consistent growth, expansion, and innovative solutions. Another limitation that the sector faces is the lack of donor funding options available in the market, especially for the smaller players. These modestly sized institutions have very limited debt and liquidity options to fulfill the needs of their customers and their growth aspirations. Many large players (including Belstar) are giving a supporting hand to these institutions to serve their customers consistently. Access to large markets and stronger customer connect are the key value propositions for us in Belstar. Belstar has opted for channels such as Service Provider partnerships (SP) and Direct Assignment (DA) transactions for its inorganic growth strategy. Apart from deeper penetration and diverse markets, these channels bring in new skills and knowledge base, and better access to the market.

### Genesis of Inorganic Vertical

For a leading MFI with backing from the reputed Muthoot group, Belstar ventured into institutional lending in 2018. The inorganic vertical was established to complement the business expansion the company was undergoing through the organic route. This step primarily helped in achieving the following objectives:

- Growth with sound asset quality
- Diversification
- Profitability

The experience from the operations through inorganic vertical have done justice to the specified objectives of building portfolio into uncharted territories like Haryana, Punjab, Tripura, Jharkhand, and West Bengal. The portfolio quality has been more secure owing to the regional expertise and customer connect of the microfinance institutions with whom we partnered. Their local knowledge and goodwill among the customers allowed better market coverage, and thus fulfilled the goal of catering to customers and families towards the base of the pyramid.



Apart from these advantages, operations through inorganic vertical have also established Belstar's reputation as a significant funding support to small microfinance enterprises in the financial inclusion space. It has also given a mutual learning platform for allies to improve upon their process inefficiencies and increase the credibility of the organisation by adopting best practices.

## Milestones

Since its inception in 2018, Inorganic vertical has shown consistent growth in terms of portfolio size and quality. The vertical has complemented the organic growth of the company by managing several business relationships through DA and SP models.

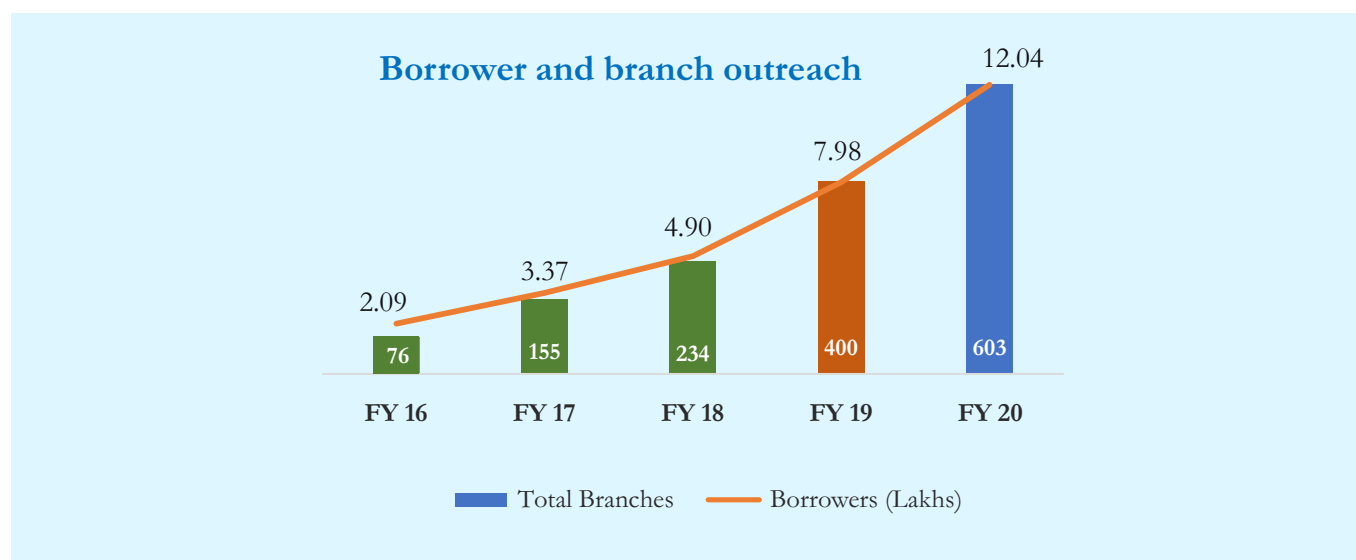
Till March' 20, the number of SP branches grew by 156% to reach a total of 92, spread across 9 states. The portfolio achieved INR 100 crore benchmark within the first year of its commencement and stood at INR 190 crores as on March 31, 2020, recording a 355% growth over FY19.

During FY20 Belstar partnered with 3 new SPs, bringing the total count to 8 partners. These partnerships were established after a detailed Due Diligence exercise. The new additions to the SP partnership in FY20 were Mitrata Inclusive Financial Services Pvt. Ltd., GU Financial Services Pvt. Ltd and Vector Finance Pvt. Ltd. The existing partnerships with Hand in Hand India, Finsigma Inclusive Services Private Limited, Shikhar Microfinance Pvt. Ltd., Saggraha Management Services Pvt. Ltd. and Ambition Service Pvt. Ltd. scaled up to new levels in FY20.

The DA transactions account for an AUM of INR 136.2 crores, bringing the Inorganic book size to INR 326.5 cr. as of March' 20.

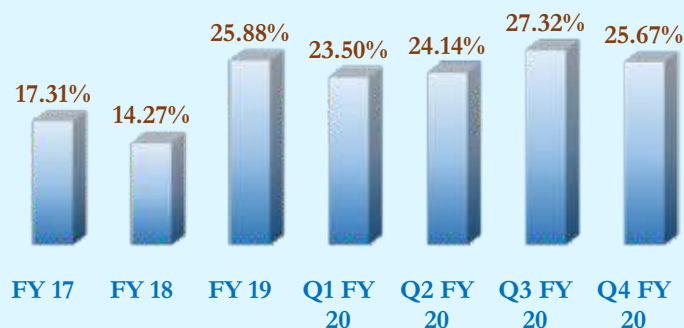
## A Symbiotic Relationship

An already competitive microfinance environment is prone to frequent fluctuations owing to socio-economic and political conditions. While sailing through crises becomes a challenge for all the financial institutions, smaller organisations suffer irreparable losses. One recent crisis which is hovering over the industry is the corona virus pandemic. Not only have the collections been hampered but at the same time, the future scenario is uncertain owing to the severe impact on the financial stability and livelihood of the customer base. It can be inferred that smaller institutions will suffer due to recovery losses and lack of credit funding. At this juncture, inorganic growth can be a viable option for the smaller MFIs to revive themselves, while the larger organisations can mitigate their fears through risk-sharing with smaller institutions and reducing concentration risks. The organisations thus form a symbiotic relationship and they need to work together to ensure sustainable growth, especially in these testing times.



## Financial Dash Board

### CRAR in %

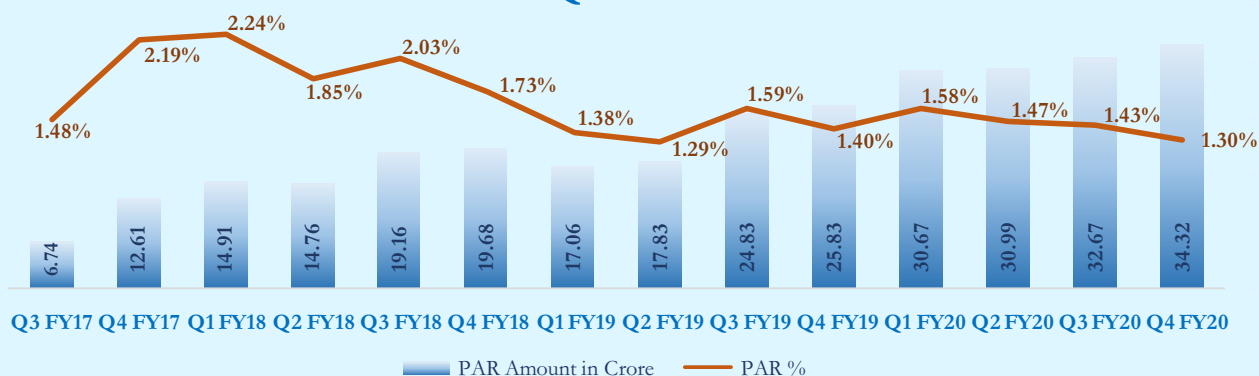


Note: FY 2019 & 20 figures are as per Ind AS, FY 2018 & 17 figures has been recast as per Ind AS and FY 2016 figures as per IGAAP

### Net Worth (Rs. in mn)

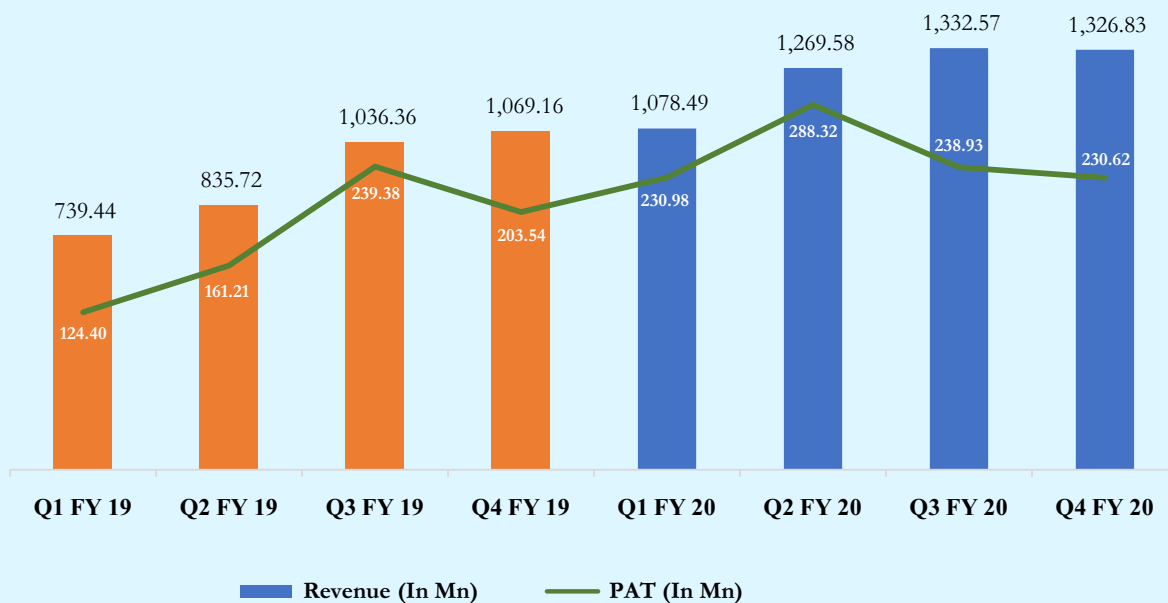


### DELINQUENCY MANAGEMENT



The company has reduced its PAR > 30days from 1.40% in FY 2018-19 to 1.30% in FY 2019-20 on the Gross Loan Portfolio by introduction of collection structure, process controls and timely MIS.

## Revenue and PAT

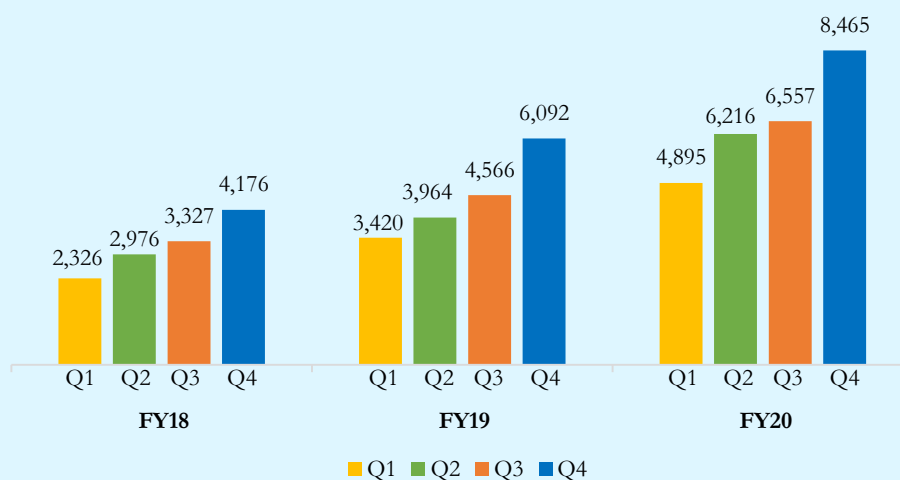


Note : FY 20 figure is as per Ind AS, FY 19 figures has been recast as per Ind AS

The increase in the number of districts, branches and clients has enhanced the Microfinance Operations of the company which witnessed an upward inflow of revenue during the year. Revenue witnessed a growth of 36% from FY 19, which resulted in a growth of 35.89% in PAT.

## Disbursement Trend

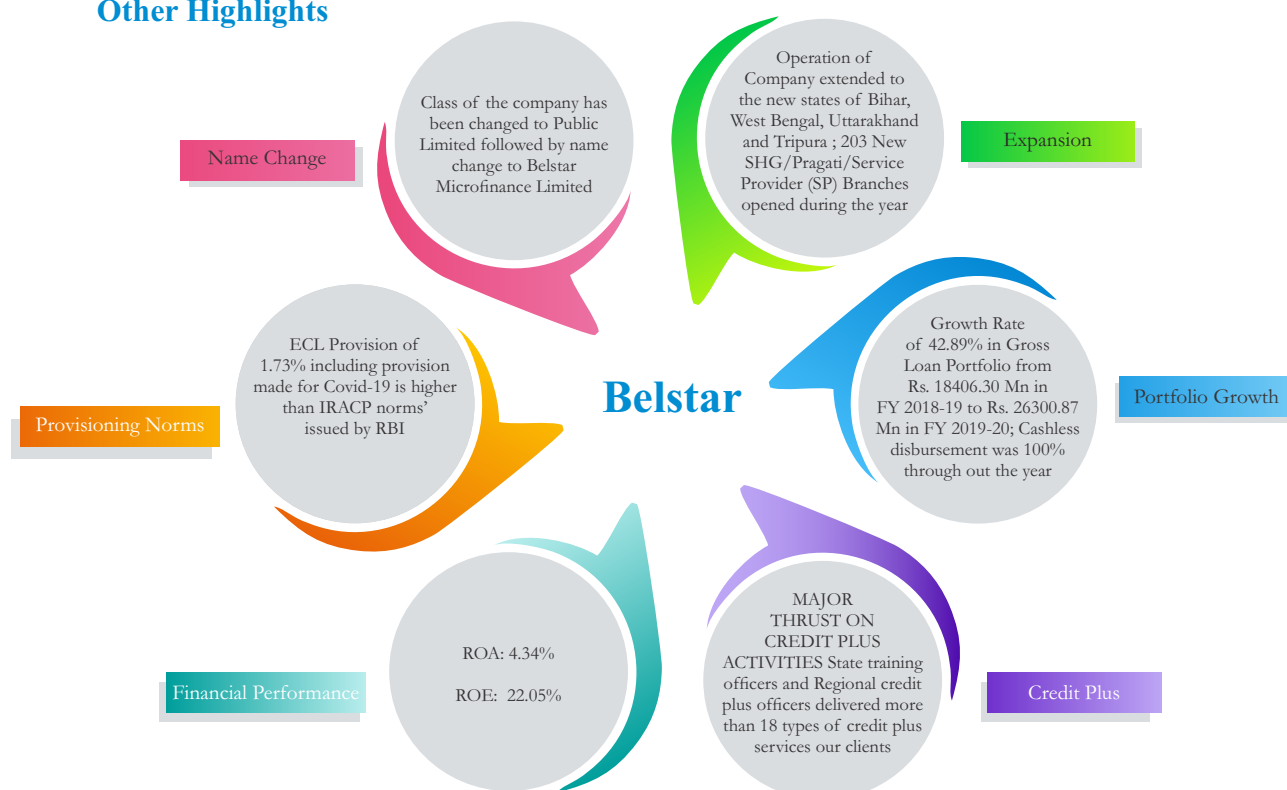
Rs in Mn



## Ind AS Profitability Ratios

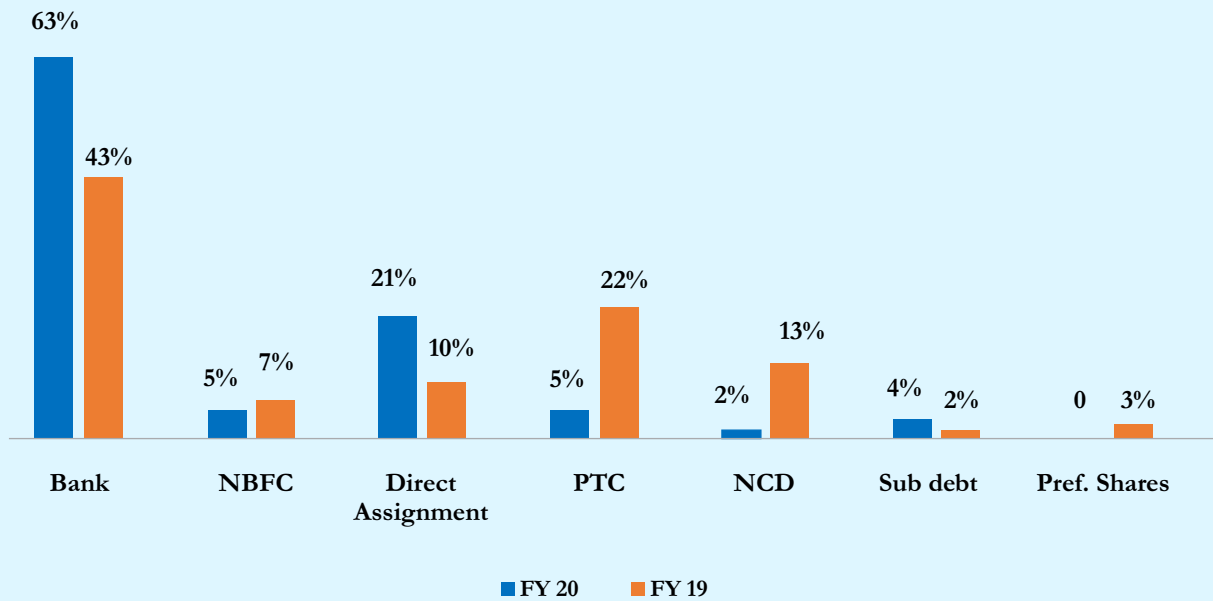
PROFITABILITY RATIOS (IND AS)	FY 2020	FY 2019
ROE % (Wt. Avg)	22.05%	22.71%
ROAA %	4.34%	4.28%
Yield on Avg Assets	21.89%	21.55%
Spread (NIM) as % of Avg Asset	14.05%	12.75%
Cost to Income	58.47%	52.73%
Debt Equity including Tier 2 capital	3.81	3.96
OER as a % of Average Total Assets	6.83%	5.64%
Capital Adequacy Ratio	25.67%	25.88%
Operational Self Sufficiency	136.26%	138.91%
Finance cost to Operating income	35.83%	40.85%
Employees cost to Operating Income	21.05%	16.79%
Other operating exp to Operating Income	8.97%	8.18%
PBT to Turnover	26.61%	28.01%
PAT to turnover	19.77%	19.79%

## Other Highlights





## Diversified Funding Mix



(Rs. In Mn)

	FY 20		FY 19	
Bank	15,157	63%	7,826	43%
NBFC	1,163	5%	1,233	7%
Direct Assignment	5,185	21%	1,781	10%
PTC	1,290	5%	3,966	22%
NCD	371	2%	2,283	13%
Sub debt	1,060	4%	420	2%
Pref. Shares	-	-	500	3%
<b>TOTAL</b>	<b>24,227</b>	<b>100%</b>	<b>18,010</b>	<b>100%</b>

## THE EYES AND EARS OF MANAGEMENT

### A) INTERNAL AUDIT

The role of internal audit function is to provide independent assurance that an organization's risk management, governance and internal control processes are operating effectively. The Internal Audit Department is responsible for conducting periodic audits, surprise verification and need-based Inspection of branches based on verification of books, field visit and interaction with the branch staff as well as customers. The internal auditors carry out their job in a focused manner by directing their efforts in the areas where there is high risk, thereby enhancing the overall efficiency of the process and adding greater value with the same set of resources.

Belstar' s Internal Audit team play a significant role to ensure that the business operations are carried out efficiently as per the laid down policies of the company and ensure compliance. The focus of the Internal Audit team is not only to identify and highlight, but also help the staff to rectify the mistakes and to ensure due diligence is enforced by every staff across all functions. Internal audit department maintains a strong internal control framework to evaluate compliance through various audit processes-

Quarterly Internal Audit  
Corporate Office Audit

Short Internal Audit  
Management Surprise Audit

Service Provider Internal Audit

Every branch is audited every month by the Internal Audit team through one of the above audits. The audit structure has been revamped with a decentralized team working at the field level, closely monitored by the central team at HO. The first phase of automation of the audit function has been achieved and together with changes in audit coverage, frequency and report structure and content, it has strengthened and made the audit function more robust and effective. Audit observations are broadly categorized into three types of alerts based on risk and occurrence viz., High, Medium, and Low. These are further cascaded to multiple levels of business operation teams for validation and compliance. The overall findings and closure statuses are presented to Audit Committee of the Board on a quarterly basis. There is significant improvement observed comparing over previous Quarter performance of the branches. The no of low-risk branches is increased to 284 from 222, High-risk branches have reduced to 5 with a plan in motion to reduce this figure to 0 in FY 20-21.

Management Surprise audits have been instrumental in identifying ring leaders and providing inputs to management to resolve the same. The key audit observations include those in loan sanction process, KYC compliance, loan disbursement and documentation and HR and admin related deviations. The corporate audit focusses on Human Resources & Payroll, Information Technology, Centralised Operations, Finance and Treasury and Administrative functions. Institutionalising an automated audit alert dashboard has supported the management in timely identification of issues at the field and understanding root cause of the same. The audit alerts are mainly to report issues and observations having financial implications. In addition to the audit activities outlined above, a separate team handles legal issues as well with an able, dedicated and experienced team of professionals including legal consultant, support staff, technical team, relationship associates who deliver efficient, competent and cost-effective Legal Process Management services to the company. Internal Audit in the Company is an independent unit focused on improving and enhancing the operations of the organization. It assists the Company in accomplishing its objectives by bringing in a systematic and disciplined approach to evaluate and improve the effectiveness of the company's internal control, risk management and governance processes. The internal audit function has free and unrestricted access to all the Company's records, physical properties and personnel associated with carrying out any engagement. The internal audit function has a direct access to the Board, to ensure independency and effectiveness. Working independently, the team has successfully delivered audit results and reports on time without any coercion.

The year 2020-21 holds multifaceted potential for the audit team to ensure best practices within Belstar by introducing audit analytics, including field and corporate risk and further audit automation for all the audit processes.

## Risk Management

Belstar has since long recognised that an independent Risk Management function is one of the key elements in its overall governance structure and is its second line of defence- Business Line and Internal Audit being the first and third line of defence respectively. Its' Risk Management Policy has established multiple processes of identifying, measuring, and controlling/mitigating risks it is exposed to - mainly Financial Risks, Operational Risks, Business Risks and Compliance Risks- and reporting appropriately on a timely as well as comprehensive basis.

To ensure the above in the field level, the followings initiatives were implemented during FY 2019-20.



## Risk Mitigation Measures

### 1. Financial Risks

1.1 Credit Risk: It is measured by the amount of overdue (OD) and portfolio at risk (PAR).

1.2 Transaction Risk: It arises due to delay or default in repayment of the loan by a borrower.

1.3 Portfolio Risk: It arises due to skewed concentration of portfolio and is managed by limiting the exposure borrower-wise, sector-wise, geography-wise, lender-wise, model-wise etc to avoid concentration risk.

These risks are managed by the meticulous process of proper identification and due diligence of borrowers as per KYC policy; appraisal of the borrower using 5C principles (Character, Capacity, Capital, Collateral and Condition); scrutinizing the purpose or activity of loan sanctioned; timely sanction of the loan by an

independent underwriting dept., Centralized Operation Centres (COC); 100% disbursement of loan by way of credit to borrower's bank a/c, post disbursement loan utilization checks and close monitoring over the life of the loan. It is also fortified by obtaining life insurance cover mandatorily for the borrower and optionally for her spouse/ nominee, to cover the credit exposure.

## 2. Liquidity Risk

2.1 It is the potential loss arising from the inability to meet timely and adequately the short-term fund requirements towards repaying debt obligations, funding business opportunities, incurring operational expenses etc.

2.2 The company has ensured availability of adequate equity from promoters and borrowing limits from diversified lenders to meet its fund requirement.

## 3. Market Risk

3.1 Assets and Liability Risk - A & L Risk involves mismatch between assets and liabilities in terms of maturity profiles and interest rates. The company has positive mismatch since its average maturity of assets is about 14 months and the average maturity of liabilities is about 18 months. The company, with a favourable credit rating of 'A+' and 'MFI-1' grading, OD/PAR below the industry average level, besides a strong parent group, can negotiate to borrow funds at competitive terms and conditions and maintain sufficient float at all times.

### 3.2 Foreign Exchange Risk

It is the risk that a transaction denominated in a foreign currency will lose value because of unfavourable exchange rate fluctuations. During 2019-20, the company had no exposure to FX risk. In case of need, company can hedge the risk by permitted methods like forward contracts, swaps, options, futures etc.

## 4. Operational Risks

4.1 Operational risk involves loss arising out of the failure of people, process and system. Since our lending is without collateral /margin / third party guarantee for low income and vulnerable women groups, it necessitates heightened operational risk management.

4.2 Employees are trained to improve their 'Attitudes, Skills and Knowledge (ASK)' through periodical training programs. During the trainings, it is emphasised to imbibe the company's vision, values, code of conduct and customer orientation. Potential irregularities or fraud are prevented by ensuring strict compliance to laid down internal SOP / systems and procedures and disciplining deviant behaviour of any employee.

4.3 Branches are rated into Low, Medium and High-Risk categories based upon Internal Audit scores relating to branch management, borrower's KYC, loan documentation & delinquency, process compliance, compliance of previous audit reports etc and appropriate monitoring is done to improve their risk rating.

4.4 The Company also has a robust IT system with periodically conducted business continuity plan (BCP) and disaster recovery management (DRM) drills.

4.5 The Company is also a signatory to the MFIN supported Equifax Employee Bureau to exchange data on employees to improve quality hiring practices with better past employment check.

## 5. Business Risk

5.1 Business risk is the probability that the company will have lower than targeted profits due to unforeseen variables adversely affecting business volumes, operating costs, competition, economic climate, government regulations etc., The company is guided by an experienced and expert Board of Directors, supported by a professional top management team and governance structure in strategizing its business policies to meet market competition; to exploit the available business opportunities and to meet the challenges.

5.2 The company has comfortable capital adequacy to leverage business opportunities.

5.3 The company enjoys goodwill and reputation in the industry as a socially responsible MFI.

## 6. Compliance Risk

6.1 Compliance risk also encompasses legal, regulatory, and reputational risk. These risks arise due to noncompliance to statutory requirements relating to operations, customer protection, corporate governance etc.

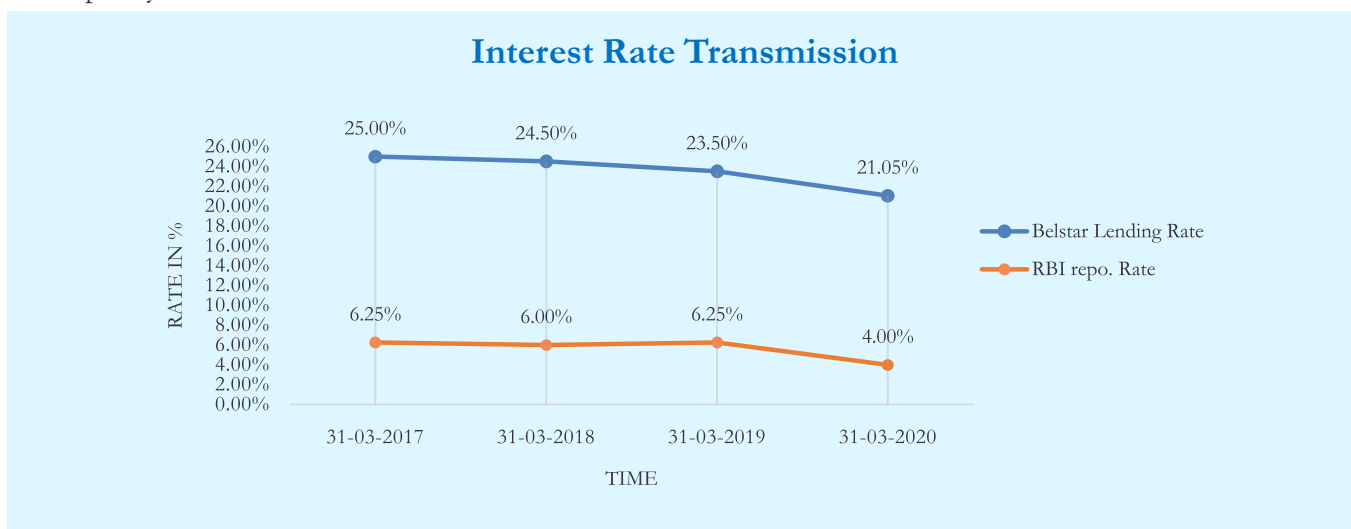


Such incidents lead to the imposition of penalty, suspension of permission to operate etc., by the authorities concerned, which result in reputational risk.

6.2 The company has a dedicated team and system support for conducting an internal audit and for ensuring legal, regulatory compliances and other observance of company's non-negotiables.

### Customer Care, Protection & Retention

Customer centricity has been the central focus of our operational process. Customer care and protection are ensured through appropriate product design and delivery, systemic checks to prevent over-indebtedness of customers, responsible and transparent product pricing, customer friendly loan products and operational process, fair and respectful treatment of clients and simple but effective customer grievances redressal mechanism. Customer retention is further enhanced through our Credit Plus initiatives. A measurable benefit extended to customers is the reduction in our lending rates which is proportionately more than the reduction in RBI's policy rates as shown below:



### Fair Practices Code

In consonance with the Fair Practices Code stipulations by RBI, our loan application in vernacular language contains necessary information required by a borrower to make an informed borrowing decision. It also indicates the documents required to be submitted along with it. It has provision for acknowledgement of receipt of a loan application with an indicative time frame within which the application will be disposed of. Copies of the loan documents comprising loan application form, sanction ticket, term loan agreement, loan card are handed over to the borrowers on the date of loan documentation. These documents clearly state, inter alia, amount sanctioned, interest rate, processing fee, insurance premium, EMI, repayment schedule, holiday period, tollfree no, customer grievance redressal mechanism etc. No coercive methods are resorted in recovering the loan. We also follow the branch collection model which the borrowers find customer friendly. Customer data is not shared with anyone other than as regulatorily required and as authorised by the borrower.

### Customer Service Committee

All our branches conduct quarterly Customer Service Committee meetings to which few customers from each cluster are invited to look into their complaints/ suggestions. A total of 656 such meetings were conducted across all the branches during FY 2019-20.

### Customers' Grievance Redressal

The Company implements a comprehensive policy on Customer Grievance Redressal Mechanism. Information about this process, Ombudsman Scheme as per RBI notification dt 26.04.2019, the name and contact number of the Nodal Grievance Redressal Officer of the Company, the toll-free number of the company and that of MFIN and the address of the respective RBI Regional office are displayed in English as well as in vernacular language in each Branch Office as well as in the Head / Corporate Offices of the Company. The tollfree no of

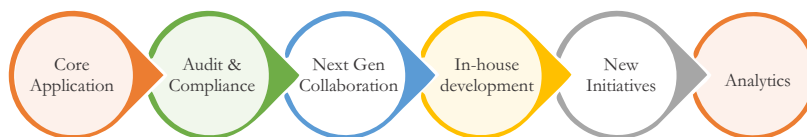
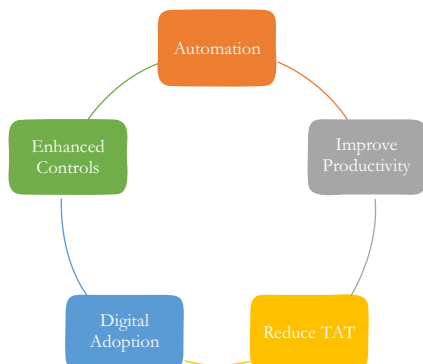
Company and MFIN are also stated in the Loan Cards issued to the borrowers in vernacular language. A complaint cum suggestion box is available in each branch. A specially designed multi-set complaint book is maintained at each branch which provides for issuing paper acknowledgement immediately to the complainant. Complaint received at branches/Corporate Office (CO) or received from MFIN/RBI are consolidated in a master register at CO and are addressed within a month. A quarterly report is submitted to MFIN and our Board on analysis of the complaints received, addressed and outstanding. All employees are educated on the Fair Practices Code, Code of Responsible Lending (CRL) and customer grievance redressal procedures during induction/refresher training. Customers too are educated on grievance redressal procedure at the time of their on boarding.

Update on no of Complaints during FY 2019-20

Carry over from FY 2018-19	Received during FY 2019-20	Resolved during FY 2019-20	Pending at the end of FY 2019-20
6	249	255	0

## Technology as the backbone of business growth

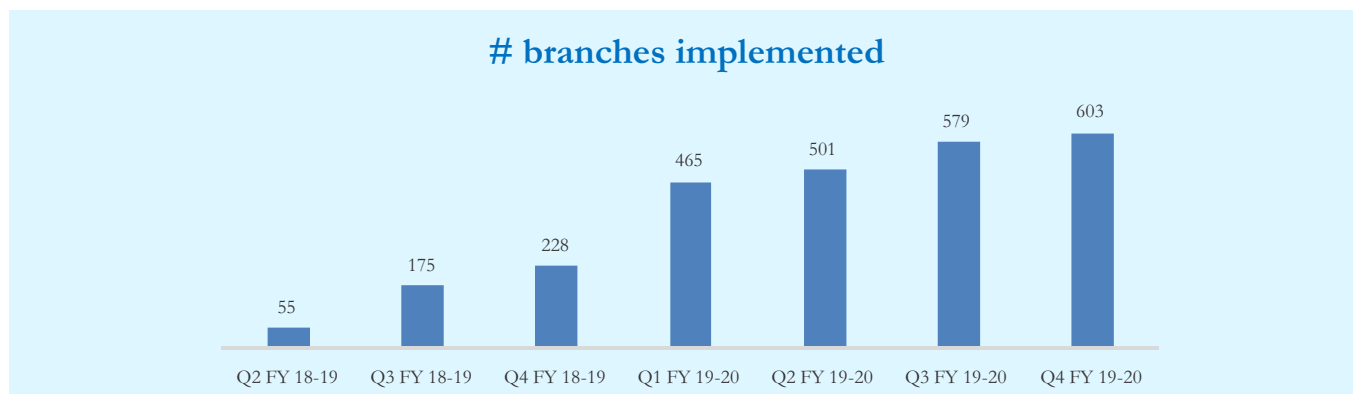
The Financial Year 2019-20 was set with 6 focus areas based on 5-point agenda.



### Core Business Application

Having the above key areas in focus, below are the various functionalities brought into the Core Business Application.

- **Mobile App Implementation** - During the initial period of FY 19-20, training, and implementation for the remaining branches on the Mobile Application for Sourcing (m-FIMO) was the focus and the same was completed during Q1 FY 19-20. Post Q1 FY 19-20, all new branches have started their sourcing from Day-1 through the Mobile Application only.



#### • Process flow changes:

- o Verification, authentication and correction of images at all stages of loan cycle
- o Capture an alternate proof for the Current Address
- o Mobile Number Dedupe
- o Allocation for Risk Rating and tracking of work done by Risk Team
- o Redundant stages were eliminated leading to increased TAT

#### • Collections

- o Track the manual receipts made by the Business/Collections Team.
- o Track whether the member / non-member is making the repayment
- o Upload of Collections made in the field as a bulk file

• **KYC Audit** – Module has been developed in-house, for the lenders to verify and audit the documents (digital KYC documents) of the loans which was funded by them.

• **Net Off Module**

- o Option provided for customers with good credit history to avail the next loan by netting of the current loan balance.
- o Increased Retention of Customers
- o Increased Business with focused customer base and shortening the TAT.

• **Loan Utilization Check** – As part of the Business process and also to address regulatory and lender requirements, the utilization of the loan taken by the customer is verified, captured and tracked by the Risk Team through a Mobile Application LUC.

• **Reconsideration Rule Engine**

- o A rule engine was created for automation of the credit bureau verification.
- o Reduced the manual verification, thereby shorter TAT
- o Auto-rejection facility is available to completely nullify the manual processes at this stage.

**Audit and Compliance**

- Red Flag/Negative List of Customers – As part of RBI Compliance, the red flag / negative list of customers has been loaded into the system and every new loan application goes through a scrutiny check on this database
- KYC Audit – Module has been developed for the lenders to verify and audit the documents (digital KYC documents) of the loans which was funded by them.
- Statutory compliance, by implementing flood CESS for the disbursements made in Kerala

**New Applications**

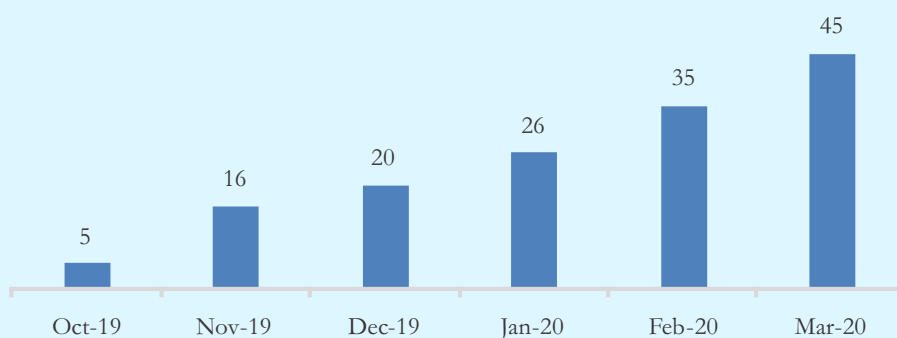
- HRMS – Phase I of HRMS application has been implemented
- eTHICS – An application used by the Internal Audit Team for automating the audit process.
- Implementation of Project Management Tool
- Implementation of Asset Management Tool helped us in tracking the assets provided to the employees and to have control over the assets across locations.
- Implementation of Aster Dialer for tele-calling.

**MIS & Dashboard**

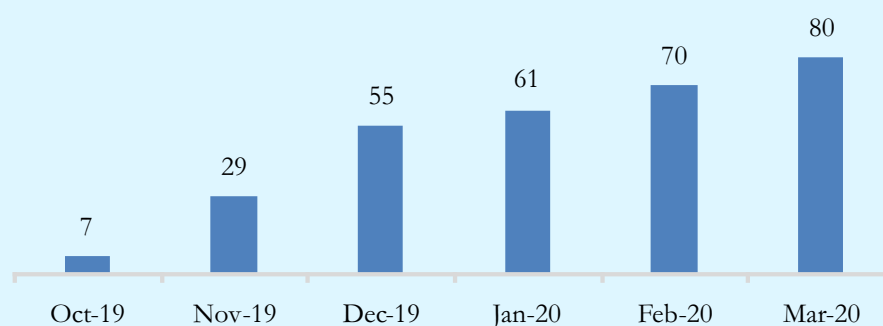
- Various MIS & Dashboards are developed and shared with the end users via Auto-mailer facility. Reports are sent on an hourly/daily/weekly/monthly basis. Few of them are listed below:
  - o Daily Performance Dashboard
  - o Loan Sanction Dashboard
  - o Pipeline Applications in various stages
  - o Monthly Branch Performance Report
  - o Branch wise OD & PAR tracker
  - o Bucket wise PAR movement
  - o Non-Starters
  - o NON-OTR Loans
  - o Sales and Productivity
  - o Collections against Current day's demand
  - o New Book Delinquency
  - o Collection Tracker
  - o Risk Assessment Report



### # of Reports



### No. Of Auto-mailers



## Data Analytics

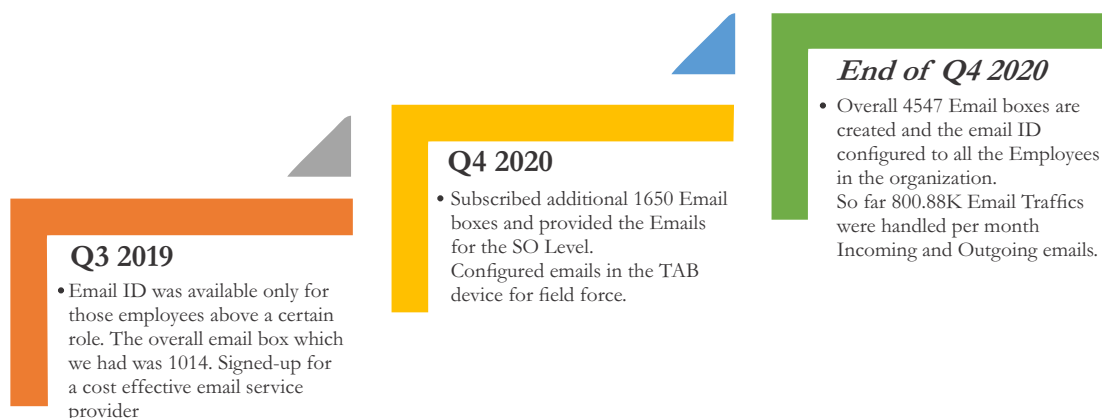
Analysis on various data has been done to understand the trend of the Business:

- Disbursement Trends
- OD & PAR Trend Analysis
- Geographic expansion based on the Pincode report from the Credit Bureaus
- Monthly Portfolio Review of our delinquent Customers
- Collection Alerts on Delinquent Customers (Not paying to us but paying to others) from CIC
- Application Movement - Stage wise Data Analysis
- Rejection Analysis
- Pre-Closure Analysis
- Predictive Analysis on Collections and potential customer delinquency.

## IT Infrastructure

Migration of our core business application to AWS Cloud

- o Hosted the Application servers and database server to AWS-cloud
- o After moving to the new Data centre, as part of RBI Compliance activity, DR Drills were completed in the months of Sep 2019 and March 2020.



- Dual Application Server has been implemented with Load Balancer facility to manage the load of the end users in the application
- A process has been created and implemented for Application Release Management
- Required Stock of IT Assets and Internet data cards were arranged immediately to handle the emergency owing to COVID-19 Lockdown
- Completed Infrastructure setup for the new Corporate Office
- CCTV installed for the 417 Branches, and 86 branches are under process of installation.
- Dedicated CCTV control room was setup at Corporate Office for surveillance of the branches.
- Distributed and managing 3800 TABS with security enhanced MDM portal. Using the MDM solution, we were able to track and recover the lost TABs as well.
- Cyber Security Assessment under process for the various Applications

### Inhouse Developments

- HRMS Portal for capturing Attendance
- Application to track the Non-OTR cases

### Planned Initiatives for the FY 20-21

#### • New Projects

- o Digital Collections
- o Phase II of HRMS system
- o Auto Fund Transfer
- o CKYC Implementation
- o OJTA Application Implementation
- o Moodle LMS Implementation
- o Implementation of SEL Application
- o Implementation of P2P module for Purchase Processes
- o ISMS

#### • New Initiatives in the Core Business Application

- o Implementation of Moratorium processes based on COVID-19
- o Implementation of a new product called “Emergency Loans”
- o Implementation of Mobile Application for Collections made in the field and to nullify the physical paper based manual receipts
- o Vernacular Language Documentation of all loan documents signed by the Borrowers
- o Implementation of Document Management System and Process re-engineering for verification

- of scanned loan documents by the Centralized Operations Centre
- o Authentication of Voter ID through API calls to the Electoral Portal
- o Mobile Application for periodic updates on Customer mobile number
- o Revamping of CGL product with new process flow
- o IND-AS Accounting Module
- o Prepaid Expenses Module
- o Receipts and Payments entries
- o API Integration with Equifax Credit Bureau for credit enquiries before providing a loan to the Customer

#### • IT Infrastructure

- o Completion of Cyber Security Assessment project for the various Applications
- o Centralized Health Check Monitoring for CCTV
- o Implementing the Secured VPN solutions for branches to access the Application via closed network

## Human Resources

FY 19-20 has been a turn-around year for HR at Belstar. Even before spread of COVID-19 pandemic, digitisation of HR intervention had begun by way of migration of end-to-end HR life cycle to an integrated HRMS platform.

**Launch of HRMS platform** – MyBelstar.in, enabled automation of various HR processes right from recruitment to on boarding to exit management in phase1.

This phase also included online attendance and payroll management, thereby enabling management to track staffing on real-time basis.

Phase-2 to be launched in FY 20-21, will cover Performance Management, Employee grievance management and Analytics.

Overall Roadmap of the HRMS platform

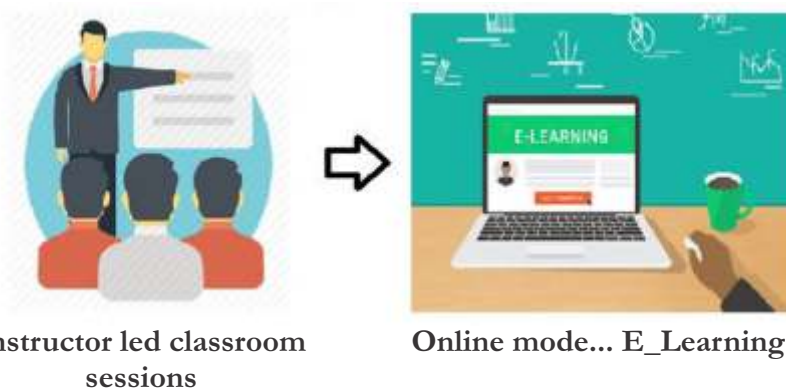


The advent of COVID-19 pandemic only added to the momentum of digitisation of HR interventions.

Learning and Development initiatives saw a major shift from classroom led training sessions to online training interventions. It meant re-skilling of existing training team from content delivery resources to content creation, translation and digitisation resources.

Learning content got re-designed to suit online delivery, whereby trainer briefing, and facilitation got replaced with embedding of multi-lingual voice overs in self-learning modules.

## Training Methodology Shift



To meaningfully engage with field force during lockdown, role-based assessments were conducted across country, where-in pre-intervention scores to mark the existing knowledge levels got captured.

This pre-assessment was followed up by launch of Multi-lingual, compact capsules which covered all aspects related to business sourcing, compliance, collections, credit parameters etc.

To attain cost-efficiency and ease of configurability, during Q-4 it was decided to go for open source LMS platform (Moodle) to host content, customise user access, drive assessment and issue certification to successful participants. Project "BML Shiksha" is under implementation and will Go Live during Q2 of FY 2021.

**Staff Health and Safety** – A task force consisting of team members from Business and HR got created to reach out to staff during COVID-19 pandemic. This includes creation of dedicated Whatsapp groups, mail circulars etc to exchange and disseminate various information related to Safety and Hygiene practices, work-place precautions, guidelines issued by govt agencies/ health authorities, etc. Provisioning was done at branch and office level for procurement of PPEs like masks, gloves, hand sanitizers, thermal scanners etc to make the work-place safe and secure.

The task force also coordinated with state teams to reach out and take care of stranded employees as well as those that required any medical assistance.

**Staff Productivity** – Keeping pace with branch expansion across country, Staff head count increased from 2876 in the year beginning to 4369 by end of 3rd Quarter.

However, this pace was slowed down in 4th quarter in a calibrated manner, such that overall headcount was kept to 4428 by close of financial year.

As if, in anticipation of things to come, initiative of re-structuring of various functions was undertaken with the assistance of an external consultant and many support functions like Risk, Credit plus etc were re-organised to reveal redundancies and redeployment of excess staff was undertaken.

This helped stabilise the increasing staff cost, to a large extent.

Further, with changes in work paradigm owing to COVID-19, all assumptions related to staff work and performance are being revisited. Thanks to digitisation of work, the focus is to attain more performance output from lesser resource. This includes (and not limited) expanding span of control for supervisory roles, sharper differentiation of staff performance by way of role-based ranking, work from home policy, weeding out under performers, etc.

It is expected that these measures will help optimise the staff cost and enhance productivity during and post FY 20-21.



## COVID 19 BUSINESS IMPACT REPORT



The corona virus pandemic has disrupted operations in every sector across the globe. It ranges from the way organisations function to a complete shutdown of many businesses, and the socio-economic-political aftermath have been ruthless. The microfinance sector, which had experienced a huge negative impact on asset quality following demonetisation in 2016, and subsequently during cyclones, floods, and other natural disasters, is closely monitoring the impact of COVID-19 on the sector. It is a fact that the microfinance institutions have been badly hit. According to Investment Information and Credit Rating Agency of India (ICRA), COVID-19 will strain the liquidity and asset quality profiles of microfinance institutions

(MFI), and also impact their ability to pay interest on borrowings.

If the microfinance sector is going to survive the pandemic, we need to treat COVID-19 as the fundamental threat to the industry that it likely is. We need every part of the sector to start mobilizing around easing the terms of debts that borrowers cannot service when economies seize up, keeping MFIs solvent and preparing to recapitalize them so they are in a position to lend again and play their vital role in recovery once the crisis recedes.

The microfinance sector in India is diverse with different players like banks, MFIs, SFBs, NBFCs and not-for-profit institutions. The microfinance sector in India, which today through various forms covers over 100 million women with a credit portfolio outstanding of over Rs 3 lakh crore, having a collection efficiency of an outstanding 99% plus that can put retail, MSME and corporate clients to shame.

The sector is now regulated by the RBI with clear microfinance guidelines, established CB discipline and got two RBI recognised Self-Regulatory Organisations (SROs), followed by strong investor interest and bank support with debt funding. With entities like banks and non-banks now active in microfinance the sector, the SROs established the Code for Responsible Lending (CRL) in microcredit in 2019. Various other initiatives such as daily submission of credit data to the bureau, not lending to an NPA client, lending within agreed indebtedness limits have made this a responsible and responsive sector.



The Reserve Bank of India (RBI) directed all financial institutions to extend a moratorium on term loans due between March 1, 2020 and May 31, 2020 to their borrowers, which was subsequently extended upto 31<sup>st</sup> August 2020. However, the absence of a formal announcement about moratorium to MFIs from their lenders caused anxiety to several MFIs and for the small and medium ones impacted their ability to service their debt obligations. The rating agencies have predicted shortfall in funds availability together with increase in cost of debt and provisioning for NPA.

Though the sector that caters to the bottom of the pyramid clients has been adversely impacted by the crisis, it is expected to bounce back. Repayments might get delayed and tenures of loans might get extended, but microfinance sector which is unique in being a double bottom line of financial and social objectives, has the potential not only to survive such crisis, but come out stronger every time. India is largely driven by entrepreneurship, big or small. Since a large section of our population is self-employed and a major part of it is low-income segment which is perennially credit-starved, they would need financial help to restart their operations and get back on track.

Once normalcy resumes, there may be an increased demand for loans by farmers and micro enterprises and kirana shop owners to fund working capital requirements and restart businesses, which can be serviced by MFIs and small finance banks. The microfinance sector will play a significant role in ensuring help and credit at the grassroots when it is needed the most to rebuild our country. India still represents a huge opportunity for the microfinance sector as a significant portion of its population falls in the low income band and also, a large part of its population still lacks access to credit from the formal sector forcing them to borrow from informal channels. Though the formal economy could take time to normalise, the industry is upbeat about a faster revival in the rural economy with the easing of the lockdown restrictions.

### How Belstar is handling the post COVID era



The management is hopeful that with the improved collection efficiency in June, the trend will further improve, and new loan off take will also kick-in. The MFI sector has witnessed several crisis earlier- starting from the Andhra crisis, demonetisation, elections, natural calamities like floods, drought, cyclone etc and has stood the test of times by overcoming the short-term impact and bouncing back to its growth path.

In the interim, focus is on customer connect, improved collections, better treasury management, cautious new business, new technology initiatives and efficient cost management.

## Great Yield of Social Outcomes through Credit Plus Services...

Being a responsible Micro Finance Institution, BELSTAR has evolved appropriate strategies for the novel 'Credit Plus Services' and executed many focussed interventions towards augmenting social outreach. Moreover, the incitement of well-nurtured non-financial services has yielded lot of productive results and magnified remarkable customer relationships as well as participation and ownership. During FY-2019-20, BELSTAR has intensively focussed on the structured Credit Plus programs in 21 selected Regions in India (15 Regions of TN and 6 Regions of Madhya Pradesh, Maharashtra, Kerala, Karnataka, Odisha and Chandigarh).

Towards intensifying the 'Customer connect' and enlightening the knowledge of Customers on BELSTAR's services and product particulars as well as the knowledge on thematic subjects in health and social- economic rights of women, the entire Operations and Credit Plus Team of Tamilnadu had organized 226 Nos. of 'SHGs Sangamam' -Valarchi Mass Awareness Programme' during Deepavali season and 398 Nos. of Valarchi – Pongal Programme in 29 Regions at the Village Clusters level for 52,530 Customers. It has increased the affinity amongst the Customers and congealed perpetual relationship with BELSTAR.



Moreover, with the assistance of BELSTAR Branch Offices, the Credit Plus Team has reached out to 63,163 Customers by organizing 2,209 Nos. of Village Level Sensitization, Door-step Awareness programmes and Focussed Group Discussions for creating awareness on 'Micro Enterprise Development' and the procedural requirements for strengthening the existing enterprise as well as advancing new enterprises towards sustainable income earning opportunities. It has increased the business success of Customers and insights on how to invest the loan proceeds and avoid using loans for consumption purpose instead of productive activities. Furthermore, it has resulted the team to identify 5,769 new Customers from 484 Villages.

As a continual effort, the team has created linkages with Govt. Departments, Training Institutions and organized 603 Nos. of Financial Inclusion and Digital Literacy Training Programmes for 9,080 Customers and imparted Training on 'Financial Inclusion' (*Savings, Loan and Family Budgeting*) and 'Digital Literacy' (*Cash less transaction and access to Govt. Schemes*) towards better finance management of their family. It has motivated productive investments with higher potential returns which could enhance better repayment rates following customers' participation. Based on the need assessment exercise, BELSTAR has organized 427 Nos. of Business Skill Training Programmes for 7,305 Customers in fitting Livelihood sectors like Agriculture, Animal Husbandry, Micro enterprises and Business with the support of Govt. Research and Training Centres, Agriculture & Animal Husbandry Depts. and District Industrial Centre. Besides, with the support of Skill Development Training Centre of Hand in Hand and INDSETI (Indian Bank Self Employment Training Institute) the Credit Plus Team has organized 44 Nos. of Technical Trainings (15 -30 days) for the 531 Customers and their Siblings towards advancing self-employment and income generating openings. It has stimulated Customer's loyalty and fostered prolific Customer satisfaction and retention rate in each village of the support Branches.

Due to the ripple effect of constant Customer connect and the upshot of Village mapping exercises, the Team has got an opportunity to gain a comparative advantage in terms of identifying new clients for forming 512 new SHGs and revamping 359 SHGs towards building affinity, promoting the habit of savings, internal lending and business promotion. Besides, with the aim of creating common platform for SHGs the team facilitated 132 Nos. of SHGs-Cluster Level Networks in 132 Village Clusters. It has enabled the SHGs to share information, skills & resources and build alliances with potential resource institutions. Subsequently, towards building capacities of SHGs and Cluster Level Networks, the Credit Plus Team has conducted 1051 Nos. of Training Programmes and imparted 3 Modules of Trainings to 871 Nos. of SHGs and 2 Modules of Trainings to 132 Nos. of CLNs. It has reinforced the SHGs and CLNs to advance their capabilities and skills to operate efficiently towards bringing the expected social and economic transformation. Moreover, due to the sequence of interventions for improving the human capital, most of the Customers could be able to access bigger loans which enhances the financial performance of BELSTAR.

Also, the Credit Plus Team has organized 171 Nos. of Advocacy Programmes for 9,809 Customers with the support of District Social Welfare Board, Women Development Corporation, District Industrial Centre and other Govt. and Private Institutions towards building productive and smooth relationship for mobilizing required supports. It has accelerated the Self-Help Groups and the Cluster Level Networks to create linkages with various potential Institutions and resulted 16,591 Nos. of Customers to access various Social security schemes and support from Social Welfare Board, Agriculture, Animal Husbandry Departments and Training Institutions.

Eventually, based on the prevailing health care issues, BELSTAR has organized 163 Nos. of general and special Health Camps for 13,765 Women & Children in their village with the support of Hand in Hand, Govt. and Private Health Institutions. Besides, the chronic referrals cases have been sent to PIMS (Pondicherry Institute of Medical Science) and other linked Hospital for further treatment. Likewise, the team has organized 26 Nos. of Veterinary Camps along with the sensitization on 'Cattle Management' for 1,986 Customers and the farmers of the entire village with the support of Animal Husbandry Department and Tamil Nadu Veterinary Research Institutes for maintaining good animal health towards continuous and considerable income. It has maximized greater social outreach, enriched smooth business opportunities and steered positive paths to many Customers.

## **Anecdotes & Chronicles**

### *Towards a positive path...*

I am Kalpana residing with my husband Murugadas (Age -33) and 2 sons at Chendirakillai Village of Cuddalore District. My husband is a 'Shamiana' tent building worker and averagely earns Rs.6,000 - to Rs.8,000/- per month. Our family is mostly depending on my husband's income. But since Aug.19, due to severe fat lump in his knees, he has been deteriorated and not able to go for his work. We struggled a lot due to no income – to manage the economic crisis of my family, I have gone for very hard coolie works. But the meagre income earned by me was not enough to meet my daily bread as well as medical expenses of my husband. During the critical time, the members of Uthiraswarar SHG formed by BELSTAR has supported my family. At that time, the Parasakthi SHGs-CLN and Credit Plus Team has organized Medical camp at our village with the support of BELSTAR and Hand in Hand. As per the advice of SHG and CLN's members, I have taken my husband to the Camp. After the medical review, they have referred to PIMS (Pondicherry Institute of Medical Science) for free treatment. I have admitted my husband to PIMS on 10.02.20 for operation. Without any expenses, the ailment was absolutely cured. Now he is going for work regularly and my burden has been reduced completely. Moreover, I have joined with the BELSTAR facilitated SHG and CLN as a faithful member for my future economic improvement.

*Thanks to my SHGs-CLN and BELSTAR for showing me a positive path...*



## Triumph of SHGs – CLN towards Customer's Loyalty...

During April'2019, the Credit Plus Team has facilitated Dr.Ambedkar SHGs- Cluster Level Network by compiling 8 Women SHGs at Goundampalayam village of Namakkal District. Consequently, the Credit plus Team has trained on 'Operation and Programme functions of CLNs' and Strategic interventions.



Since most of their SHG Members are daily wages and landless labourers, they jointly expressed their need to get Tailoring Training for stitching cloth bags and supplying to the nearby Companies and Traders, towards improving their livelihood status. Further digging deep, the team noticed that, they all are coming under the 'Unorganized sector of Govt. Labour Welfare'. Hence, the team encouraged and facilitated them to get registered under the Unorganized Labour Welfare Board for getting ID cards and receive the benefits from Govt. including the Insurance coverage. Moreover, the team has continuously motivated and guided the Office Bearers of CLN about the procedural requirements and other formalities to access Registration and Certification for all their members in the associated SHGs. Eventually, the CLN identified 68 potential women and applied for the registration process. Out of that, the Ministry of Labour Welfare has issued certification for 48 eligible women. The CLN members got motivated by seeing the success of joint effort and requested the Credit Plus Team to support and organize Tailoring Training for 54 eligible members. Based on the request of CLN, the team has arranged 2 Nos. of Tailoring Training for all 54 members with the support of Hand in Hand. It has further increased the confidence level and augmented their participation in the meeting and joint programmes – especially 120 members have participated in the BELSAR's Valarchi Pongal Programme during Jan.2020. During our team visit to their village, all the CLN members have shown their loyalty to BELSTAR and expressed their words with pleasing tears saying that, while lockdown we were affected to the maximum extent and didn't know the way for redeeming from hunger. But because of the ID card – facilitated by Credit Plus Team, we received Rs.2,000/- each. We will always be with BELSTAR - Our Mother and never forget the great support rendered. Thanks to BELSTAR for their passionate services and guidance.

While lockdown due to pandemic COVID –19, most of the members wrestled a lot to manage their daily bread and run the family. At that critical stage, the Govt. of India has announced Rs. 2,000/- as cash relief for the labourers who were registered under unorganized sector. All the CLN members have got paramount happy and received totally 96,000/- for all the 48 members as special support. It has intensified their participation further and made them to realize the advantages of joint effort and the advanced plan.

*During our team visit to their village, all the CLN members have shown their loyalty to BELSTAR and expressed their words with pleasing tears saying that, while lockdown we were affected to the maximum extent and didn't know the way for redeeming from hunger. But because of the ID card – facilitated by Credit Plus Team, we received Rs.2,000/- each. We will always be with BELSTAR - Our Mother and never forget the great support rendered. Thanks to BELSTAR for their passionate services and guidance.*



## New hope towards a turning point...

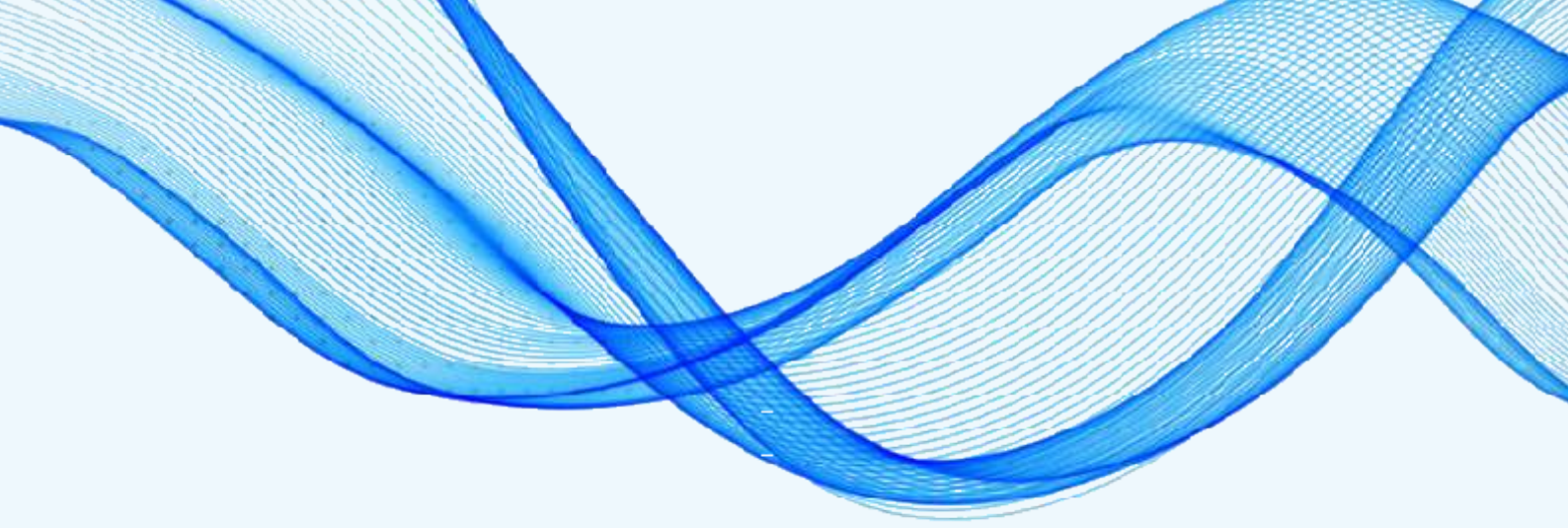
Ms. Lakshmi (48 Years old) is living in Koneripatti, Rasipuram, Namakkal District with her two Children - one Daughter (Age : 25) and one Son (Age : 23) . Her husband expired 15 years ago due to an accident. She is an active member of 'Sadhuragriyan SHG' for 10 years. While her journey with the SHG, she got an opportunity to join



Toy making Training through Hand in Hand India in the year 2010. Aftermath, she produced toys at minimum level with the support of her SHG and used to sell it in the local shops and earned Rs.200-300/- per day. Her income was very feeble to run her family and grappled lot to fulfil the need of her Children. Ms. Lakshmi is saying that, “While earning a little amount, I lost my total confidence in settling my Children's life at least to the minimum level”. But the Credit Plus Team has given new hope in my life and ignited the light of prosperity. Thanks to BELSTAR – “My new hope turned me more secured and meaningful” .By seeing her difficulties, the

Credit Plus Team has supported her to get advanced Training in Toy making from the Govt. Department and facilitated to shift her business from Koneripatti village to Rasipuram town where the business potential is high. Moreover, by considering her promptness, the Team guided her to get Rs.75,000/- ME loan from BELSTAR to develop her Business. Because of the transformation, currently her earning has elevated to Rs.2,000/- per day. It has supported her Daughter to complete her M.Phil. Degree and get married. Besides, she capacitated her Son to produce modern toys and manage the business. Currently, she is getting raw materials from Bangalore and producing modern toys in a large scale. Simultaneously, her lifestyle has improved and progressing towards better prospects.

Ms. Lakshmi is saying that, “While earning a little amount, I lost my total confidence in settling my Children's life at least to the minimum level”. But the Credit Plus Team has given new hope in my life and ignited the light of prosperity. Thanks to BELSTAR – “My new hope turned me more secured and meaningful” .



# Director's Report

# Report of the Board of Directors

Dearest Shareholders,

Your Directors have great pleasure in presenting the 32<sup>nd</sup> Annual Report of the Company together with the Audited Financial Statements for the year ended March 31, 2020.

You are our valued partners in the Company, and we are happy to share our performance and vision of growth with you. Your company's growth over the years has been achieved without diluting the vision and mission set out at the outset. Our guiding principles are a blend of optimism and conservatism, which has been and will be the guiding force of all our future endeavors.

The summary of Financial results for the year is given below:

## 1. FINANCIAL RESULTS:

The financial performance of the Company for the year ended March 31, 2020 is summarized below:

Particulars	INR Millions		
	FY 2019-20	FY 2018-19	Change (%)
Total Income	5007.47	3680.68	36.05
Less: Total Expenditure	3675.02	2649.70	38.70
Profit / (Loss) for the year before Taxation	1332.45	1030.98	29.24
Less: Tax Expense	342.46	302.45	13.23
Profit / (Loss) for the year after Taxation	989.99	728.53	35.89
Other comprehensive income (net)	(1.15)	8.91	-
Total comprehensive income for the year	988.84	737.44	34.09
Earnings per share (INR per share)	26.39	23.35	13.02

## 2. OPERATIONAL HIGHLIGHTS

The summary of Operational highlights is as under:

Particulars	31.03.2020	31.03.2019	Change (%)
No. of States/UTs	18	16	12.50
No. of Branches	603	400	50.75
No. of Employees	4428	2,876	53.96
No of Borrowers	12,03,633	7,98,335	50.77
Disbursement(₹ Cr)	2619.20	1804.24	45.17
Gross Portfolio (in ₹ Millions)	26,300.87	18,406.30	42.89

The company continued its path of all-round growth, through its 603-branch network pan India. Operations commenced in newer states West Bengal & Tirpura in the form of service provider branches.

During the year, the Gross Loan Portfolio of the company reached a new milestone with annual growth of 43% and ended up with Rs. 2603.09 Cr as at March 31, 2020. The Company was able to raise the necessary funding resources throughout the year to match the business and operational needs, leveraging on its existing relationship with banks and financial institutions, forming relationship with new lenders and through newer debt instruments. The inherent strength of the company, its business model and strong backing from its holding company, continued to help in obtaining funding at more favourable terms.

### **3. DIVIDEND**

#### **A. Dividend on Equity Share Capital:**

Based on the Company's performance, your Directors are pleased to recommend for approval of members, a dividend of Rs.0.60 [i.e. 6.0%] per share on the face value of Rs.10 each on the equity share capital of the company, for the financial year 2019-20. As per the Union Budget 2020-21, the dividend distribution tax (DDT) has been abolished, and hence the company is not liable to tax on dividend pay-out. The dividend, if approved by members would involve a total cash outflow of Rs.22.51 Million, resulting in a payout of 2.27 % of the current year's net profit of the Company.

#### **B. Dividend on Preference Share Capital:**

The Company paid the Dividend due to the Preference shareholders on time.

### **4. TRANSFER TO RESERVES**

As per the statutory requirement under Section 45-IC of the Reserve Bank of India Act, 1934 an amount equivalent to 20% of the profit after tax, being Rs. 198.00 Million has been transferred to Statutory Reserve.

### **5. TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND**

The Company is not having any unclaimed dividend which are due for remittance into Investor Education and Protection Fund.

### **6. CHANGES IN SHARE CAPITAL**

#### **• Authorized Share Capital**

During the year under review, the Authorized Share capital of the Company remained at Rs. 100,00,00,000/- (Rupees One Hundred Crores Only) and the same was reclassified as 10,00,00,000 (Ten Crores) Equity Shares of Rs. 10/- each. As on March 31,2020 the company does not have any preference share capital.

#### **• Paid up Capital**

During the year under review, the paid of Capital of the Company reduced to Rs 37,52,05,240 as the 5,00,00,000 Non-Convertible Redeemable Cumulative Preference Shares (NCRCPs) of Rs. 10/- each were redeemed on maturity.

#### **• Disclosure regarding issue of Equity Shares with Differential Rights**

The Company has not issued shares with differential voting rights during the year under review.

### **7. RESOURCES MOBILIZATION**

#### **a) Non-Convertible Debentures (NCD's)**

During the year, the company raised Rs. 590 Millions of NCDs, out of which Rs. 390 Millions in the form of Subordinated Debts represents long term source of funds for the Company which qualifies as Tier II capital under the Non-Banking Financial Company- Systemically Important Non- Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

#### **b) Banks and Financial institutions:**

During the year under review, the Company has further diversified its sources of funds and raised from banks and financial institutions that remain an important source of funding for the Company. Commercial Banks continued their support to the Company during the Financial year. As of March 31, 2020, borrowings from banks were 15,157 million as against 7,826 million in the previous year. Fresh sanctions received during the year amounted to Rs 21,990 million. During the year the Company raised Rs. 250 Millions unsecured loan in the form

of subordinated debt which qualifies as Tier II capital under the Non-Banking Financial Company- Systemically Important Non- Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

### c) Asset Securitization / Direct Assignment of receivables:

During the year under review your Company has continued to enter into Securitisation and Direct Assignment transactions as a cost-effective mode of funding to improve its asset and liability mix in line with extant guidelines of RBI in this regard.

S. No	Particulars	Amount Raised (Rs Million)	Outstanding as at March 31, 2020 (Rs Million)
1	Securitisation PassThrough Certificates (PTCs)	2,116.28	1,125.56
2	Direct Assignment	6,769.28	4,941.23
	Total	8,885.56	6,066.79

## 8. CREDIT RATING & MICRO FINANCE GRADING

The Grading and Credit ratings obtained from the Rating Agencies during the year are as below:

Rating Agency	Instrument	Amount (Cr)	Rating
CRISIL	Long Term Bank Facilities	2200	CRSIL A+ /Positive (Re-affirmed)
	Non - Convertible Debentures	500	
CARE	Non - Convertible Debentures	600	CARE A+; Stable (Single A Plus; Outlook: Stable)
	Debt-Subordinate Debt	100	
	MFI Grading	MFI 1	
ICRA	Debt-Subordinate Debt	32	ICRA A Stable; Outlook: Reaffirmed
MFR	Social Rating	NA	BB+ (Adequate social performance management and client protection systems)

## 9. CAPITAL ADEQUACY

The Capital Adequacy ratio for the year ended March 31, 2020 is 25.67% as against the minimum capital adequacy requirement of 15% prescribed by RBI. Tier I comprises 21.50% while Tier II comprises 4.17%.

## 10. CHANGE OF NAME

The word “Investment” used in the name of the company was creating confusion in the minds of investors, lenders, and regulators as to the nature of our activities which is Microfinance. Investment activities is not part of the Company's Memorandum of Association. To address this and to re brand the company to project its core activity of microfinance, the Directors of the Company approved change in the name from Belstar Investment and Finance Private Limited to “Belstar Microfinance Private Limited”.

## 11. CONVERSION OF COMPANY INTO A PUBLIC LIMITED COMPANY:

Further, during the year under review, your company changed its status from a private limited company to a public limited company and obtained necessary approvals from the Registrar of Companies for the same. Upon the conversion of status to public limited the word “Private” was removed from the company name and your company's name now stands at “Belstar Microfinance Limited”.

## 12. CHANGE IN NATURE OF BUSINESS

There is no change in nature of business during the financial year 2019-20.



### **13. DIRECTOR AND KEY MANAGERIAL PERSONNEL**

The Board comprised of 10 Directors including 4 Independent Directors as at March 31, 2020.

During the year under review, the following changes occurred in the Board of Directors of the Company:

S. No	Name of Director	Designation	Date of Appointment	Date of Cessation
1	Dr. Natarajan Jeyaseelan	Director		April 05, 2019
2	Mr. Sitaraman Chandrasekar	Wholetime Director	April 22, 2019	
3	Mr. Srinivasan Aravamuthan Iyengar	Independent Director		September 23, 2019
4	Mr. Venkataraman Krishnamoorthy	Independent Director	September 23, 2019	
5	Mr. Chinnasamy Ganesan	Independent Director	March 14, 2020	

Mr. George Muthoot Jacob (DIN:00018955) the Non-Executive Director of the company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

As per the Companies Act 2013, Dr. (Mrs.) Kalpanaa Sankar Managing Director, Mr. L. Muralidharan Chief Financial Officer and Mr. Sunil Kumar Sahu Company Secretary of the Company continue to be the Key Managerial Personnel.

Other than the above, there were no other changes in the Board of Directors of the Company during the year under review.

### **14. MEETINGS OF BOARD**

During the financial year 2019-20 the Board as well as the Audit Committee met 4(Four) times each. All the recommendations made by the Audit Committee during the year were accepted by the Board. The details of the constitution and meetings of the Board and the various Committees held during the year are provided in the Corporate Governance Report which forms part of this Board Report.

The Company has complied with the applicable Secretarial Standards, viz., SS-1 and SS-2, as issued by the Institute of Company Secretaries of India, from time to time.

### **15. PARTICULARS OF MONIES ACCEPTED FROM DIRECTOR OF THE COMPANY DURING THE FY 2019-20**

During the year under review, the Company has not borrowed from any Director of the Company.

### **16. STATEMENT ON DECLARATION BY AN INDEPENDENT DIRECTOR U/S 149(6)**

The Independent Directors of the Company have given their declaration that they meet the criteria of independence as prescribed under Section 149(6) and the rules made thereunder and Schedule IV of the Companies Act, 2013.

### **17. COMPANY'S POLICY RELATING TO DIRECTORS' APPOINTMENT, PAYMENT OF REMUNERATION AND DISCHARGE OF THEIR DUTIES**

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board and separate its functions of governance and management. As on March 31, 2020, the Board consists of ten members, which includes two Executive Directors, four non-Executive Directors and four Independent Directors. The Board periodically evaluates the need for change in its composition and size. The Nomination and Remuneration Committee has formulated the criteria for determining qualification, positive attributes and independence of a Director and recommended to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees. The recommendation of the committee was forwarded to the Board for its approval.

The Nomination and Remuneration Committee decided the remuneration of Executive Directors and key managerial personnel on the basis of following criteria;

- (a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) Remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

## **18. BOARD EVALUATION**

A formal evaluation of the performance of the Board, the Chairman and the individual Directors as well as the evaluation of the working of its Audit and Nomination & Remuneration Committees was carried out for the financial year 2019-20 led by the Nomination & Remuneration Committee. As part of the evaluation process, the performance evaluation of Board as a whole was done by the Directors of the Board. The performance evaluation of the Promoter Director, Investor Directors and Non-Independent Directors was done by every other Director. The performance evaluation of the Independent Directors was done by the Board excluding the Director being evaluated.

The main criteria on which the evaluations were carried out were the contribution of the Director in the various deliberations and discussions at the Board and its Committee meetings on matters related to strategy, risk, business performance and growth as well as awareness on norms relating to Corporate Governance, disclosure and legal compliances and contribution of new insights and ideas on business management and growth.

The Board of Directors has expressed their satisfaction with the evaluation process.

## **19. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors of the Company confirms and states that:

- a) in the preparation of the Annual Financial Statements the applicable Accounting Standards have been followed along with proper explanation in relation to material departures;
- b) the Directors had 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 the profit/loss of the company for that period;
- c) the Directors had 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;
- d) the Directors have prepared the Annual Financial Statements on a going concern basis;
- e) the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## **20. EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS:**

The SARS CoV-2 virus responsible for COVID -19 continues to spread across the globe and India, causing significant damage to the economies, financial markets, and the health of people. In India, the pandemic started its ascent in March 2020 and has caused widespread damage by way of spread of the virus at a rapid pace resulting in increased fatalities, decline in economic activities across sectors, social distancing norms, restriction in movement due to lockdown etc. The impact of the same is also seen in the microfinance sector, as the borrowers' income generating activities have reduced or stopped as the case maybe, resulting in severe pressure on cash flows. On March 24, 2020, the Indian Government announced a strict 21-day lockdown which was further extended till May 17, 2020 across the country to contain the spread of the virus.

RBI issued a notification on April 17, 2020, “COVID19 Regulatory Package - Asset classification and Provisioning”, and a further one on May 23, 2020 to alleviate the temporary stress caused by the pandemic. In accordance with this regulatory package, the company has offered to all its customers, an optional moratorium on payment of loan instalments falling due between March 01, 2020 and August 31, 2020.

The impact of the COVID-19 pandemic on the financial position of the company will depend on future developments, including among other things, extent and severity of the pandemic, mitigating actions by governments and regulators, time taken for economy to recover, etc.

The Company reduced its lending rate on Micro Enterprise Loans from 21.05% to 20.95% w.e.f 1st April 2020 to pass on the benefit of reduction in weighted average cost of borrowing to its customers.

There has not been any event or change, other than those mentioned above, subsequent to the date of Financial Statements that has warranted or materially affected the financial position of the Company between the date of closure of financial statements and finalisation of the Board Report.

## **21. AUDITORS**

### **Statutory Audit:**

Pursuant to the provisions of Sections 139 and 141 of the Act and Rules made thereunder, the Shareholders in their 31<sup>st</sup> Annual General Meeting had reappointed M/s. N. Sankaran & Co, (Firm Reg no. 003590S) Chartered Accountants, as Statutory Auditors of the Company, to hold office up from the conclusion 31<sup>st</sup> Annual General Meeting till the conclusion of 36<sup>th</sup> Annual General Meeting to be held on held in year 2024 .

M/s. N. Sankaran & Co, Chartered Accountants, have confirmed that they are not disqualified within the meaning of Sections 139 and 141 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014 to continue as the Statutory Auditors of the Company.

The Auditors' Report read along with the Notes on the Financial Statements are self-explanatory and does not call for any further comments. Further, the Auditors' Report “with an unmodified opinion”, given by the Statutory Auditors on the Financial Statements of the Company for FY 2019-20, is disclosed in the Financial Statements forming part of this Annual Report. There has been no qualification, reservation, adverse remark, or disclaimer given by the Statutory Auditor in their Report for the year under review.

No frauds in terms of the provisions of section 143(12) of the Act have been reported by Statutory Auditors in their report for the year under review.

### **Secretarial Audit:**

Pursuant to the requirements Section 204 of the Companies Act, 2013 and the Rules made there under, M/s. KSM Associates, Company Secretaries (having firm registration no. P2006TN058500) Chennai have been appointed as the Secretarial Auditor of the Company to conduct Secretarial Audit of the Company for the Financial Year 2019-20.

There has been no qualification, reservation, adverse remark, or disclaimer given by the Secretarial Auditor in their Report for the year under review. The Secretarial Audit Report for FY 2019-20 is annexed to this report as “Annexure 1”.

### **Cost Audit:**

The provisions of the cost audit are not applicable to the Company.

### **Internal Audit:**

Your Company has an Internal Audit & Compliance department, which is responsible for independently

evaluating the adequacy of all internal controls and ensuring operating and business units adhere to internal processes and procedures as well as to regulatory and legal requirements. The department also pro-actively recommends improvements in operational processes and service quality. To ensure independence, the Audit & Compliance department has a reporting line to the Chairman of the Board of Directors and the Audit & Compliance Committee of the Board and only indirectly to the Managing Director. To mitigate operational risks, the Company has put in place extensive internal controls including access controls to the computer systems and applications, appropriate segregation of front and back office operations and strong audit trails. The Audit & Compliance Committee of the Board also reviews the performance of the Audit & Compliance department and reviews the effectiveness of controls and compliance with regulatory guidelines.

Each branch is audited at least once a month and Head Office functions are regularly audited as per the approved schedule. Over the years, Company has evolved a robust, effective, and adequate internal audit system in keeping with the size of the Company, its business model and newer challenges being faced especially in the field operations. Your Company has developed a well-documented internal audit and control system for meticulous compliance from all layers of the Company. The audit scope and coverage are subjected to revisions as warranted and the same is approved by the Audit Committee prior to its implementation.

Standard Operating Procedures (SOP) have been developed in the year under review covering all business functions. The control system ensures that the Company's assets are safeguarded and protected. The audit system also takes care to see that revenue leakages and losses to the Company are prevented and our income streams are protected. The control system enables timely and reliable financial reporting.

## **22. ANNUAL RETURN**

In terms of section 92(3) read with Section 134(3)(a) of the Companies Act, 2013, a copy of the Annual Return is hosted on the Company's website in the following link: <http://belstar.in/investor.php>

The extract of annual return as provided under the Companies Act 2013, in the prescribed form MGT-9 is annexed to this report as "Annexure-2"

## **23. HOLDING, SUBSIDIARY, ASSOCIATE AND JOINT VENTURE COMPANY**

Muthoot Finance Ltd continues to be the holding company as on March 31, 2020, with a shareholding of 70.01%.

The Company does not have any subsidiary, Joint Venture or Associate Companies as on March 31, 2020.

## **24. CONTRACTS / ARRANGEMENTS WITH RELATED PARTIES**

The Board of Directors of your Company has formulated a policy on related party transactions, which is displayed on the website of the Company at <http://belstar.in/governance.php>. This policy deals with review of the related party transactions and regulates all transactions between the Company and its Related Parties.

All transactions entered with Related Parties, as defined under the Companies Act 2013, during the year under review, were in the ordinary course of business and at an arm's length terms and do not attract the provisions of Section 188 of the Companies Act 2013. The details of the transactions with related parties, if any, are placed before the Audit Committee from time to time. Details of the related party transactions, which are exempted according to a proviso to Section 188 of the Companies Act 2013 during FY 2019-20 are disclosed in Notes to the financial statements.

The particulars of contracts or arrangements with related parties in Form AOC-2 is annexed to this report as "Annexure-3".

## **25. RISK MANAGEMENT POLICY**

Risk is an integral part of the Company's business, and sound risk management is critical to the success of the

organization. Your Company has a Board approved Integrated Risk Management Policy which has laid down a framework for identifying, assessing, measuring various elements of risk involved in the business and formulation of procedures and systems for mitigating such risks. The updated Risk Management Framework of the Company has incorporated various new practices and risk control measures, including setting up of risk limits for various parameters.

The Risk Management Committee of the Board monitors the company's risk management policies, procedures, and operational and financial risk limits before they are considered by the Board. It also reviews various analytics done on portfolio composition and impaired credits. Risk vertical observations and recommendations are presented to the Board in every quarterly meeting and these are deliberated at length and suitable action taken.

## **26. THE CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO, IN THE MANNER AS PRESCRIBED IN RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014**

### **1. CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION**

#### **A. Details of Conservation of Energy:**

This is not applicable to the company and there are no matters to be reported under this head as your Company is a Non-Banking Finance Company, and its operation are not energy intensive. However, significant measures are taken to reduce energy consumption by using energy efficient computers and electrical equipment as applicable. Our field staff generally use two-wheelers to reach to our customers for client servicing. We endeavour to reduce the fuel consumption by our field staff, by minimizing the requirements of travelling. Further the Company believes in optimum utilisation of alternative resources available to reduce usage and conserve energy. We are also promoting use of renewable energy sources among clients at their households.

#### **B. Technology Absorption:**

Your Company being a Non-Banking Finance Company, its activities do not require adoption of any specific technology. However, your Company has been in the forefront in implementing latest information technology and tools towards enhancing our customer delight.

##### **(i) Efforts made towards technology absorption:**

Technology continues to be at the forefront as a business enabler at Belstar. We are improving our processes and controls with focused technology development and adoption to get better operational efficiencies. The Company has adopted a browser-based application e-FIMO which has the accounts, finance and loan origination and loan management modules integrated. The e-FIMO has enabled us to have the entire data in a single database and have real time data available without any time lag. Collection efficiency of each branch is tracked real time. Credit bureau verification is integrated, and the bureau check happens seamlessly. In FY 18-19, the mobile version m-FIMO was implemented through usage of TAB at field level, and its adoption has stabilised and all new branches use m-FIMO from day-1 of its operation. The entire loan origination process is now digitized through m-FIMO, which has resulted in shorter TAT of the entire loan cycle- sourcing to disbursement. The Centralised Operations Center (COC) operating out of Chennai, Davanagere, Ahmedabad and Indore, houses the Credit operations team that authenticates correctness of data captured in the field and provides credit sanction based on set parameters. Several process changes, new functionalities and automation have been implemented in the year under review, to keep pace with the field level challenges as well as customer needs.

- (ii) Benefits derived as a result of the above efforts: Complete digitization of the data capture, leading to loan processing in a systematic manner, reducing turn-around time for application processing and ensuring portfolio quality.**
- (iii) The company has not used any imported technology during the previous three financial years.**
- (iv) During the year, the Company has not incurred any expenditure on Research & Development.**



## 2. THE FOREIGN EXCHANGE EARNINGS AND OUTGO

### A. Expenditure in Foreign Currency:

Your Company did not incur any foreign travel expenditure during the year under review. (PY-Rs. Nil)

### B. The Company does not have any foreign currency earnings during the year under review.

## 27. INTERNAL FINANCIAL CONTROLS

The Company is following an effective internal control system commensurate with its size and operations. In addition to this the work process is designed in such a way that process of internal check is ensured at all levels. It also ensures the adoption of all policies & procedures for orderly and efficient conduct of its business, including adherence to the Company's Policy, the safeguarding of its assets, prevention and detection of fraud & error, the accuracy & completeness of the accounting records and the timely preparation of reliable financial information. Reviews by statutory auditors, internal audit department as well as external agencies are done on a regular basis to ensure compliance and robustness of the internal financial controls and adherence to Board approved SOPs.

## 28. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

The Company has duly complied with the provisions of Section 186 of the Companies Act, 2013. The Company has not granted any loans, made any investments, given guarantees or extended any security during the financial year ended March 31, 2020.

## 29. MAINTENANCE OF BOOKS OF ACCOUNT AND OTHER RELEVANT BOOKS AND PAPERS IN ELECTRONIC FORM

The Company is maintaining books of accounts and other relevant books and papers in electronic form. During the year under review, the Company changed its service provider from NxtGen Data Centre & Cloud Technologies Private Limited to Amazon Internet Services Private Ltd. and the place of maintenance of computer servers (Storing Accounting Data) is given below:

Details regarding Service Provider

a	the Name of the service provider	Amazon Internet Services Private Ltd.
b	the internet protocol address of service provider	Not applicable
c	the location of the service provider (wherever applicable)	Mumbai
d	where the books of account and other books and papers are maintained on cloud, such address as provided by the service provider	11th floor, Godrej One Pirojshanagar, Eastern express Highway, Vikhroli East Mumbai – 400079

## 30. CORPORATE SOCIAL RESPONSIBILITY POLICY

During the FY 2019-20, the Company made a total deployment of Rs.1,06,17,637/- into CSR activities. The CSR policy is displayed on the web site of the Company <http://belstar.in/governance.php>

The Annual Report on CSR activities as required under the Companies (CSR Policy) Rules 2014 is annexed to this report as “Annexure -4”

## 31. HUMAN RESOURCES

The Company's staffing needs continued to increase during the year particularly in the field force in line with the business growth. Total number of employees increased from 2876 as of March 31, 2019 to 4428 as of March 31, 2020. Being a rural focused operating network, the Company places significant focus on training its employees on a continuing basis, both at the time of induction as well as on the job and through refresher training programs

conducted by internal and external faculty. The Company has taken up a major initiative in implementing a technology-based Learning Management Solution, which will become functional in the next financial year.

### **32. PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES**

The ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of Section 197(12) of Companies Act, 2013 read with Rule 5(1) of the Companies (Companies Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed to this report as "Annexure- 5"

### **33. CORPORATE GOVERNANCE**

Corporate Governance is the application of best management practices, compliance of laws, rules, regulations and adherence to standards to achieve the objects of the Company, enhancing shareholder/investor value and discharging of social responsibility and It stems from the culture and mind set of a management. Measures of Corporate Governance emanate not only from Regulation, but also because managements now clearly understand that good and transparent governance is the cornerstone on which lasting values can be created. Your company strives for excellence with the objective of enhancing shareholders' value and protecting the interest of stakeholders. At Belstar, we ensure the practice of the Principles of Good Corporate Governance on which management decisions are based on a set of principles influenced by the values. All functions of the Company are discharged in a professionally sound, competent, and transparent manner.

During the year under review, the Company has obtained C1 as Code of Conduct Assessment Grade from ICRA, which signifies excellent performance pertaining to Transparency, Client Protection, Governance, Recruitment, Client Education, Feedback & Grievance Redressal and Data Sharing. A detailed report on the Company's commitment at adopting good Corporate Governance Practices is annexed to this report as "Annexure-6"

### **34. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

The Company has an Anti-Sexual Harassment Policy in line with the requirement of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013. Under this Act, the Company looks into the complaints of aggrieved women employees, if any, and is instrumental in:

- promoting gender equality and justice and the universally recognized human right to work with dignity
- prevention of sexual harassment of women at the workplace

Internal Complaints Committee (ICC) has been set up in accordance with the Act to redress complaints received regarding sexual harassment. There were 5 complaints received during FY 2019-20. Proper investigation was made by ICC, evidence examined, and the erring officials were heard. Where substance was found in the complaints, a report was sent to HRD Department. Appropriate disciplinary action was initiated promptly based on the report, against the officials concerned and completed in a timely and effective manner.

The following is a summary of sexual harassment complaints received and resolved during the year 2019-20.

- No. of Complaints received: 5
- No. of Complaints resolved: 5

### **35. PUBLIC DEPOSITS**

Your Company is registered with the RBI as a non-deposit taking NBFC- MFI. Your Directors hereby report that the Company has not accepted any public deposits during the year under review and it continues to be a non-deposit taking non-banking financial company in conformity with the guidelines of the RBI.

### **36. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURT OR TRIBUNALS**

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future. Therefore, the disclosure under Rule 8 (5)(vii) of Companies (Accounts) Rules, 2014, is not applicable to the Company.

### **37. DEBENTURE REDEMPTION RESERVE**

Your Company is not required to create Debenture Redemption Reserve in terms of the Companies (Share Capital and Debentures) Rules, 2014 read with the Companies (Share Capital and Debentures) Amendment Rules, 2019 as the Debentures of the Company are privately placed.

### **38. COMPLIANCE WITH RBI/ SRO/ OTHER LAWS**

There has been no instance of non-compliance by the Company on any matters related to Labour Laws, RBI, ROC, Income Tax and GST and other applicable Acts.

The Company is a Non-Deposit taking Systemically Important Non-Banking Financial Company-Micro Finance Institution (ND-SI-NBFC-MFI) and is registered with RBI under Section 45 IA of RBI Act, 1934 (Registration No B-07-00792). The Company has complied with and continues to comply with all applicable Laws, Rules, Circulars, Regulations, etc. including Directions of RBI for a NBFC-MFI and it doesn't carry on any activities other than those specifically permitted by RBI for NBFC-MFI.

The Company continues to be a member of the SRO-MFIN and strictly adheres to the Code of Conduct, standards, rules, and regulations as prescribed by the SRO from time to time.

### **39. LISTING**

Part of the non-convertible debentures issued by the Company in FY 19-20 have been listed on Bombay Stock Exchange. The Company has complied with the provisions of the Debt Listing Agreement entered by the Company with Bombay Stock Exchange Limited in respect of the of Secured / Unsecured Non-Convertible Debentures issued and listed by the Company.

The Company has paid all the listing fees to BSE on the due dates.

### **40. ACKNOWLEDGEMENT**

The Board expresses its deep sense of gratitude to the Government of India, Reserve Bank of India and other regulators for the valuable guidance and support the Company has received from them during the year. The Board would also like to express its sincere appreciation for the co-operation and assistance received from its stakeholders at large including investors, customers, banks, financial institutions, rating agencies, debenture holders, debenture trustees and well-wishers for their continued support during the year. The Board places on record its appreciation of the dedicated services and contributions made by the employees for the overall performance of the Company. Your Company's consistent growth was made possible by their hard work, solidarity, cooperation, and support and with their continued contribution and dedication, we are on the right path in building a best-in-class micro finance institution.

For and on behalf of the Board of Directors

Place : Chennai  
Date : July 29, 2020

Sd/  
**Dr. Kalpanaa Sankar**  
Managing Director  
DIN: 01926545

Sd/  
**Mr. S Chandrasekar**  
Whole-time Director  
DIN: 02360909

# ANNEXURE TO DIRECTORS' REPORT

## ANNEXURE - I

Form No. MR-3

### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH 2020

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

To  
The Members,  
Belstar Microfinance Limited  
(Previously known as Belstar Investment and Finance Private Limited and Belstar Microfinance Private Limited)  
CIN: U06599TN1988PLC081652  
New No. 33, Old No. 14, 48th Street,  
9th Avenue, Ashok Nagar, Chennai,  
Tamil Nadu - 600083

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Belstar Microfinance Limited** (Previously known as Belstar Investment and Finance Private Limited and Belstar Microfinance Private Limited)(CIN: U06599TN1988PLC081652) (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of Belstar Microfinance Limited's 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 authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Belstar Microfinance Limited ("the Company") for the financial year ended on March 31, 2020 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ("SCRA"), rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) 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;

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;<sup>1</sup>
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;<sup>1</sup>
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;<sup>1</sup>
  - d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;<sup>2</sup>
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;<sup>3</sup>
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;<sup>1</sup> and
  - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;<sup>4</sup>
- (vi) Following other laws applicable specifically to the company:
  - a) The Reserve Bank of India (RBI) Act, 1934;
  - b) The Non-Banking Financial Company -Micro Finance Institutions (Reserve Bank) Directions, 2011 and other applicable Directions and rules issued by RBI from time to time.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards with respect to Meetings of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India.
- (ii) The Uniform Listing Agreements entered into by the Company with Bombay Stock Exchange pursuant to the provisions of the 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.

### **We 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 for the year under review. 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 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.

Majority decision is carried through while the dissenting members' views, wherever there is any, are captured and recorded as part of the minutes.



**We 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.

**We further report that** during the audit period there were no events/actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc., except the following:

1. Issue of Secured/Unsecured, Rated, Listed/unlisted, Redeemable Non-Convertible Debentures on a Private Placement basis during the period under review.
2. Redemption of 5,00,00,000 nos. of 10.50% Rated Non-Convertible Redeemable Cumulative Preference Shares of Rs.10/- each.
3. Reclassification of the Authorised Share Capital of the Company.
4. Change in name of the Company from **"Belstar Investment and Finance Private Limited"** to **"Belstar Microfinance Private Limited"** with effect from 3<sup>rd</sup> October 2019.
5. Conversion of the Company into a **Public Limited Company** and subsequent change in name of the Company to **"Belstar Microfinance Limited"** with effect from 10<sup>th</sup> January 2020.
6. Amendment in Memorandum of Association and Adoption of new Articles of Association pursuant to conversion of the Company to Public Limited Company.
7. Increase in borrowing powers of the Company to Rs.5000 Crores under section 180(1)(c) of the Companies Act, 2013.
8. Increase in limits for creation of Charge/Mortgage/Hypothecation of properties of the Company upto Rs. 5000 Crores under section 180(1)(a) of the Companies Act, 2013.

This Report is to be read along with Annexure A of even date which forms integral part of this Report.

**For KSM Associates | Company Secretaries**

Sd/

**Krishna Sharan Mishra**

Partner

FCS 6447; CP 7039

**ICSI UDIN:F006447B000221961**

Place: Chennai  
Date: May 10, 2020

<sup>1</sup>Not applicable to the Company, as the equity shares of the Company are not listed on any stock exchange.

<sup>2</sup>Not applicable to the Company, as the Company does have any Employee stock option scheme

<sup>3</sup>Not applicable as the Company is not registered as Registrar to Issue and Share Transfer Agent

<sup>4</sup>Not applicable to the Company, as there was no buy-back by the Company during the year.

## ANNEXURE – A

To  
The Members,  
Belstar Microfinance Limited  
(Previously known as Belstar Investment and Finance Private Limited and Belstar Microfinance Private Limited)  
CIN: U06599TN1988PLC081652  
New No. 33, Old No. 14, 48<sup>th</sup> Street,  
9<sup>th</sup> Avenue, Ashok Nagar, Chennai.  
Tamil Nadu - 600 083

Our secretarial audit report of even date is to be read along with this letter.

- a. Maintenance of secretarial and other records is the responsibility of the management of the Company. Our responsibility is to express an opinion on the relevant records based on our audit.
- b. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the relevant records and compliances. The verification was done on test basis to verify that correct facts are reflected in secretarial and other relevant records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
- c. We have not verified the correctness and appropriateness of financial, tax records and books of accounts of the Company.
- d. Wherever required, we have obtained the Management Representation about the compliance of laws, rules and regulations and happening of events etc.
- e. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of the procedures on test/sample basis.
- f. 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.
- g. The audit has been conducted using appropriate Information Technology tools as lockdown has been imposed by the Government due to the COVID-19 pandemic.

**For KSM Associates | Company Secretaries**

Sd/

**Krishna Sharan Mishra**

Partner

FCS 6447; CP 7039

Place : Chennai  
Date : May 10, 2020

## ANNEXURE - II

Form No. MGT-9

### EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31<sup>st</sup> March, 2020

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

#### I. Registration and other details

- 1) CIN : U06599TN1988PLC081652
- 2) Registration Date : 11-01-1988
- 3) Name of the Company : Belstar Microfinance Limited  
(Belstar Investment and Finance Private Limited)
- 4) Category/Sub-Category of the Company : Company Limited by Shares/ NBFC-MFI
- 5) Address of the Registered office and contact details : Old No. 14, New No. 33, 48<sup>th</sup> Street, 9<sup>th</sup> Avenue  
Ashok Nagar, Chennai – 600 083  
Tel: 044-43414567, Email Id : bifpl@belstar.in
- 6) Whether listed company:- : Yes  
\*Equity shares are not listed. However, NCDs of the Company are listed under Wholesale Debt Market Segment (WDM of BSE).
- 7) Name, Address and Contact details of : Integrated Registry Management Services Pvt Ltd  
CIN No.U74900TN2015PTC101466  
2<sup>nd</sup> Floor, Kences Towers, No.1, Ramakrishna Street, Off: North Usman Road, T.Nagar, Chennai- 600 017  
Mr Suresh Babu K, Director  
Email Id: corpserv@integratedindia.in  
Phone: 044-28140801

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

S. No.	Name and Description of main products /services	NIC Code of the Product/ service	% to total turnover of the company
1	MicroFinance and related leading activities	64990	100%

#### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of Shares held	Applicable Section
1	Muthoot Finance Limited Muthoot Chambers, OppSaritha Theatre Complex Banerji Road, Kochi 682 018	L65910KL1997PLC011300	HOLDING	70.01%	2(46)

## IV. SHARE - HOLDING PATTERN

(Equity Share Capital Breakup as percentage of Total Equity)

### i. Category-wise Share Holding

Category of Shareholders	No. of Shares held at the Beginning of the year				No. of Shares held at the End of the year				% of Change during the Year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
<b>A. Promoters</b>										
<b>(1) Indian</b>										
(a) Individual/ HUF	1,02,774	100	1,02,874	0.27	1,02,774	100	1,02,874	0.27	-	
(b) Central Govt	-	-	-	-	-	-	-	-	-	
(c) State Govt (s)	-	-	-	-	-	-	-	-	-	
(d) Bodies Corp.	4,29,472	-	4,29,472	1.15	4,29,472	-	4,29,472	1.15	-	
(e) Banks / F I	-	-	-	-	-	-	-	-	-	
(f) Any Other	65,75,397	-	65,75,397	17.52	65,75,397	-	65,75,397	17.52	-	
<b>Sub-total (A) (1):-</b>	<b>71,07,643</b>	<b>100</b>	<b>71,07,743</b>	<b>18.94</b>	<b>71,07,643</b>	<b>100</b>	<b>71,07,743</b>	<b>18.94</b>	<b>-</b>	
<b>(2) Foreign</b>										
a) NRIs -Individuals	-	-	-	-	-	-	-	-	-	
b) Other -Individuals	-	-	-	-	-	-	-	-	-	
c) Bodies Corp.	-	-	-	-	-	-	-	-	-	
d) Banks / FI	-	-	-	-	-	-	-	-	-	
e) Any Other.	-	-	-	-	-	-	-	-	-	
<b>Sub-total (A) (2) :-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Total shareholding of Promoter (A) = (A) (1) + (A) (2)	<b>71,07,643</b>	<b>100</b>	<b>71,07,743</b>	<b>18.94</b>	<b>71,07,643</b>	<b>100</b>	<b>71,07,743</b>	<b>18.94</b>	<b>-</b>	
<b>B. Public Shareholding</b>										
<b>1. Institutions</b>										
a) Mutual Funds	-	-	-	-	-	-	-	-	-	
b) Banks / FI	-	-	-	-	-	-	-	-	-	
c) Central Govt	-	-	-	-	-	-	-	-	-	
d) State Govt	-	-	-	-	-	-	-	-	-	
e) Venture Capital funds	-	-	-	-	-	-	-	-	-	
f) Insurance Companies	-	-	-	-	-	-	-	-	-	
g) FII/PE Fund	41,46,201	-	41,46,201	11.05	41,46,201	-	41,46,201	11.05	-	
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-	
i) Others	-	-	-	-	-	-	-	-	-	
<b>Sub-total (B)(1):-</b>	<b>41,46,201</b>	<b>-</b>	<b>41,46,201</b>	<b>11.05</b>	<b>41,46,201</b>	<b>-</b>	<b>41,46,201</b>	<b>11.05</b>	<b>-</b>	
<b>2. Non-Institutions</b>										
a) Bodies Corporate										
i) Indian	2,62,66,580	-	2,62,66,580	70.01	2,62,66,580	-	2,62,66,580	70.01	-	
ii) Overseas	-	-	-	-	-	-	-	-	-	

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% of Change during the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 Lakh	-	-	-	-	-	-	-	-	-
c) Others (Foreigners & NRIs)	-	-	-	-	-	-	-	-	-
<b>Sub total (B)(2):-</b>	<b>2,62,66,580</b>	<b>-</b>	<b>2,62,66,580</b>	<b>70.01</b>	<b>2,62,66,580</b>	<b>-</b>	<b>2,62,66,580</b>	<b>70.01</b>	<b>-</b>
Total Public Shareholding <b>(B)=(B)(1)+ (B)(2)</b>	<b>3,04,12,781</b>	<b>-</b>	<b>3,04,12,781</b>	<b>81.06</b>	<b>3,04,12,781</b>	<b>-</b>	<b>3,04,12,781</b>	<b>81.06</b>	<b>-</b>
C. Shares held by Custodian for GDR and ADR	-	-	-	-	-	-	-	-	-
<b>Grand Total (A+B+C)</b>	<b>3,75,20,424</b>	<b>100</b>	<b>3,75,20,424</b>	<b>100</b>	<b>3,75,20,424</b>	<b>100</b>	<b>3,75,20,524</b>	<b>100</b>	<b>-</b>

## ii. Shareholding of Promoters

S. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	% change in shareholding during the year
1	Dr. Kalpanaa Sankar	1,02,674	0.27	-	1,02,674	0.27	-	-
2	Ms. D Bindu	100	0.00	-	100	0.00	-	-
3	Mr. C.V. Sankar	100	0.00	-	100	0.00	-	-
5	Capt. P. K. Ayre Trustee of Sarvam Financial Inclusion Trust	65,75,397	17.52	-	65,75,397	17.52	-	-
6	Hand in Hand Consulting Services Pvt. Ltd.	4,29,472	1.15	-	4,29,472	1.15	-	-
	<b>Total</b>	<b>71,07,743</b>	<b>18.94</b>	<b>-</b>	<b>71,07,743</b>	<b>18.94</b>	<b>-</b>	<b>-</b>



*(iii) Change in Promoters' Shareholding*

Sl. No	Name & Type of Transaction	Shareholding at the beginning of the year		Transactions during the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	Date of Transaction	Purchase / Sale	No. of shares	% of total shares of the company
1	Dr. Kalpanaa Sankar	1,02,674	0.27	Nil	Nil		
	At the end of the year	-	-			1,02,674	0.27%
2	Mr. CV Sankar	100	0.00		Nil		
	At the end of the year					100	0.00%
3	Ms. D Bindu	100	0.00		Nil		
	At the end of the year					100	0.00%
4	Sarvam Financial Inclusion Trust	65,75,397	17.52	Nil			
	At the end of the year					65,75,397	17.52%
5	Hand In Hand Consulting Services Private Limited	4,29,472	1.74%	Nil	Nil		
	At the end of the year					4,29,472	1.15%

*(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):*

Sl. No	Name & Type of Transaction	Shareholding at the beginning of the year		Transactions during the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	Date of Transaction	No. of Shares	No. of shares	% of total shares of the company
1	M/s Muthoot Finance Limited	2,62,66,580	70.01%				
	Allotment during the year			-	-		
	At the end of the year					2,62,66,580	70.01%
2	MAJ Invest Financial Inclusion Fund II	41,46,201	11.05				
	Allotment during the year			-	-		
	At the end of the year					41,46,201	11.05%

*v) Shareholding of Directors and Key Managerial Personnel:*

S. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Share-holding at the end of the year		Cumulative Shareholding during	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company	No. of shares	% of total shares of the company
1	Dr.Kalpanaa Sankar, Managing Director	1,02,674	0.27	1,02,674	0.27	102,674	0.27
2	Mr. L.Muralidharan, Chief Financial Officer	-	-	-	-	-	-
3	Mr. Sunil Kumar Sahu, Company Secretary	-	-	-	-	-	-

## V. INDEBTEDNESS

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

Particulars	Secured Loans, Pass through certificates payable excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year:</b>				
i)Principal Amount	1360,95,10,828	227,00,00,000	-	1587,95,10,828
ii)Interest due but not paid	-	-	-	-
iii)Interest accrued but not due	9,85,06,955	25,92,000	-	10,10,98,955
iv)Amortization	(3,49,31,880)	(1,61,32,475)	-	(5,10,64,355)
<b>Total (i+ii+iii+iv)</b>	<b>1367,30,85,903</b>	<b>225,64,59,525</b>	<b>-</b>	<b>1592,95,45,428</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	1687,37,80,063	84,00,00,000	-	1771,37,80,063
Reduction	(1267,47,48,407)	(187,85,71,429)	-	(1455,33,19,836)
<b>Net Change</b>	<b>419,90,31,656</b>	<b>(103,85,71,429)</b>	<b>-</b>	<b>316,04,60,227</b>
<b>Indebtedness at the end of the financial year:</b>				
i)Principal Amount	1780,85,42,478	123,14,28,571	-	1903,99,71,049
ii)Interest due but not paid	-	-	-	-
iii)Interest accrued but not due	8,34,67,172	69,51,961	-	9,04,19,132
iv)Amortization	(6,36,73,538)	(2,06,27,408)	-	(8,43,00,946)
<b>Total (i+ii+iii+iv)</b>	<b>1782,83,36,112</b>	<b>121,77,53,124</b>	<b>-</b>	<b>1904,60,89,236</b>

## VI. Remuneration of Directors and Key Managerial Personnel

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Name of MD / WTD	Total Amount (₹)
		Dr. Kalpanaa Sankar	Sitaraman Chandrasekar
<b>1.</b>	<b>Gross salary</b>		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1,03,71,600	47,49,600
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-
<b>2.</b>	<b>Stock Option</b>		
<b>3.</b>	<b>Sweat Equity</b>		
<b>4.</b>	<b>Commission</b>		
	- as % of profit		
	- others specify (Incentive)	25,87,500	2,00,000
	<b>Total (A)</b>	<b>1,29,59,100</b>	<b>49,49,600</b>
	<b>Ceiling as per the Act</b>	As per Limits under Schedule V of Companies Act 2013	
			<b>1,79,08,700</b>

**B. Remuneration to Other Directors :**

		Amount (₹)			
Sl. No.	Particulars of Remuneration	Name of Directors			Total Amount (₹)
1.	Independent Directors	A. Subramanian	Venkataraman Krishnamoorthy	Vadakkakara Antony George	Srinivasan Aravamuthan Iyengar
	a. Fee for attending board committee meetings	₹9,60,000	₹3,20,000	₹6,40,000	₹4,80,000
	b. Commission	-	-	-	₹24,00,000
	c. Others, please specify	-	-	-	
	<b>Total(1)</b>	<b>₹9,60,000</b>	<b>₹3,20,000</b>	<b>₹6,40,000</b>	<b>₹24,00,000</b>
2.	Other Non-Executive Directors			KR Bijimon	George Alexander George M Jacob
	a. Fee for attending board committee meetings			₹7,20,000	₹3,20,000 ₹5,60,000 ₹16,00,000
	b. Commission				
	c. Others, please specify				
	<b>Total(2)</b>		₹7,20,000	₹3,20,000	₹5,60,000 ₹16,00,000
	<b>Total Managerial Remuneration Total (1+2)</b>				₹40,00,000
	Overall Ceiling as per the Act.				N/A

### C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	Details of KMP		
		Mr. L.Muralidharan CFO	Mr. Sunil Kumar Sahu CS	Total Amount (₹)
1.	<b>Gross salary</b>			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	39,60,000	11,00,004	50,60,004
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	21,600	21,600	43,200
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2.	<b>Stock Option</b>	-	-	-
3.	<b>Sweat Equity</b>	-	-	-
4.	<b>Commission</b>	-	-	-
	- as % of profit	-	-	-
	- others, specify...(Performance Bonus)	6,00,000	1,66,674	7,66,674
5.	<b>Others</b>	-	-	-
	<b>Total</b>	<b>45,81,600</b>	<b>12,88,278</b>	<b>58,69,878</b>

### VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/NCLT/ COURT]	Appeal made, if any give Details
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IF IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

For and on behalf of the Board of Directors

Sd/

**Dr. Kalpanaa Sankar**  
Managing Director  
DIN: 01926545

Sd/

**Mr. S Chandrasekar**  
Wholetime Director  
DIN: 02360909

Place : Chennai.  
Date : July 29, 2020



## ANNEXURE - III

### FORM NO. AOC.2

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

*(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)*

#### 1. Details of contracts or arrangements or transactions not at arm's length basis : NIL

- (a) Name(s) of the related party and nature of relationship
- (b) Nature of contracts/arrangements/transactions
- (c) Duration of the contracts/arrangements/transactions
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any
- (e) Justification for entering into such contracts or arrangements or transactions
- (f) Date(s) of approval by the Board
- (g) Amount paid as advances, if any
- (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188

#### 2. Details of material contracts or arrangement or transactions at arm's length basis

a)	Name(s) of the related party and nature of relationship	Muthoot Securities Limited - Common Director
b)	Nature of contracts/arrangements/transactions	Collection of Hospi Cash insurance premium
c)	Duration of the contracts / arrangements/ transactions:	Ongoing, unless terminated by either of the party serving written notice
d)	Salient terms of the contracts or arrangements or transactions including the value, if any:	Belstar will collect premium amount towards the policy from the clients and transfer the whole amount collected at the end of the day to Muthoot Securities Ltd and charging commission there off
e)	Amount paid as advances, if any:	Nil

Place : Chennai.  
Date : July 29, 2020

For and on behalf of the Board of Directors

Sd/  
**Dr. Kalpanaa Sankar**  
Managing Director  
DIN: 01926545

Sd/  
**Mr. S Chandrasekar**  
Wholetime Director  
DIN: 02360909

## ANNEXURE - IV

### ANNUAL REPORT ON CSR ACTIVITIES

**[Pursuant to clause (o) of Sub-section (3) of Section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014]**

The Company's CSR policy is committed towards CSR activities as envisaged in Schedule VII of the Companies Act, 2013. The details of CSR policy of the Company are available on Company's website [www.belstar.in/policy.php](http://www.belstar.in/policy.php).

A brief outline of the Company's CSR policy, including overview of projects or programs undertaken is given below:

1. The Company in compliance with Section 135 of the Companies Act, 2013, is incorporating in its structure, Corporate Social Responsibility projects through this Corporate Social Responsibility (CSR) Policy. This Policy covers all the internal dimensions of the CSR structure and further captures and sets out the process of implementation of the CSR related activities.

The Company presently focusses on improving financial literacy amongst rural women, health awareness and vocational skillstraining programmes in the states of Tamil Nadu, Madhya Pradesh, Maharashtra, Karnataka, Chhattisgarh, Odisha and Rajasthan and is in process of expanding its CSR activities at pan India Level.

The Company has undertaken CSR activities through M/s Hand in Hand India a Charitable Trust. The details of CSR activities undertaken during the Financial year are given below.

2. The CSR Committee for the year under review comprised of:

Name of the Director	Designation in the Committee	Nature of Directorship
Sitaraman Chandrasekar	Chairman	Whole-time Director
Ananthanarayanan Subramanian	Member	Independent Director
Kuttickattu Rajappan Bijimon	Member	Non-Executive Director

3. Average Net Profit of the Company for the last three financial years for the purpose of computation of CSR:

Particulars	Amount ( ₹ )
Net profit as per Section 198 (as per calculation below)	
For financial year 2018-19	1,03,09,76,000
For financial year 2017-18	40,11,42,000
For financial year 2016-17	15,96,85,825
Average profit of 3 preceding financial years	53,06,01,275

4. Prescribed CSR Expenditure:

2% of the Avg. Net Profits of three preceding financial years is ₹1,06,12,026

5. Details of CSR spent during the financial year:

(a) Total amount spent for the financial year: ₹1,06,17,637

(b) Amount unspent, if any: Nil

(c) Manner in which the amount spent during the financial year is detailed below:

Amount in Millions

Sl. No.	CSR project or activity	Sector in which the project is covered	Projects or programs		Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Direct expenditure on projects or programs Overheads	Cumulative expenditure up to FY 2019	Amount spent: Direct or through implementing agency
			Local area or Other	Specify the State and district where projects or program were undertaken				
1	Improving Decision Making in Women Through Financial Literacy	Financial Literacy		Tamil Nadu, Madhya Pradesh & Odisha	₹68,98,000	₹68,98,000	₹68,98,000	Amount spent through Hand in Hand India Implementing Agency for CSR
2	Supporting Entrepreneurship in Women Through Skill Training	Entrepreneurship Skill Training		Tamil Nadu, (Coimbatore & Villupuram Area)	₹15,00,000	₹15,78,960	₹15,78,960	
3	Training Youth on Appropriate Soft Skills for Employability	Employability Skill Training		Tamil Nadu, (Coimbatore & Villupuram Area)	₹19,80,400	₹19,80,400	₹19,80,400	
	Medical Health Camp (Healthy Motherhood - Healthy childhood and Caring the Clients)	Health Care		Tamil Nadu, Karnataka Chhattisgarh Madhya Pradesh Odisha & Rajasthan	₹3,50,000	₹1,60,277	₹1,60,277	Direct by the Company
<b>Total</b>					<b>₹1,07,28,400</b>	<b>₹1,06,17,637</b>	<b>₹1,06,17,637</b>	

6. Reasons for not having been able to spend the entire two per cent of the average net profit of the last three financial years: **NA.**

7. CSR Committee of Board affirms that CSR activities are implemented in accordance with CSR objectives of the Companies Act, 2013 and CSR Policy of your Company.

For and on behalf of the Board of Directors

Sd/

**Mr. S Chandrasekar**  
Chairman -CSR Committee  
DIN: 02360909

Sd/

**Dr. Kalpanaa Sankar**  
Managing Director  
DIN: 01926545

Place : Chennai.  
Date : July 29, 2020

## ANNEXURE - V

### Details of Managerial Remuneration as per Companies Act, 2013

Information in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

PARTICULARS	DISCLOSURES
I. The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;	Managing Director : 51 : 1
ii. The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	Increase in Remuneration: Managing Director : 15 % Wholetime Director : 14 % Chief Financial Officer : 10 % Company Secretary : 10 %
iii. The percentage increase in the median remuneration of employees in the financial year;	17 %
iv. The number of permanent employees on the rolls of company as on 31st March 2020;	4428
v. Average percentile increases already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration;	The average increase in the salaries of employees was 11.59% and the average increase in the managerial remuneration was 13.47%
vi. Affirmation that the remuneration is as per the remuneration policy of the company.	Yes
2. Information in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(2), & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014: A statement showing the name of every employee of the Company, who –	
a) If employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than One Crore Two Lakh rupees:	

**Dr. (Mrs) Kalpanaa Sankar , Managing Director**

Sl No.	Particulars	Disclosure
1	Designation	Managing Director
2	Remuneration received	INR 1,29,59,100
3	Nature of employment, whether contractual or otherwise	Permanent
4	Qualification and Experience	<p>She is a double doctorate in Physical Sciences and in Women's Studies and Self-Help Groups. She has guided interns from Stanford University, Stockholm School of Economics, and students from Indian universities on microfinance. She was the first recipient of a scholarship to pursue an Executive MBA from TRIUM, an alliance among NYU Stern School of Business, London School of Economics and Political Science and HEC School of Management, Paris and graduated in September 2012</p> <p>She has been involved in the self-help group movement for 21 years and has specialized in participatory assessment, gender differentiated impact and monitoring tools. She was the Monitoring and Evaluation Officer for IFAD and was Consultant with UNOPS, UNDP, Christian Aid and Wetlands International. She has also been Consultant with the South African government and supported poverty reduction, job creation and microfinance programmes in Afghanistan and Brazil. She has authored publications on child labour, microfinance and self-help groups. Dr. Kalpanaa Sankar is also the Managing Trustee of Hand in Hand India and has been with the organization since 2004, being one of its co-founders. She has an Executive MBA from TRIUM, where she was the first recipient of a scholarship to pursue the programme. TRIUM is an alliance among NYU Stern School of Business, London School of Economics and Political Science and HEC School of Management, Paris. She is the recipient of the "Princess Sabeeka Bint Ibrahim Al- Khalifa Global Award for Women Empowerment under the Individuals Champions category", an award given in partnership with the Kingdom of Bahrain and UN Women in New York in 2019. She has also received the "Nari Shakti Puraskar-2016" for the contribution to the empowerment of vulnerable and marginalized women from the Hon'ble President of India and Ministry of Women &amp; Child. Under her leadership, her organization, Hand in Hand India has won the 'Pradhan Mantri Bal Kalyan Puraskar' for its dedicated work towards child welfare and education.</p>



5	Date of commencement of employment	19-05-2010
6	Age	56
7	The last employment held	Key Person in Tamil Nadu Women Development Corporation (Govt. Of Tamil Nadu)
8	% of equity shares held	0.27%

- b) if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than Eight Lakh Fifty Thousand rupees per month; **Nil**
- c) if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company ; **Nil**

For and on behalf of the Board of Directors

Sd/

**Dr. Kalpanaa Sankar**

Managing Director

DIN: 01926545

Sd/

**Mr. S Chandrasekar**

Wholetime Director

DIN: 02360909

Place : Chennai.

Date : July 29, 2020

## **ANNEXURE - VI**

### **CORPORATE GOVERNANCE REPORT**

#### **I. Company's Philosophy on Code of Governance**

Good Governance depends on ability to take responsibility by both administration and people. The real mechanism of Corporate governance is the active involvement of the Management. At Belstar, Corporate Governance is all about maintaining a valuable relationship and trust with all stakeholders.

Corporate Governance is a code that sets the principles, systems, and practices through which the Board of Directors of the Company ensures transparency, fairness and accountability in the Company's relationship with all its stakeholders, viz. regulators, shareholders, creditors, government agencies, employees, among others. The company believes that sound Corporate governance is critical to enhance and retain the trust of investors. The principal of inclusion has been the foundation of our business and governance practices.

Corporate Governance has always been an integralelement of the Company to have a system of proper accountability, transparency and responsiveness and for improving efficiency and growth as well asenhancing investor confidence. The company believes in sustainable corporate growth that emanates from the top management down through the organisation to the various stakeholders which is reflected in its sound financial system and enhanced market reputation.

Over the years, your company has complied with the Companies Act, 2013, SEBI Regulations, RBI Direction/Circular, Accounting Standards, Secretarial Standards,etc. Strong governance practices have rewarded the company in the sphere of valuations, stakeholders`confidence, market capitalization and high credit ratingsin positive context apart from obtaining of awards fromappropriate authorities. Your company makes all effortsto comply with all applicable regulations.

Your Company, practices trustworthy, transparent, moral and ethical conduct, both internally and externally, and is committed towards maintaining the highest standards of Corporate Governance practices in the best interest of all its stakeholders. As a part of corporate governance various committees were formed to look after the progress made, putting in inplace a progressive risk management system, policy and strategy to be followed in conformity with corporate governance standards. A detailed report on the Company's commitment at adopting good Corporate Governance Practices is given below:

#### **II. BOARD OF DIRECTORS**

##### **A. Composition of Board**

The Board critically evaluates the Company's strategic direction, management policies and their effectiveness. The agenda for the Board reviews include strategic review from each of the Committees, a detailed analysis and review of annual strategic and operating plans, capital allocation and budgets. Additionally, the Board reviews related party transactions, possible risks and risk mitigation measures, financial and business reports. Frequent and detailed interaction sets the agenda and provides the strategic roadmap for the Company's future growth.

The Board's actions and decisions are aligned with the Company's best interests. It is committed to the goal of sustainably elevating the company's value creation. The Company has defined guidelines and an established framework for the meetings of the Board and committees. These guidelines seek to systematize the decision-making process at the meetings of the Board and committees in an informed and efficient manner.

The primary role of the Board is that of trusteeship to protect and enhance shareholder value through strategic direction to the Company. As trustees, the Board has fiduciary responsibility to ensure that the Company has clear

goals aligned to shareholder value and its growth. The Board exercises its duty with care, skill and diligence and exercises independent judgement. It sets strategic goals and seeks accountability for their fulfilment. It also directs and exercises appropriate control to ensure that the Company is managed in a manner that fulfils stakeholder's aspirations and societal expectations

The Board of Directors of your Company has an optimum combination of Executive and Non- Executive Directors in compliance with the requirements of Companies Act 2013 as amended time to time. As at 31st March 2020, the Board consists of ten (10) Directors which is combination of Two Executive (A Managing Director and a Whole time Director) and Eight(8) Non-Executive Directors out of which Four (4) Directors are Independent Directors as mentioned in the table below. The Chairman of the Board is a Non-Executive and Independent Director.

Category	Name of the Directors
Executive Directors	Dr (Mrs) Kalpanaa Sankar, Managing Director & CEO Mr. S Chandrasekar, Wholetime Director
Non-Executive- Non-Independent Directors	Mr. KR Bijimon Mr. George Alexander Mr. George M Jacob Mr. David Arturo Paradiso
Non - Executive –Independent Directors	Mr. A Subramanian, Chairman Mr. K Venkataraman Mr. V A George Mr. Chinnasamy Ganesan

All Executive Directors are representing the promotor and all Non-Executive- Non-Independent Directors represent the Investors The following changes took place in Directorship during the FY 2019-20.

S No	Name of Director	Designation	Date of Appointment	Date of Cessation
1	Dr (Mr.) Natarajan Jeyaseelan @	Director		April 05, 2019
2	Mr. Sitaraman Chandrasekar*	Whole time Director	April 22, 2019	
3	Mr. A Srinivasan @@	Independent Director		Sept 23, 2019
4	Mr. K Venkataraman	Independent Director	Sept 23, 2019	
5	Mr. Chinnasamy Ganesan	Independent Director	March 14, 2020	

@Dr(Mr.) Natarajan Jeyaseelan who represented the promotor ceased his directorship in the company due to his retirement wef April 05, 2019.

\* Mr. Sitaraman Chandrasekar was appointed as an Additional Director in the capacity of Whole-time Director of the Company wef April 22, 2019 and further regularized as Wholetime Director wef September 23, 2020.

@@ Mr. A. Srinivasan has ceased his directorship in the company due to completion of the tenure of his appointment.

The maximum tenure of Independent Directors is in compliance with the Act. All the Independent Directors have confirmed that they meet the criteria of independence as mentioned under Section 149(6) of the Companies Act 2013. Independent Directors do not have any material pecuniary relationship with the Company, its promoters or its management, which may affect the independence of the judgment of the Director. Your Company believes that the Independent Directors bring with them the rich experience, knowledge and practices followed in other companies resulting in imbibing the best practices followed in the industry.

In compliance with the provisions of sub-rule (1) and (2) of Rule 6 of the Companies (Appointment and Qualifications of Directors) Rules, 2014, All the Independent Director has successfully registered their name in the Indian Institute of Corporate Affairs (IICA)

All the Directors have made necessary disclosures regarding their directorships required under section 184 of the Companies Act, 2013.

As per Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01,2016 and updated thereof from time to time, all the Fit and Proper criteria in the appointment of Directors are duly followed by the Board of Directors.

None of the Directors on the Board is a member of more than 10 Committees or Chairman of more than 5 Committees across all the Companies in which he/she is a Director. None of the Directors hold Directorship in more than Twenty Companies including ten Public Limited Companies or act as an Independent Director in more than Seven Listed Companies as on March 31, 2020 across all Public Limited Companies in which they are Directors. The offices held by the Directors are in compliance with the Companies Act, 2013.

None of the Non-Executive Directors held any equity shares or convertible instruments of the Company during the financial year ended March 31,2020.

#### **B. Board meetings & attendance**

The Company decides on the Board meeting dates in advance in consultation with Board of Directors and the respective committee members. Once approved, the schedule of the Board meeting and Committee meeting is communicated to the Directors to enable them to attend the meetings.

The Company Secretary of the Company drafts the agenda for each meeting, along with explanatory notes, in consultation with the MD and Wholtime Director and distributes the same in advance to the Directors and respective committee members. Every member of the Board/Committee can suggest the inclusion of additional items in the agenda. The Board meets at least once a quarter to review the quarterly results and other items on the agenda, and on the occasion of the AGM. Additional meetings are held as and when necessary. The Board has unrestricted access to all Company-related information, including that of our employees. At Board meetings, managers and representatives who can provide additional insights into the items being discussed are invited.

The Company through its Managing Director/Whole time Director/the functional/business heads makes presentations regularly to the Board in respect of operational performance, business strategies, quarterly and annual results, review of Internal Audit Report and statutory compliances, risk management and discuss upon the areas of improvement and prospective opportunities. This enables the Directors to get a regular and deeper insight into the operations of the Company.

As a practice, the Company Secretary communicates all important decisions taken by the Board Members/ Committee Members to the functional heads of the concerned department. An Action Taken Report (ATR) on the decisions taken and matters discussed in the previous meeting is outlined and placed in the succeeding meeting of the Board/ Board Committee for their consideration/informationand noting.

The Board has met 4 times during this year: April 22,2019, July 30, 2019, October 31, 2019 and January 28, 2020. The maximum gap between any two consecutive meetings was less than one hundred and twenty days, as stipulated under section 173 of Companies Act 2013 and Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI). As per applicable laws, minimum four Board meetings are required to be held every year (one meeting in every calendar quarter). The requisite quorum was present for all the meetings.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships held by them in other Companies are given below.

Name of Directors	DIN	No. of Board meetings during the year 2019-20		Attendance at the Annual General Meeting	No. of Directorships in other companies
		Held during their tenure	Meetings Attended		
Mr. A. Subramanian	01777552	4	4	Attended	Nil
Dr. (Mrs) Kalpanaa Sankar	01926545	4	4	Attended	2
Mr. S Chandrasekar	02360909	4	4	Attended	Nil
Mr. KR Bijimon	00023071	4	4	No	9
Mr. George Alexander	00018384	4	4	No	17
Mr. George M Jacob	00018955	4	4	No	13
Mr. A. Srinivasan*	07846141	2	2	NA	Nil
Mr. V A George	01493737	4	4	No	2
Mr. David Arturo Paradiso	08181832	4	3	No	2
Mr. K Venkataraman **	02443410	2	2	NA	1
Mr. Chinnasamy Ganesan #	07615862	Nil	Nil	NA	1

\*Mr. A. Srinivasan ceased office of Directorship in Belstar we from 31st Annual General Meeting held on September 23, 2020

\*\* Mr. K Venkataraman was appointed at the 31st Annual General Meeting held on September 23, 2020 and

# Mr. Chinnasamy Ganesan was appointed at the 2nd Extra Ordinary General meeting held on March 14, 2020

### C. Meeting of Independent Directors

An Independent Directors meeting in accordance with the provisions of the Companies Act, 2013, was held on July 29, 2020. This meeting was attended by all Independent Directors.

### D. Information on Directors Appointment/ Re-appointment

Mr. George Muthoot Jacob(DIN:00018955) the Non-Executive Director of the company who retires by rotation in terms of Section 152 (6) of the Companies Act, 2013 at the ensuing Annual General Meeting and being eligible, offer himself for reappointment.

### E. Training and Familiarization for Independent Director

The Company has adopted a structured orientation of Independent Directors at the time of their joining so as to familiarise them with the Company- its operations, business, industry and environment in which it functions and the regulatory environment applicable to it. The Company updates the members of Board of Directors on a continuing basis on any significant changes there in and provides them an insight to their expected roles and responsibilities and the regulatory environment applicable to it so as to be in a position to function.

Presentations are made to the Board on the business strategies, operations review, quarterly and annual results, review of Internal Audit Report and Action Taken Report, statutory compliances, risk management etc. This enables the Directors to get a deeper insight into the operations of the Company. Functional Heads of various departments are required to give presentation in Board Meeting to familiarize the Board with their activities and allied matters. Company held a separate training and familiarization program for Independent Directors during the financial year which was conducted by experts to gain familiarization with change in regulations especially amendments to Companies Act, 2013 and on allied matters including duties of Independent Directors and performance evaluation.

### F. Role of the Company Secretary in overall governance process

The Company Secretary plays a key role in ensuring that the Board (including committees thereof) procedures are followed and regularly reviewed. In terms of applicable laws Sunil Kumar Sahu, Company Secretary & Compliance Officer of the Company undertakes various responsibilities as stipulated under SEBI Guidelines, Companies Act, 2013, RBI Guidelines and other applicable laws. The Company Secretary ensures that all relevant



information, details, and documents are made available to the Directors and senior management for effective decision making at the meetings. The Company Secretary is primarily responsible to assist and advise the Board and Chairman in the conduct of affairs of the Company, to ensure compliance with applicable statutory requirements and applicable Secretarial Standards, to provide guidance to Directors and to facilitate convening of meetings.

### III. COMPOSITION OF COMMITTEES OF BOARD

As on March 31, 2020 the Board has 6 (Six) Committees viz., Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Finance Committee, Stakeholders Relationship Committee and Risk Management Committee.

The Board delegates power to these Committees from time to time. Our Board has constituted sub-committees to focus on specific areas and make informed decisions within the authority delegated to each of the Committees. Each Committee of the Board is guided by its Charter, which defines the scope, powers, and composition of the Committee. All decisions and recommendations of the Committees are placed before the Board for information or approval as the case may be. During the financial year, the Board has accepted the recommendations of Committees on matters where such a recommendation is mandatorily required. There have been no instances where such recommendations have not been considered.

The Committees of the Board meet at regular intervals and have the requisite subject expertise to handle and resolve matters expediently. The Board oversees the functioning of the Committees. The Chairman of the respective Committee briefs the Board on significant discussions and decision taken at their respective meetings. The minutes of the meetings of the Committees convened between two Board Meetings are placed before the Board at its next meeting for its information and confirmation.

The Company Secretary acts as a Secretary to all the Committees of the Board. Detailed terms of reference, composition, meetings, and other information of each of the Committees of the Board are given herein below:

#### ♦ AUDIT COMMITTEE

The primary objective of the Audit Committee is to monitor and provide an effective supervision of the management's financial reporting process, to ensure accurate and timely disclosures, with the highest level of transparency, integrity, and quality of financial reporting.

The Audit Committee of the Company is constituted in line with the provisions of section 177 of the Companies Act, 2013, regulation 18 of the SEBI LODR and as per RBI Master Direction - Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time.

#### Terms of reference of the Audit Committee include:

- Review of internal audit reports and action taken reports, assessment of the efficacy of the internal control systems/financial reporting systems and reviewing the adequacy of the financial policies and practices followed by the Company.
- Reviewing, with the management, the quarterly and annual financial statements, and Auditors Report thereon before submission to the board for approval.
- Reviews the compliance with legal and statutory requirements, the quarterly and annual financial statements and related party transactions and reports its findings to the Board.
- Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees or any payment to statutory auditors for any other services

- Reviewing with the performance of statutory and internal auditors, evaluation of the internal control systems including internal financial controls and Risk Management
- Reviewing and monitoring the auditor's independence, performance, and effectiveness of audit process.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- The audit committee takes note of any default in the payments to creditors and shareholders.
- The committee also looks into those matters specifically referred to it by the Board.

During the year, the company has changed the composition of the committee. As on March 31, 2020, the Audit Committee comprises Five (5) members and majority of which are Independent Directors.

The Audit Committee met 4 times during the year: April 22, 2019, July 29, 2019, October 30, 2019 and January 28, 2020. The details of the attendance of the Directors at the Audit Committee meetings are given below.

S.No	Name of Directors	Designation /category	No. of Meetings Held/ attended During the Financial Year 2019-20		% of Attendance
			Held During Their Tenure	Attended	
1	Mr. A. Subramanian	Chairman (Independent Director)	4	4	100
2	Mr. KR Bijimon	Member (Non-Executive Director)	4	4	100
3	Mr. K Venkataraman	Member (Independent Director)	1	1	100
4	Mr. V A George	Member (Independent Director)	4	4	100
5	Mr. S Chandrasekar	Member (Wholtime Director)	3	3	100
6	Mr. A. Srinivasan@	Member (Independent Director)	2	2	100

@Mr. A. Srinivasan ceased to be member of Audit Committee after his cessation from the Board wef September 23, 2019

Post Financial Year 2019-20 the Audit Committee was reconstituted on May 10, 2020 where Mr. Chinnasamy Ganesan inducted as committee member (Chairman).

## ❖ NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee of the Board of Directors was constituted as per requirement of Section 178 of the Companies Act, 2013, Reserve Bank of India Regulations and SEBI Listing Obligations and Disclosure Requirements Regulations, 2015. The detailed Policy is available in Company website [www.belstar.in](http://www.belstar.in).

Terms of reference of the Nomination and Remuneration Committee include:

- The NRC is responsible for ensuring that the directors appointed would have appropriate skills to support the functioning of the company.
- The NRC would review the can did ature of the Directors and ensure they are fit and proper as per the guidelines of RBI and companies act. The NRC would also take declarations from each director appointed that no prosecution is pending against the said director, a declaration that he is not disqualified to be appointed and a declaration on list of entities in which he is interested.
- Review and carry out every Director's performance, the structure size and composition including skills, knowledge and experience required of the Board compared to its current position and make recommendations to the Board with regard to any changes.
- Fixation of the remuneration of the directors and key managerial personnel.

During the year, the company has changed the composition of the committee. As on March 31, 2020, the Nomination and Remuneration Committee comprises three(3) members and majority of which are Independent Directors. Nomination and Remuneration Committee met thrice during the year, on April 22, 2019, July 29, 2019 and January 28, 2020. The details of the attendance of the Directors at the Nomination and Remuneration Committee meetings are given below.

S.No	Name of Directors	Designation /category	No. of Meetings Held/ attended During the Financial Year 2019-20		% of Attendance
			Held During Their Tenure	Attended	
1	Mr. K Venkataraman #	Chairman (Independent Director)	1	1	100
2	Mr. A. Subramanian	Member (Independent Director)	3	3	100
3	Mr. George M Jacob	Member (Non-Executive Director)	3	3	100
4	Mr. A. Srinivasan@	Member (Independent Director)	2	1	50

@Mr. A. Srinivasan ceased to be member of Nomination and Remuneration Committee after his cessation from the Board wef September 23,2019

# Post Financial Year 2019-20 the Nomination and Remuneration Committee was reconstituted on May 10,2020 where Mr. V A George was inducted as Committee member (Chairman) in place of Mr K Venkataraman.

### ❖ CORPORATE SOCIAL RESPONSIBILITY(CSR) COMMITTEE

Corporate Social Responsibility Committee is constituted as per Section 135 of the Companies Act 2013. The CSR Committee monitors the overall CSR Activities of the Company. It provides guidance on various areas where CSR activities can be carried out.

As on March 31,2020, the CSR Committee comprises Three (3) members. The CSR Committee met once during the year on July 30,2019.The details of the attendance of the Directors at the CSR Committee meetings are given below.

S.No	Name of Directors	Designation /category	No. of Meetings Held/ attended During the Financial Year 2019-20		% of Attendance
			Held During Their Tenure	Attended	
1	Mr. S Chandrasekar	Chairman (Wholetime Director)	1	1	100
2	Mr. A. Subramanian #	Member (Independent Director)	1	1	100
3	Mr. KR Bijimon	Member (Non-Executive Director)	1	1	100

# Post Financial Year 2019-20 the CSR Committee was reconstituted on May 10,2020 where Mr K Venkataraman was inducted as Committee member in place of Mr. A Subramanian.

### ❖ STAKE HOLDERS RELATIONSHIP COMMITTEE

The Stakeholder Relationship Committee of the Board of Directors was constituted as per requirement of Section 178 of the Companies Act, 2013,

Terms of reference of the Stakeholder Relationship Committee include:

- Resolving the grievances of the security holders of the entity including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends etc.
- To approve, register, refuse to register transfer / transmission of shares and other securities;
- Review of measures taken for effective exercise of voting rights by shareholders.
- Review of adherence to the service standards adopted by the entity in respect of various services being rendered by the Registrar & Share Transfer Agent.
- Review of the various measures and initiatives taken by the entity for reducing the quantum of unclaimed

dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.

- To perform all functions relating to the interests of security holders of the Company and as assigned by the Board, as may be required by the provisions of the Companies Act, 2013 and Rules made thereunder, Listing Agreements with the Stock Exchanges and guidelines issued by the SEBI or any other regulatory authority.
- Monitor and review any investor complaints received by the Company or through SEBI, SCORES and ensure its timely and speedy resolution, in consultation with the Company Secretary and Compliance officer and RTA of the Company.

As on March 31, 2020, the Stakeholder Relationship Committee comprises Three (3) members. The Stakeholder Relationship Committee met once during the year on January 28, 2020. The details of the attendance of the Directors at the Stakeholder Relationship Committee meetings are given below

S.No	Name of Directors	Designation /category	No. of Meetings Held/ attended During the Financial Year 2019-20		% of Attendance
			Held During Their Tenure	Attended	
1	Mr. KR Bijimon	Chairman (Non-Executive Director)	1	1	100
2	Dr(Mrs.) Kalpanaa Sankar	Member (Managing Director)	1	1	100
3	Mr. S Chandrasekar	Member (Wholetime Director)	1	1	100

#### ❖ FINANCE COMMITTEE

The main terms of reference of the Finance Committee are as below:

- To review and approve the loan facilities (on-balance sheet and off-balance sheet) and borrowings from various Banks and Financial Institutions including NBFC's within the overall limit fixed by the Board from time to time.
- To Avail Financial Assistance by Way of assignment/ securitization of receivables from Banks and Financial Institutions including NBFC's.
- To finalize the terms condition of debentures securities
- To allot the Debentures to the debenture holders

As on March 31, 2020, the Finance Committee comprises Two (2) members. The Finance Committee met 27 (Twenty Seven) times during the year: April 04, 2019, May 03, 2019, June 03, 2019, June 19, 2019, June 28, 2019, July 22, 2019, August 22, 2019, September 05, 2019, September 23, 2019, September 27, 2019, September 28, 2019, October 21, 2019, October 31, 2019, November 11, 2019, December 02, 2019, December 03, 2019, December 16, 2019, December 19, 2019, December 24, 2019, December 26, 2019, December 31, 2019, February 19, 2020, March 09, 2020, March 12, 2020, March 24, 2020, March 28, 2020 and March 30, 2020. The details of the attendance of the Directors at the Finance Committee meetings are given below.

S.No	Name of Directors	Designation /category	No. of Meetings Held/ attended During the Financial Year 2019-20		% of Attendance
			Held During Their Tenure	Attended	
1	Dr(Mrs.) Kalpanaa Sankar	Chairperson (Managing Director)	27	27	100
2	Mr. S Chandrasekar	Member (Wholetime Director)	26	26	100
3	Dr (Mr.) Natarajan Jeyaseelan@	Member (Non-Executive Director)	1	1	100

@ Dr (Mr.) Natarajan Jeyaseelan ceased his directorship in the company due to his retirement wef April 05, 2019

## ♦ RISK MANAGEMENT COMMITTEE

The Risk Management Committee was constituted in accordance with Reserve Bank India regulations.

The Terms of reference of the RMC include:

- To monitor and review the risk management plan
- To review the Risk Management policies and processes such as identification, evaluation and mitigation of operational, strategic, environmental risks and information technology risk and integrity risk, and ensure that proper risk assessment and risk mitigation plans are in place.
- To take strategic actions to mitigate the risks associated with the nature of business.
- To appraise the Board on the Company's overall risk appetite, tolerance and strategy taking account of the current and prospective sector, macroeconomic and financial environment and drawing on financial stability assessments such as those published by the Reserve Bank of India and the Self-Regulatory Organization (SRO) and lay down procedures to inform Board members about the risk assessment and mitigation procedures.
- To review reports on any material breaches of risk limits and the adequacy of proposed actions.
- To review the company's capability to identify and manage new types of risk.
- To address concerns regarding Asset Liability mismatches and interest rate exposures.
- To achieving optimal return on capital employed while maintaining acceptable levels of risk relating to liquidity.
- To address concerns regarding interest rate risk exposure.

As on March 31,2020, the Risk Management Committee comprises Two (2) members. The Risk Management Committee met twice during the year on July 26, 2019 and January 27, 2020. The details of the attendance of the Directors at the Risk Management Committee meetings are given below:

S.No	Name of Directors	Designation /category	No. of Meetings Held/ attended During the Financial Year 2019-20		% of Attendance
			Held During Their Tenure	Attended	
1	Dr(Mrs.) Kalpanaa Sankar	Chairperson (Managing Director)	2	2	100
2	Mr. S Chandrasekar	Member (Wholetime Director)	2	2	100
3	Mr. A. Srinivasan @	Member (Independent Director)	1	1	100

@Mr. A. Srinivasan ceased to be member of Risk Management Committee after his cessation from the Board wef September 23,2019

Post Financial Year 2019-20 the Risk Management Committee was reconstituted on May 10, 2020 where Mr. K. Venkataraman (Chairman) and Mr. George M Alexander were inducted as Committee members.

Other than the above Committees of Board, in accordance with Reserve Bank of India Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 the Company has in place following Committees which is part of management.

## ♦ Asset Liability Management Committee (ALCO)

Managing Director is the Chairperson, and the Committee meets at least once in a month. The main objectives of the Committee are:

- ▶ Addressing concerns regarding asset liability mismatches



- ▶ Addressing concerns regarding interest rate exposures
- ▶ Review of cash flows in comparison to the Liquidity metrics
- ▶ Achieving optimal return on capital employed while maintaining acceptable levels of risk relating to liquidity
- ▶ Present statement of short-term dynamic liquidity, structural liquidity, and Interest rate sensitivity.

#### ❖ IT Strategy Committee

The functions of the IT Committee include approval of IT strategies and policy documents to ascertain whether the company's management has implemented processes / practices which ensure that IT delivers value to business, that the budgets allocated vis-à-vis IT investments are commensurate, monitor methods adopted to ascertain the IT resources needed to achieve strategic goals of the Company and to provide high-level directions for the sourcing and use of IT resources.

One of the Independent Director is appointed as member and Chairman of the Committee. The committee met once during FY 2019-20.

## IV. REMUNERATION OF DIRECTORS

### A. Executive Director

The disclosure in respect of remuneration paid/payable to Managing Director/Whole Time Director of the Company for the financial year 2019-2020 is given below:

S.No	Particulars of Remuneration	Dr. Kalpanaa Sankar Managing Director (Rs.)	Mr. Sitaraman Chandrasekar Whole time Director (Rs.)
1	Salary	1,03,50,000	47,28,000
2	Provident Fund	21,600	21,600
3	Incentive	25,87,500	2,00,000
	<b>Total (A)</b>	<b>1,29,59,100</b>	<b>49,49,600</b>
	Ceiling as per the Act	As per Limits under Schedule V of Companies Act 2013	

The criteria for making payments to the Managing Director/ Wholetime Director were:

- ▶ Salary and Incentive as recommended by the Nomination and Remuneration Committee and approved by the Board.
- ▶ Perquisites and performance pay are also paid/ provided in accordance with the Company's compensation policies, as applicable to all employees and the relevant legal provisions.
- ▶ Remuneration is determined keeping in view the industry benchmarks.

### B. Non- Executive Director

The Non-Executive Directors are not paid any remuneration other than the sitting fee for attending meetings of the Board and the committees thereof as approved by the Board. The sitting fees as determined by the Board for attending meetings of the Board, Audit Committee, Nomination and Remuneration Committee, Risk Management Committee and CSR committee are within the limits prescribed under the Companies Act, 2013. The details of sitting fees paid to Non - Executive Independent Directors for attending the meeting the Board and relevant Committees during the Financial Year 2019-20 are as under:

Name of the Director	Sitting Fees Paid (Rs)		Total (Rs.)
	Board Meeting	Committee Meeting	
Mr. A Subramanian	3,20,000	6,40,000	9,60,000
Mr. V A George	3,20,000	3,20,000	6,40,000
Mr. K Venkataraman	1,60,000	1,60,000	3,20,000
Mr. KR Bijimon	3,20,000	4,00,000	7,20,000
Mr. George Alexander	3,20,000	Nil	3,20,000
Mr. George M Jacob	3,20,000	2,40,000	5,60,000
Mr. A Srinivasan	1,60,000	3,20,000	4,80,000
Mr. David Arturo Paradiso*	Nil	Nil	Nil
Mr. Chinnasamy Ganesan**	Nil	Nil	Nil

\* Mr. David Arturo Paradiso has negated his sitting fees for attending Board Meetings.

\*\* Mr. Chinnasamy Ganesan did not attend any meeting as he was appointed wef March 14,2020.

## V. GENERAL BODY MEETINGS

The details of the Annual General Meetings (AGM)/Extra Ordinary General Meetings (EGM) of the Company held in the last three years are as follows:

Financial Year	AGM/EGM	Venue	Date & Time	No. of Special Resolutions Passed
2019-20	1 <sup>st</sup> EGM for the FY 2019-20	Corporate Office of the Company	December 05, 2019 at 2.00 P.M	3
	2 <sup>nd</sup> EGM for the FY 2019-20		March 14, 2020 at 2.00 P.M	2
2018-19	1 <sup>st</sup> EGM for the FY 2018-19	Registered Office of the Company	June 29, 2018 at 12.00 P.M	3
	31 <sup>st</sup> AGM		September 23, 2019 at 02.30 P.M	6
2017-18	30 <sup>th</sup> AGM	Registered Office of the Company	August 18, 2018 at 2.00 P.M	7
	1 <sup>st</sup> EGM for the FY 2017-18		November 29, 2017 at 11.30 A.M	2
2016-17	29 <sup>th</sup> AGM	Registered Office of the Company	July 31, 2017 at 11.30 A.M	-
	1 <sup>st</sup> EGM for the FY 2016-17		July 22, 2016 at 2.00 P.M	1
	2 <sup>nd</sup> EGM for the FY 2016-17		March 29, 2017 at 2.00 P.M	5

## VI. POSTAL BALLOT

No Postal Ballot was conducted during the year 2019-20.

There is no immediate proposal for passing any resolution through Postal Ballot. None of the businesses proposed to be transacted at the ensuing Annual General Meeting require passing of resolution through Postal Ballot.

## **VII. DISCLOSURES**

### **A. Related Party Transactions**

All transactions or arrangements with related parties referred to in Section 188 (1) of the Act, entered into during the year were on arm's length basis or were in ordinary course of business or with approval of the Audit Committee. The Board has formulated a policy on related party transactions, which is displayed on the web site of the Company at [www.belstar.in](http://www.belstar.in). During the year, the Company had not entered into any contract / arrangement / transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions. Unanimous approvals granted by Audit Committee are for transactions which are of repetitive nature and are in compliance of Companies Act 2013

In the opinion of the Board of Directors, none of the transactions of the Company entered into with the related parties were in conflict with the interests of the Company. Further, there were no material related party transactions which required approval of shareholders as required under Companies Act 2013.

### **B. Statutory Compliance, Penalties and Strictures**

During the year some of Non-Convertible Debentures (NCD's) were listed in the Wholesale Debt Market Segment (WDM) of Bombay Stock Exchange. The Company has complied with requirements of the Bombay Stock Exchange, SEBI and other statutory authorities on all matters relating to capital markets during the year. There have been no instances of non-compliance by the Company and no penalties and/or strictures have been imposed on it by Stock Exchange or SEBI or any Statutory Authority on any matter related to the capital markets since listing.

### **C. Vigil Mechanism and Whistle Blower Policy**

Your Company has a Whistle Blower policy duly approved by the Board . The policy provides a whistle blowing route to employees, including part-time, temporary and contract employees and Directors of the organisation. This mechanism protects the employees from raising concerns about serious irregularities, unethical behaviour, actual or suspected fraud within the Company. There is a graded reporting structure under the Policy and also provides provision for direct access to Chairman of Audit Committee. The details of the Policy are available on the Company's website <https://www.belstar.in/governance.php>. Your Company affirms that no employee has been denied access to the Audit Committee and top Management of the Company. There are no complaints received during the year.

### **D. Compliance with Mandatory & Non-Mandatory Requirements**

The Company has complied with all the mandatory and major non-mandatory requirements of the SEBI Listing Regulations relating to Corporate Governance, to the extent applicable to the Company. There have been no instances of non-compliance by the Company on any matters related to Labour Law, RBI, MCA, Income Tax and GST, and other applicable Acts.

### **E. Code of Conduct**

All the members of the Board and Senior Management personnel have affirmed compliance with the Code of Conduct. A declaration to this effect by the Managing Director is given as Annexure A to this report. The Code is displayed on the web site of the Company at <https://www.belstar.in/governance.php>

### **F. CEO/CFO Certification**

The Managing Director and CFO have certified to the Board in accordance with SEBI LODR pertaining to the CEO/CFO Certification for the financial year ended March 31, 2020. The same is annexed as Annexure B to this report.

### III. DISCLOSURE AND TRANSPARENCY

At regular intervals, the Company placed the following information/reports to the Board of Directors:

- Report on progress made in putting in place a progressive risk management system and risk Management policy and strategy followed by the Company;
- Statement of conformity with corporate governance standards viz., in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.
- The Annual Financial Statements, also include the following details:
  - ▶ registration/ license/ authorization, by whatever name called, obtained from other financial sector regulators;
  - ▶ ratings assigned by credit rating agencies and migration of ratings during the year;
  - ▶ penalties, if any, levied by any regulator;
  - ▶ Asset-Liability profile, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures as required.
  - ▶ The particulars of transactions between the Company and its related parties, as defined under Section 2(76) of the Companies Act, 2013 and in Ind AS 24 are set out in the financial statements.
  - ▶ The Company has a record of unqualified financial statements since inception.

### IV. MEANS OF COMMUNICATION

The half yearly and annual results were published in leading national dailies. The Company is also maintaining a functional website [www.belstar.in](http://www.belstar.in) wherein all the communications are updated including the quarterly financial results of the Company. The Annual reports containing the Audited Annual Accounts, Auditors' Reports, Boards' Report, the Management Discussion and Analysis Report forming part of Boards' Report and other material information are circulated to the members and others entitled there to. Annual Reports of the Company are emailed to all the shareholders. All the disclosures and communications to be filed with the Stock Exchanges were submitted through e-filing platform/email and there were no instances of non-compliances

During the year Company published following information:

Financial Results	News paper	Date of Publication
Audited Financial Results for the year ended March 31, 2019	Mint (English)	April 23, 2019
Unaudited Results for the Half Year ended on September 30, 2019 with Limited Review Report		November 01, 2019
Change in name of the Company from Belstar Investment and Finance to Belstar Microfinance Private Limited	Trinity Mirror & Makkal Kural	October 05, 2019
Class of the company changed to Public Limited Company (Belstar Microfinance Private Limited to Belstar Microfinance Limited)	Business Standard & Makkal Kural	January 14, 2020

### X. GENERAL SHAREHOLDERS INFORMATION

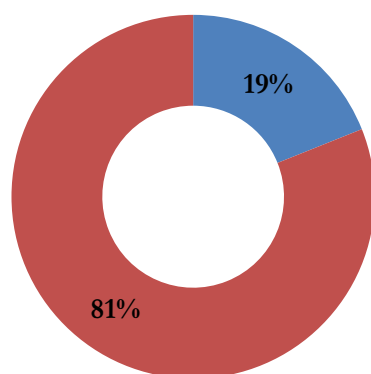
#### A. Company Registration Details

The Company is a Systematically Important Non-Deposit taking NBFC MFI (NDSINBFC-MFI) registered with Reserve Bank of India. The Company is registered in the State of Tamilnadu. During the year under review the class of the company changed to Public Limited Company hence new Corporate Identity Number (CIN)U06599TN1988PLC081652 was allotted to the Company by the Ministry of Corporate Affairs.

#### B. Dematerialization of Shares

It has been noted that the shareholding in dematerialized mode as on March 31, 2020 was 99.99 %

### C. Distribution of Shareholding as on March 31, 2020



■ Promoters and Promoter Group Holding ■ Investors

Category	No of Shares	%
Promoters and Promoter Group Holding	71,07,743	18.94
Investors	3,04,12,781	81.06
<b>Total</b>	<b>3,75,20,524</b>	<b>100</b>

**D. Annual General Meeting** : September 18, 2020

**E. Financial Year** : April 01, 2019 to March 31, 2020

**F. Address of Correspondence**

- **Registered Office** : Belstar Microfinance Limited  
New No.33, Old No. 14, 48th Street  
9th Avenue, Ashok Nagar  
Chennai – 600 083
- **Corporate Office** : Belstar Microfinance Limited  
M V Square, No. 4/14 Soundara Pandian Street,  
Ashok Nagar, Chennai - 600 083

**G. Stock exchange where the NCDs are listed:** Wholesale Debt Market Segment (WDM) of Bombay Stock Exchange, PhirozeJeejeeboy Towers, Dalal Street, Mumbai-400001

### H. Debenture Trustee Details:

1	<b>IDBI Trusteeship Services Limited</b> Asian Building, Ground Floor, 17. R. Kamani Marg Ballard Estate Mumbai Maharashtra – 400 001, Phone: +91 022 40807000 Name of the Contact Person: Swapneil Tiwari (Manager legal & operation)
2	<b>Vistra ITCL (India) Limited</b> The IL&FS Financial Center, Plot No. C-22, G Block, 7th Floor, Bandra Kurla Complex, Bandra (East), Mumbai 400051, Tel: +91 2226593662 Name of the Contact Person: Prakash Barua (Assistant Manager)
3	<b>Beacon Trusteeship Ltd</b> 4 C & D, Siddhivinayak Chambers, Gandhi Nagar, Bandra (E), Mumbai-400051, T +91 (0)22 2655 8759 Name of the Contact Person: Mr. Nikhil Pradhan (Sr. Manager – Operations)



## I. Registrar and Share Transfer Agent Details

In pursuance of Regulation 7(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all activities in relation to electronic mode with respect to Non-convertible debentures(NCDs) facility are maintained by our Registrar & Transfer Agent(RTA) i.e. Integrated Registry Management Services Private Limited, having SEBI Registration No. INR000000544.

In case of NCDs held in electronic form, the transfers are processed by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through their respective Depository Participants. Details of RTA are as under:

**Integrated Registry Management Services Private Limited**  
**CIN: U74900TN2015PTC101466**  
**2nd Floor, Kences Towers, No.1, Ramakrishna Street,**  
**Off: North Usman Road, T.Nagar, Chennai- 600 017**  
**Name of Contact Person: Mr Suresh Babu K, Director**  
**Email id: [corpserv@integratedindia.in](mailto:corpserv@integratedindia.in), Phone: 044-28140801**

## J. Listing Fees and Depository Fees:

Annual Listing Fees and Annual Custody/Issuer Fee for the financial year have been paid to Stock Exchanges and Depositories, respectively.

Place : Chennai.  
Date : July 29, 2020

For and on behalf of the Board of Directors

Sd/  
**Dr. Kalpanaa Sankar**  
Managing Director  
DIN: 01926545

Sd/  
**Mr. S Chandrasekar**  
Wholetime Director  
DIN: 02360909

## ANNEXURE- A

Declaration regarding compliance by Board Members and Senior Management personnel with the Company's Code of Conduct

This is to confirm that the Company has adopted a Code of Conduct for the Members of its Board and its Senior Management Personnel. I confirm that the Company has, in respect of the financial year ended March 31, 2020 received from the Members of the Board and Senior Management team of the Company, a declaration on compliance with the Code of Conduct as applicable to them

Place: Chennai  
Date: May 10, 2020

Sd/  
**Dr. Kalpanaa Sankar**  
Managing Director  
DIN: 01926545

## ANNEXURE - B

### MD/CFO CERTIFICATE

The Board of Directors  
Belstar Microfinance Limited  
Old No.14, New No.33  
48<sup>th</sup> Street, 9<sup>th</sup> Avenue  
Ashok Nagar  
Chennai – 600 083

This is to certify that:

1. We have reviewed the Financial statements and the cash flow statement for the year ended March 31, 2020 and that to the best of our knowledge and belief:
  - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) These statements, together with the notes attached thereto, present a true and fair view of the Company's affairs and are in compliance with “IND AS”, applicable laws and regulations.
2. To the best of our knowledge and belief, the Company has not entered into any fraudulent or illegal transactions.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting.
4. We have indicated to the Auditors and the Audit Committee:
  - a) Significant changes in internal control over financial reporting during the year;
  - b) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - c) Instances of significant fraud of which they have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Chennai  
Date: May 10, 2020

Sd/  
**Dr. Kalpanaa Sankar**  
Managing Director  
DIN: 01926545

Sd/  
**Mr. L. Muralidharan**  
Chief Financial Officer

# Financial Statement



# Independent Auditor's Report

**To The Members of Belstar Microfinance Limited**  
**(Formerly known as Belstar Investment and Finance Private Limited)**

## **Report on the Standalone Financial Statements**

### **Opinion**

We have audited the accompanying Standalone Financial Statements of **Belstar Microfinance Limited** (Formerly known as Belstar Investment and Finance Private Limited) ("the Company"), comprising of the Balance Sheet as at March 31, 2020, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020 and its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

### **Basis of Opinion**

We conducted our audit of the Financial Statements in accordance with the Standards on Auditing ("SA's") issued by the ICAI, as specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the Financial Statements under the provisions of the Act and the Rules 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Financial Statements.

### **Emphasis of matter**

We draw attention to Note No.46.2 of the Financial Statements, which describes extent to which the Covid-19 pandemic will impact the Company's performance. The said note narrates Management's proposed future actions based on its assessment of internal and external factors and macro level indicators. Our opinion is not modified in respect of this matter.

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

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Corporate Governance and Shareholder's Information, but does not include the Financial Statements and our auditor's report thereon.



Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the 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 during the course of our 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 Audit of Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the 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 judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the 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 are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibility for the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the 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 Financial Statements.

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 Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub section (11) of section 143 of the Act, we give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 & 4 of the Order:
2. As required by section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

- d) In our opinion, the aforesaid Financial Statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
- e) On the basis of the written representations received from the directors as on 31st March, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company, and the operating effectiveness of such controls, refer to our separate Report in “**Annexure B**”. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's 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 Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its Financial Statements;
  - ii. Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

**For N. Sankaran & Co**  
Chartered Accountants  
(Firm's Registration No.003590S)

Sd/

Place: Chennai  
Date: May 10, 2020

**M N Prabhakar**  
Partner  
(Membership No. 207188)  
ICAI UDIN: 20207188AAAABE9063

**ANNEXURE 'A' REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF BELSTAR MICROFINANCE LIMITED (FORMERLY KNOWN AS BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED), FOR THE YEAR ENDED MARCH 31, 2020**

Based on the audit procedures performed for the purpose of reporting a true and fair view on the Financial Statements of the Company and taking into consideration the information and explanation given to us and the books of accounts and other records examined by us in the normal course of the audit, and to the best of our knowledge and belief, we report that

- i. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;

The Fixed Assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and nature of its business. Pursuant to the program, a portion of the fixed assets has been physically verified by the management during the year and no material discrepancies between the books/records and the physical fixed assets have been noticed. The title deeds of immovable properties are held in the name of the company.

- ii. The Company is a Non-Banking Finance Company (NBFC), primarily engaged in financing activities and it does not hold any physical inventories. Accordingly, clause 3(ii) of the order is not applicable.
- iii. The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the Register maintained under section 189 of the Act.
- iv. The clause regarding loans, Investments and Guarantees and security as per provisions of section 185 and 186 of the Companies Act, 2013 not applicable to the Company.
- v. In our opinion, the Company has not accepted any deposits within the meaning of Section 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the order are not applicable.
- vi. The Central Government has not specified maintenance of cost records under sub-section (1) of section 148 of the Companies Act, 2013. Accordingly, provisions of clause 3(vi) of the order is not applicable to the Company.
- vii. The Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Sales tax, Service Tax, Goods & Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities.

There are no undisputed amounts payable in respect of the above as at March 31, 2020 for a period of more than six months from the date on when they become payable.

There are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, goods and service tax and cess outstanding as at March 31, 2020 on account of any dispute except as given below.

Name of the Statute	Nature of dues	Amount (Rs.)	Amount paid under protest (Rs.)	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax	7,31,50,000	-	AY 2017-18	Commissioner of Income Tax (Appeals)

- viii. The Company has not defaulted in the repayment of dues to banks and Financial Institutions, debenture holders.
- ix. Moneys raised by way debt instruments and term loans were applied for the purposes for which those are raised. The Company did not raise moneys by way of initial public offer or further public offer.
- x. To the best of our knowledge and according to the information and explanations given to us, the Company has noticed and reported fraud in the nature of cash defalcation by Officers/Employees amounting to Rs. 5,31,894 during the year.
- xi. In our opinion and according to the information and explanations given to us, the Company's status for the year is Public Company and has accordingly paid/provided managerial remuneration as per provisions of Section 197 of the Act read with Schedule V of Companies Act, 2013.
- xii. The Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- xiii. In our opinion all transactions with the related parties are in compliance with Sections 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures during the financial year ended March 31, 2020 and hence reporting under clause 3(xiv) of the order is not applicable to the company.
- xv. In our opinion, the company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
- xvi. The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and the same has been complied with.

**For N. Sankaran & Co**  
Chartered Accountants  
(Firm's Registration No.003590S)

Sd/

**M N Prabhakar**  
Partner  
(Membership No. 207188)

Place: Chennai  
Date: May 10, 2020



## **ANNEXURE “B” REFERRED TO IN PARAGRAPH 2(F) UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR AUDITOR'S REPORT TO OF EVEN DATE ON THE FINANCIAL STATEMENTS OF BELSTAR MICROFINANCE LIMITED (FORMERLY KNOWN AS BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED) FOR THE YEAR ENDED MARCH 31, 2020**

### **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of Belstar Microfinance Limited (“the Company”) as of March 31, 2020 in conjunction with our audit of the Financial Statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable

assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

1. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of Financial Statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
3. Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the Financial Statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### **Opinion**

In our opinion, 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 over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For N. Sankaran & Co**  
Chartered Accountants  
(Firm's Registration No.003590S)

Sd/

**M N Prabhakar**  
Partner  
(Membership No. 207188)

Place: Chennai  
Date: May 10, 2020

## Balance Sheet as at March 31, 2020

(Rs. In millions)

Particulars	Notes	As at Mar 31, 2020	As at Mar 31, 2019
<b>I Assets</b>			
<b>1 Financial Assets</b>			
a) Cash and cash equivalents	6	1,719.28	2,188.23
b) Bank Balance other than (a) above	7	1,423.79	1,094.87
c) Receivables			
i) Trade Receivables	8	1.60	8.46
ii) Other Receivables		-	-
d) Loans	9	20,888.68	16,387.65
e) Investments		-	-
f) Other Financial assets	10	872.05	558.43
<b>2 Non-financial Assets</b>			
a) Current tax assets (Net)		5.88	13.98
b) Deferred tax assets (Net)	36	46.52	94.24
c) Investment Property	11	1.10	1.10
d) Property, Plant and Equipment	12	53.73	41.01
e) Right-of-use assets	13	91.89	-
f) Other Intangible assets	14	13.09	11.14
g) Other non financial assets	15	70.27	39.60
<b>Total Assets</b>		<b>25,187.88</b>	<b>20,438.71</b>
<b>II. LIABILITIES AND EQUITY</b>			
<b>1. Financial Liabilities</b>			
a) Derivative financial instruments		-	-
b) Payables			
(I) Trade Payables		-	-
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		-	-
(II) Other Payables		-	-
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		-	-
c) Debt Securities	16	369.90	2,279.88
d) Borrowings (other than debt securities)	17	17,541.68	12,643.25
e) Subordinated Liabilities	18	1,044.09	905.31
f) Other Financial liabilities	19	975.52	491.66
<b>2. Non-financial Liabilities</b>			
a) Provisions	20	58.07	46.91
b) Other non-financial liabilities	21	220.34	69.94
<b>3. Equity</b>			
a) Equity share capital	22	375.21	375.21
b) Other equity	23	4,603.07	3,626.55
<b>Total Liabilities and Equity</b>		<b>25,187.88</b>	<b>20,438.71</b>

Notes on accounts form part of final accounts  
As per our Report of even date attached

**For M/s. N. Sankaran & Co**

Chartered Accountants  
Firm Regn. No 003590S  
Sd/

**M N Prabhakar**

Partner  
M.No. 207188

For and on behalf of Board of Directors

Sd/  
**Dr. Kalpanaa Sankar**  
Managing Director  
(DIN. 01926545)

Sd/  
**L. Muralidharan**  
Chief Financial Officer

Sd/  
**S. Chandrasekar**  
Wholetime Director  
(DIN. 02360909)

Sd/  
**Sunil Kumar Sahu**  
Company Secretary

Place : Chennai  
Date : May 10, 2020

## Statement of Profit and Loss for the year ended March 31, 2020

(Rs. In millions)

Particulars	Notes	for the year ended Mar 31, 2020	for the year ended Mar 31, 2019
<b>Revenue from operations</b>			
(i) Interest income	26	4,649.45	3,461.37
(ii) Sale of services	27	10.64	26.59
(iii) Net gain on fair value changes on investments	28	66.75	64.62
(iv) Net gain on derecognition of financial instruments		266.76	118.51
<b>(I) Total Revenue from operations</b>		<b>4,993.60</b>	<b>3,671.09</b>
<b>(II) Other Income</b>	29	13.87	9.59
<b>(III) Total Income (I + II)</b>		<b>5,007.47</b>	<b>3,680.68</b>
<b>Expenses</b>			
(i) Finance cost	30	1,799.12	1,491.91
(ii) Fee and commission expenses		99.07	5.63
(iii) Impairment of financial instruments	31	229.50	183.63
(iv) Employee benefit expenses	32	1,050.93	616.32
(v) Depreciation, amortization and impairment	33	90.80	44.20
(vi) Other expenses	34	405.60	308.01
<b>(IV) Total Expenses</b>		<b>3,675.02</b>	<b>2,649.70</b>
<b>(V) Profit/(loss) before tax (III - IV)</b>		<b>1,332.45</b>	<b>1,030.98</b>
<b>(VI) Tax Expense:</b>			
(1) Current tax	35	291.45	322.07
(2) Deferred tax charge/ (credit)	36	51.01	(19.62)
<b>(VII) Profit/(loss) for the period (V-VI)</b>		<b>989.99</b>	<b>728.53</b>
<b>(VIII) Other Comprehensive Income</b>			
<b>A) Items that will not be classified to profit or loss</b>			
(i) Remeasurement gain/ (loss) of defined benefit plans		(1.28)	(5.06)
(ii) Tax impact thereon		0.32	1.47
<b>Subtotal (A)</b>		<b>(0.96)</b>	<b>(3.59)</b>
<b>B) Items that will be classified to profit or loss</b>			
(i) Fair value gain/ (loss) on debt instruments measured at FVOCI		(0.25)	17.63
(ii) Tax impact thereon		0.06	(5.13)
<b>Subtotal (B)</b>		<b>(0.19)</b>	<b>12.50</b>
<b>Other Comprehensive Income (A+B)</b>		<b>(1.15)</b>	<b>8.91</b>
<b>(IX) Total Comprehensive Income for the period (VII+VIII)</b>		<b>988.84</b>	<b>737.44</b>
<b>(X) Earnings per equity share</b>	37		
Basic (Rs.)		26.39	23.35
Diluted (Rs.)		26.39	23.35

Notes on accounts form part of final accounts  
As per our Report of even date attached

For and on behalf of the Board of Directors

**For M/s. N. Sankaran & Co**

Chartered Accountants  
Firm Regn. No 003590S

Sd/

**M N Prabhakar**

Partner  
M.No. 207188

Sd/

**Dr. Kalpanaa Sankar**

Managing Director  
(DIN. 01926545)

Sd/

**L. Muralidharan**

Chief Financial Officer

Sd/

**S. Chandrasekar**

Wholetime Director  
(DIN. 02360909)

Sd/

**Sunil Kumar Sahu**

Company Secretary

Place : Chennai

Date : May 10, 2020

## Statement of changes in Equity for the year ended March 31, 2020

### a. Equity Share Capital

Equity shares of Rs. 10 each issued, subscribed and fully paid

	No. in millions	Rs. in millions
<b>As at April 01, 2018</b>	<b>24.65</b>	<b>246.47</b>
Issued during the year	12.87	128.74
<b>As at March 31, 2019</b>	<b>37.52</b>	<b>375.21</b>
Issued during the year	-	-
<b>As at March 31, 2020</b>	<b>37.52</b>	<b>375.21</b>

### b. Other Equity

(Rs. In millions)

Particulars	Reserves and Surplus							Total
	Statutory Reserve	Securities Premium Account	Debenture redemption reserve	Capital redemption reserve	General Reserve	Retained Earnings	Other comprehensive income	
<b>Balance as at April 01, 2018</b>	<b>118.88</b>	<b>495.48</b>	<b>88.31</b>	-	<b>0.01</b>	<b>303.17</b>	<b>4.05</b>	<b>1,009.90</b>
Dividends including tax								
Transfer to/ from retained earnings	145.71	-	(88.31)	-	-	(57.39)	-	-
Other Additions / Deductions during the year	-	-	-	-	-	(10.30)	-	(10.30)
Premium received during the year	-	1,889.51	-	-	-	-	-	1,889.51
Profit (loss) for the year after income tax	-	-	-	-	-	728.53	-	728.53
Other Comprehensive Income for the year before income tax	-	-	-	-	-	-	12.57	12.57
Less: Income Tax	-	-	-	-	-	-	(3.66)	(3.66)
<b>Balance as at March 31, 2019</b>	<b>264.58</b>	<b>2,384.99</b>	-	-	<b>0.01</b>	<b>964.01</b>	<b>12.96</b>	<b>3,626.55</b>
Dividends including tax						(22.62)		(22.62)
Transfer to/ from retained earnings	198.00			500.00	-	(698.00)		-
Other Additions / Deductions during the year	-	-	-	-	-	10.30	-	10.30
Premium received during the year	-	-	-	-	-	-	-	-
Profit (loss) for the year after income tax	-	-	-	-	-	989.99	-	989.99
Other Comprehensive Income for the year before income tax	-	-	-	-	-	-	(1.53)	(1.53)
Less: Income Tax	-	-	-	-	-	-	0.38	0.38
<b>Balance as at March 31, 2020</b>	<b>462.58</b>	<b>2,384.99</b>	-	<b>500.00</b>	<b>0.01</b>	<b>1,243.68</b>	<b>11.81</b>	<b>4,603.07</b>

Notes on accounts form part of final accounts  
As per our Report of even date attached

**For M/s. N. Sankaran & Co**

Chartered Accountants  
Firm Regn. No 003590S

Sd/

**M N Prabhakar**

Partner  
M.No. 207188

For and on behalf of the Board of Directors

Sd/

**Dr. Kalpanaa Sankar**

Managing Director  
(DIN. 01926545)

Sd/

**S. Chandrasekar**

Wholetime Director  
(DIN. 02360909)

Sd/

**L. Muralidharan**

Chief Financial Officer

Sd/

**Sunil Kumar Sahu**

Company Secretary

Place : Chennai

Date : May 10, 2020



## Cash Flow Statement for the year ended March 31, 2020

(Rs. In millions)

Particulars	for the year ended Mar 31, 2020	for the year ended Mar 31, 2019
Operating activities		
<b>Profit before tax</b>	<b>1,332.45</b>	<b>1,030.98</b>
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation & amortisation	90.80	44.20
Impairment on financial instruments	229.50	183.63
Finance cost	1,799.12	1,491.91
Realised gain on investment held for trading	(66.75)	(64.62)
Interest income on deposits	(99.99)	(61.96)
Profit on sale of asset	(0.17)	-
<b>Operating Profit Before Working Capital Changes</b>	<b>3,284.96</b>	<b>2,624.14</b>
Working capital changes		
(Increase) / Decrease in Trade receivables	6.86	(5.54)
(Increase) / Decrease in Loans	(4,720.43)	(5,246.01)
(Increase) / Decrease in Other financial asset	(296.63)	(476.18)
(Increase) / Decrease in Other non financial asset	(17.20)	(4.06)
Increase / (Decrease) in Other liabilities	586.62	354.88
Increase / (Decrease) in Provision	9.88	11.63
<b>Cash flows from/(used in) operating activities before tax</b>	<b>(1,145.97)</b>	<b>(2,741.14)</b>
Interest paid on borrowings	(1,868.43)	(1,408.56)
Income tax paid	(299.72)	(386.99)
<b>Net cash flows from/(used in) operating activities</b>	<b>(3,314.12)</b>	<b>(4,536.69)</b>
Investing activities		
Acquisition of fixed and intangible assets	(73.43)	(58.09)
Acquisition of investment property	-	-
Realised gain on investment held for trading	66.75	64.62
Proceeds from sale of fixed assets	0.31	0.03
Investment in fixed deposits	(328.92)	(355.66)
Interest received on deposits	80.02	50.23
<b>Net cash flows from/(used in) investing activities</b>	<b>(255.27)</b>	<b>(298.87)</b>
Financing activities		
Proceeds from issue of shares	-	2,007.95
Net receipts/Payments from borrowings	3,158.15	3,689.31
Interest paid on Lease liabilities	(10.02)	-
Payment towards Lease liabilities	(25.07)	-
Dividend paid on equity shares	(22.62)	-
<b>Net cash flows from financing activities</b>	<b>3,100.44</b>	<b>5,697.26</b>
<b>Net increase in cash and cash equivalents</b>	<b>(468.95)</b>	<b>861.70</b>
Net foreign exchange difference	-	-
Cash and cash equivalents at 1 April	2,188.23	1,326.53
<b>Cash and cash equivalents at reporting date</b>	<b>1,719.28</b>	<b>2,188.23</b>

Notes on accounts form part of final accounts  
As per our Report of even date attached

For and on behalf of the Board of Directors

**For M/s. N. Sankaran & Co**

Chartered Accountants  
Firm Regn. No 003590S

Sd/  
**M N Prabhakar**  
Partner  
M.No. 207188

Sd/  
**Dr. Kalpanaa Sankar**  
Managing Director  
(DIN. 01926545)

Sd/  
**L. Muralidharan**  
Chief Financial Officer

Sd/  
**S. Chandrasekar**  
Wholetime Director  
(DIN. 02360909)

Sd/  
**Sunil Kumar Sahu**  
Company Secretary

Place : Chennai  
Date : May 10, 2020

## Notes forming part of Financial Statements

### Significant Accounting Policies

#### 1. Corporate Information

Belstar Microfinance Limited, (Formerly known as Belstar Investment and Finance Private Limited) (the Company) a Company incorporated under the Companies Act, 1956 having its registered office at No 33, 48<sup>th</sup> Street, 9<sup>th</sup> Avenue, Ashok Nagar, Chennai- 600083 and registered with the Reserve Bank of India as a non-banking financial company (NBFC) from March 2001. The Company is basically engaged in the business of providing loans and access to Credit to the Self-Help Group (SHG) members / Joint Liability Group (JLG) members known as “Pragati” and other loans like Sanitation, Small Enterprise Loan (SEL) and operating in the financial inclusion space. The Company got classified as a NBFC -MFI effective December 11, 2013. The company is a Systemically Important Non- Deposit taking NBFC MFI (NDSI–NBFC-MFI) as at March 31, 2020.

During the year, the Company name has been changed from **“Belstar Investment and Finance Private Limited”** to **“Belstar Microfinance Private Limited”** with effect from October 3, 2019 and subsequently converted into a public limited company as **“Belstar Microfinance Limited”** with effect from January 10, 2020.

#### 2. Basis of preparation

##### Statement of compliance

The financial statements of the Company have been prepared in accordance with the applicable Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 (“the Act”), read with the Companies (Indian Accounting Standards Rules), 2015 (as amended from time to time) and other accounting principles generally accepted in India.

##### Basis of measurement

The financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements required or allowed by relevant accounting standards. Accounting policies have been consistently applied to all periods presented, unless otherwise stated.

##### Functional and presentation currency

The financial statements are presented in Indian Rupees (INR) which is also functional currency of the Company and the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest millions, except when otherwise indicated.

#### 3. Significant accounting policies

##### 3.1 Recognition of interest income

The Company computes Interest income by applying the effective interest rate to the gross carrying amount of a financial asset except for purchased or originated credit-impaired financial assets and other credit-impaired financial assets.

For purchased or originated credit-impaired financial assets, the Company applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

For other credit-impaired financial assets, the Company applies effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

When calculating the effective interest rate, the Company includes all fees and charges paid or received to and from the borrowers that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net gain on fair value changes.

### **3.2 Recognition of income and expenses**

Revenue (other than for financial instruments) is measured at fair value of the consideration received or receivable. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found within Ind As.

The Company recognises revenue from contracts with customers based on a five-step model as set out in Ind As 115:

- Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation

#### **3.2.1 Dividend income**

Dividend income is recognised when the Company's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

### **3.3 Financial instruments**

#### **3.3.1 Financial asset**

##### **Initial recognition**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Loans are recognised when funds are transferred to the customers' account.

### 3.3.2 Initial and subsequent measurement

The Company classifies its financial assets into the following measurement categories:

1. Debt instruments at amortised cost
2. Debt instruments at fair value through other comprehensive income (FVTOCI).
3. Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL).
4. Equity instruments measured at fair value through other comprehensive income (FVTOCI).

The classification depends on the contractual terms of the financial assets' cash flows and the Company's business model for managing financial assets.

The IND AS 109 classification and measurement model requires that all debt instrument financial assets that do not meet a "solely payment of principal and interest" (SPPI) test, including those that contain embedded derivatives, be classified at initial recognition as fair value through profit or loss (FVTPL). The intent of the SPPI test is to ensure that debt instruments that contain non-basic lending features, such as conversion options and equity linked pay-outs, are measured at FVTPL.

Accordingly, for debt instrument financial assets that meet the SPPI test, the Company classifies its assets based on the business model under which these instruments are managed.

Debt instruments that are managed on a "held for trading" or "fair value" basis is classified as FVTPL. Financial instruments held at fair value through profit or loss, are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the income statement as they arise.

Debt instruments that are managed on a "hold to collect and for sale" basis is classified as fair value through other comprehensive income (FVOCI) for debt. These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest revenue and foreign exchange gains and losses are recognised in profit and loss. Upon disposal, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement.

Debt instruments that are managed on a "hold to collect" basis will be classified as amortized cost. After initial measurement at fair value plus directly attributable costs, these financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the Statement of Profit and Loss.

The measurement of credit impairment is based on the three-stage expected credit loss model described below in Note 3.6 Impairment of financial assets.

All equity instrument financial assets are classified at initial recognition as FVTPL unless an irrevocable designation is made to classify the instrument as FV-OCI for equities. The FV-OCI for equities category results in all realized and unrealized gains and losses being recognized in OCI with no recycling to profit and loss. Only dividends are recognized in profit and loss.

### 3.3.3 Financial liabilities

#### *Initial Measurement*

Financial liabilities are classified and measured at amortized cost. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

#### *Subsequent Measurement*

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

## 3.4 Derecognition of financial assets and liabilities

### 3.4.1 Financial Asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:

- a) The Company has transferred its contractual rights to receive cash flows from the financial asset
- or
- b) It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- ▶ The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- ▶ The Company cannot sell or pledge the original asset other than as security to the eventual recipients

The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients. A transfer only qualifies for derecognition if either:

- ▶ The Company has transferred substantially all the risks and rewards of the asset
- or
- ▶ The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer. When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.



### 3.4.2 Financial Liability

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

### 3.5 Offsetting

Financial assets and financial liabilities are generally reported gross in the balance sheet. Financial assets and liabilities are offset, and the net amount is presented in the balance sheet when the Company has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously, in all the following circumstances:

- a. The normal course of business
- b. The event of default
- c. The event of insolvency or bankruptcy of the Company and/or its counterparties.

### 3.6 Impairment of financial assets

#### 3.6.1 Overview of the Expected Credit Loss (ECL) principles

The Company has created provisions on all financial assets except for financial assets classified as FVTPL, based on the expected credit loss method.

The ECL provision is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The 12-month ECL is the portion of Lifetime ECL that represent the ECLs that result from default events on financial assets that are possible within the 12 months after the reporting date.

The Company performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company categorises its loans into three stages as described below:

#### **For non-impaired financial instruments**

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a significant increase in credit risk (SICR) since initial recognition. A 12-month ECL provision is made for stage 1 financial instruments. In assessing whether credit risk has increased significantly, The Company compares the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.
- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Company recognises lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then entities shall revert to recognizing 12 months of ECL.

### **For impaired financial instruments:**

Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Company recognises lifetime ECL for impaired financial instruments.

#### **3.6.2 The calculation of ECLs**

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

**Probability of Default (PD)** - The Probability of Default is an estimate of the likelihood of default over a given time horizon. The Company uses historical information where available to determine PD. Considering the different products and schemes, the Company has bifurcated its loan portfolio into various pools. PD is calculated using Incremental NPA approach considering fresh slippage using historical information.

**Exposure at Default (EAD)** - The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

**Loss Given Default (LGD)** - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

#### **Forward looking information**

While estimating the expected credit losses, the Company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyses if there is any relationship between key economic trends like GDP, unemployment rates, benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Company based on its internal data. While the internal estimates of PD, LGD rates by the Company may not be always reflective of such relationships, temporary overlays, if any, are embedded in the methodology to reflect such macro-economic trends reasonably.

#### **Write-offs**

Loans are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when it is determined that the customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

#### **Collateral**

In the normal course of business, the Company does not take financial or non-financial item as collateral security from the customers for the loan given.

#### **Impairment of Trade receivables**

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables.

### 3.7 Determination of fair value

The Company measures financial instruments, such as, investments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- i. In the principal market for the asset or liability, or
- ii. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

The financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

**Level 1 financial instruments** – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date. The Company considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

**Level 2 financial instruments** – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.

**Level 3 financial instruments** – Those that include one or more unobservable input that is significant to the measurement as whole.

### 3.8 Finance cost

Finance costs represents Interest expense recognised by applying the Effective Interest Rate (EIR) to the gross carrying amount of financial liabilities other than financial liabilities classified as FVTPL.

Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to advisers and other expenses such as external legal costs, provided these are incremental costs that are directly related to the issue of a financial liability.

### 3.9 Other income and expenses

All other income and expense are recognized in the period they occur.

### 3.10 Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts, if any as they are considered an integral part of the Company's cash management.

### 3.11 Property, plant and equipment

Property, plant and equipment (PPE) are measured at cost less accumulated depreciation and accumulated impairment, (if any). The total cost of assets comprises its purchase price, freight, duties, taxes and any other incidental expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

Subsequent expenditure related to an item of tangible asset are added to its gross value only if it increases the future benefits of the existing asset, beyond its previously assessed standards of performance and cost can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

#### 3.11.1 Depreciation

Tangible assets are stated at historical cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is charged based on a review by the management during the year and at the rates derived based on the useful lives of the assets as specified in Schedule II of the Companies Act, 2013 on Written Down Value method. All fixed assets costing individually upto Rs.5,000 is fully depreciated by the company in the year of its capitalisation.

Particulars	Useful life	Residual value
Furniture and fixture	10 years	2%
Office equipment	5 years	2%
Vehicles	10 years	2%
Computer	3 years	5%

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.

Property plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. 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 recognised in other income / expense in the statement

of profit and loss in the year the asset is derecognised. The date of disposal of an item of property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115.

### **3.12 Intangible assets**

The Company's intangible assets consist of computer software.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset comprises its purchase price and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are amortised using the Written down value method to write down the cost of intangible assets to their residual values over their estimated useful lives. Intangible assets comprising of software are amortised on a Written down value basis over a period of 3 years keeping residual value 5%.

Gains or losses from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the Statement of Profit and Loss when the asset is derecognised.

### **3.13 Investment Property**

Properties, held to earn rentals and/or capital appreciation are classified as investment property and measured and reported at cost, including transaction costs.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of property is recognised in the Statement of Profit and Loss in the same period.

The fair value of investment property is disclosed in the notes accompanying these financial statements. Fair value has been determined by independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

### **3.14 Impairment of non-financial assets**

The Company's assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.



In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

### **3.15 Post employment benefits**

#### **3.15.1 Defined contribution schemes**

Contributions to the Employees Provident Fund Scheme maintained by the Central Government are accounted for on an accrual basis. Retirement benefit in the form of provident fund is a defined contribution scheme.

The company has no obligation, other than the contribution payable under the scheme. The company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognized as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognized as an asset.

#### **3.15.2 Defined Benefit schemes**

##### *Gratuity*

The Company provides for gratuity covering eligible employees under which a lumpsum payment is paid to vested employees at retirement, death, incapacitation or termination of employment, of an amount reckoned on the respective employee's salary and his tenor of employment with the Company. The Company accounts for its liability for future gratuity benefits based on actuarial valuation determined at each Balance Sheet date by an Independent Actuary using Projected Unit Credit Method. The Company makes annual contribution to a Gratuity Fund administered by Life Insurance Company Limited and such other insurance company from time to time.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government Securities as at the Balance Sheet date.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Re-measurement, comprising of actuarial gains and losses (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

### **3.16 Provisions**

Provisions are recognised when the enterprise has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the enterprise determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

### **3.17 Taxes**

Income tax expense represents the sum of current tax and deferred tax.

#### **3.17.1 Current Tax**

Current tax is the amount of income taxes payable in respect of taxable profit for a period. Taxable profit differs from 'profit before tax' as reported in the Statement of Profit and Loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible in accordance with applicable tax laws.

Interest income / expenses and penalties, if any, related to income tax are included in current tax expense. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the end of reporting date in India where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in 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.

#### **3.17.2 Deferred tax**

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable amounts will arise to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities are realised simultaneously.

### **3.17.3 Goods and services tax /value added taxes paid on acquisition of assets or on incurring expenses**

Expenses and assets are recognised net of the goods and services tax/value added taxes paid, except:

- i. When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- ii. When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### **3.17.4 Minimum Alternate Tax (MAT)**

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that it is probable that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit can be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as “MAT Credit Entitlement.” The Company reviews the MAT Credit Entitlement asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

### **3.18 Contingent Liabilities and assets**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. The company does not have any contingent assets in the financial statements.

### **3.19 Earnings Per Share**

The Company reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

### 3.20 Leases

#### As a lessee

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

#### Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for short term leases of real estate properties that have a lease term of 12 months. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease.

### 3.21 Cash flow statement

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from regular revenue generating (operating activities), investing and financing activities of the Company are segregated.

## 4. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting

period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

#### **4.1 Business Model Assessment**

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

#### **4.2 Defined employee benefit assets and liabilities**

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### **4.3 Fair value measurement:**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### **4.4 Impairment of loans portfolio**

The measurement of impairment losses across all categories of financial assets requires judgement the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by several factors, changes in which can result in different levels of allowances.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.



#### 4.5 Effective Interest Rate (EIR) method

The Company's EIR methodology, recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to India's base rate and other fee income/expense that are integral parts of the instrument.

#### 4.6 Other estimates:

These include contingent liabilities, useful lives of tangible and intangible assets etc.

#### 5. Standard issued but not yet effective

Ministry of corporate affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

Notes on accounts form part of final accounts  
As per our Report of even date attached

For and on behalf of the Board of Directors

**For M/s. N. Sankaran & Co**  
Chartered Accountants  
Firm Regn. No 003590S

Sd/  
**Dr. Kalpanaa Sankar**  
Managing Director  
(DIN. 01926545)

Sd/  
**S. Chandrasekar**  
Wholetime Director  
(DIN. 02360909)

Sd/  
**M N Prabhakar**  
Partner  
M.No. 207188

Sd/  
**L. Muralidharan**  
Chief Financial Officer

Sd/  
**Sunil Kumar Sahu**  
Company Secretary

Place : Chennai  
Date : May 10, 2020

## Notes to financial statements for the period ended March 31, 2020

### 6. Cash and cash equivalents

(Rs. In millions)

Particulars	As at Mar 31, 2020	As at Mar 31, 2019
Cash on hand	18.75	15.15
Balances with Banks - in current accounts	1,400.53	1,873.08
Bank deposit with maturity of less than 3 months	300.00	300.00
<b>Total</b>	<b>1,719.28</b>	<b>2,188.23</b>

Short-term deposits are made for period varying between one day to three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short term deposit rates.

The Company has not taken any bank overdraft, therefore the cash and cash equivalent for cash flow statement is same as cash and cash equivalent given above.

### 7. Bank balance other than cash and cash equivalents

(Rs. In millions)

Particulars	As at Mar 31, 2020	As at Mar 31, 2019
Deposit with original maturity for more than three months but less than twelve months*	-	100.00
Balances with banks to the extent held as security against the borrowings #	1,423.79	994.87
<b>Total</b>	<b>1,423.79</b>	<b>1,094.87</b>

# It represents deposits maintained as cash collateral against term loans availed from banks and financial institutions and earns interest at the respective fixed deposit rates.

### 8. Trade Receivables

(Rs. In millions)

Particulars	As at Mar 31, 2020	As at Mar 31, 2019
<b>(I) Trade Receivables</b>		
Receivable considered good - Secured	-	-
Receivable considered good - Unsecured	1.60	8.46
Receivables which have significant increase in credit risk	-	-
Receivables - credit impaired	-	-
<b>Total</b>	<b>1.60</b>	<b>8.46</b>
<i>Provision for impairment for:</i>		
Receivable considered good - Unsecured	-	-
Receivables which have significant increase in credit risk	-	-
Receivables - credit impaired	-	-
<b>Total Net receivable</b>	<b>1.60</b>	<b>8.46</b>

Trade receivables includes Rs. 0.96/- million receivable from related party refer Note 42 for more details.

Trade receivables are non-interest bearing and are generally on terms ranging from 30 days to 60 days from the date of invoice. During the year 2019-20, INR Nil (2018-19: INR Nil) was recognised as provision for expected credit losses on trade receivable.

(Rs. In millions)

Trade receivables / days past due		Current	1-30 days past due	31-60 days past due	61-90 days past due	91-360 days past due	More than 360 days past due	Total
ECL rate		0%	0%	0%	0%	50%	100%	
March 31, 2020	Estimated total gross carrying amount	-	1.56	0.04	-	-	-	1.60
	ECL-Simplified approach	-	-	-	-	-	-	-
	Net carrying amount	-	1.56	0.04	-	-	-	1.60
March 31, 2019	Estimated total gross carrying amount	-	6.49	1.97	-	-	-	8.46
	ECL-Simplified approach	-	-	-	-	-	-	-
	Net carrying amount	-	6.49	1.97	-	-	-	8.46

## 9. Loans

Particulars	As at March 31, 2020				
	Amortised Cost	At Fair value			Total
		Through Other Comprehensive Income	Through profit or loss	Designated at Through profit or loss	
<b>(A)</b>					
i) Receivables under financing activities	19,818.79	1,429.36	-	-	21,248.15
ii) Staff Loan	9.32	-	-	-	9.32
<b>Total (A) - Gross</b>	<b>19,828.11</b>	<b>1,429.36</b>	<b>-</b>	<b>-</b>	<b>21,257.47</b>
Less : Impairment loss allowance	(358.35)	(10.44)	-	-	(368.79)
<b>Total ( A) - Net</b>	<b>19,469.76</b>	<b>1,418.92</b>	<b>-</b>	<b>-</b>	<b>20,888.68</b>
<b>(B)</b>					
<b>I) Secured by tangible assets and intangible assets</b>					
<b>II) Covered by Bank / Government Guarantees</b>					
<b>III) Unsecured</b>					
i) Receivables under financing activities	19,818.79	1,429.36	-	-	21,248.15
ii) Staff loan	9.32	-	-	-	9.32
<b>Total (III) - Gross</b>	<b>19,828.11</b>	<b>1,429.36</b>	<b>-</b>	<b>-</b>	<b>21,257.47</b>
Less : Impairment loss allowance	(358.35)	(10.44)	-	-	(368.79)
<b>Total (III) - Net</b>	<b>19,469.76</b>	<b>1,418.92</b>	<b>-</b>	<b>-</b>	<b>20,888.68</b>
<b>Total (I+II+III) - Net</b>	<b>19,469.76</b>	<b>1,418.92</b>	<b>-</b>	<b>-</b>	<b>20,888.68</b>
<b>(C)</b>					
i) Public Sector	-	-	-	-	-
ii) Others	19,828.11	1,429.36	-	-	21,257.47
<b>Total ( C) - Gross</b>	<b>19,828.11</b>	<b>1,429.36</b>	<b>-</b>	<b>-</b>	<b>21,257.47</b>
Less: Impairment Loss Allowance ( C )	(358.35)	(10.44)	-	-	(368.79)
<b>Total ( C )- Net</b>	<b>19,469.76</b>	<b>1,418.92</b>	<b>-</b>	<b>-</b>	<b>20,888.68</b>

As at March 31, 2019

Amortised Cost	At Fair value			Total
	Through Other Compre- hensive Income	Through profit or loss	Desig- nated at Through profit or loss	
15,399.30	1,239.27	-	-	16,638.56
13.08	-	-	-	13.08
15,412.38	1,239.27	-	-	16,651.64
(225.00)	(38.99)	-	-	(263.99)
15,187.37	1,200.28	-	-	16,387.65
15,399.30	1,239.27	-	-	16,638.56
13.08	-	-	-	13.08
15,412.38	1,239.27	-	-	16,651.64
(225.00)	(38.99)	-	-	(263.99)
15,187.37	1,200.28	-	-	16,387.65
15,187.37	1,200.28	-	-	16,387.65
-	-	-	-	-
15,412.38	1,239.27	-	-	16,651.64
15,412.38	1,239.27	-	-	16,651.64
(225.00)	(38.99)	-	-	(263.99)
15,187.37	1,200.28	-	-	16,387.65



## Receivables under financing activities

### Credit Quality of Assets

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's internal grading system are explained in Note 46 and policies on ECL allowances are set out in Note 3.6.

Particulars	As at March 31, 2020			As at March 31, 2019				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal rating grade								
Performing								
- High grade	20,940.25	-	-	20,940.25	16,336.00	-	-	16,336.00
- Standard grade	26.05			26.05	35.21	-	-	35.21
- Sub-standard grade	-	26.21	-	26.21	-	42.62	-	42.62
- Past due but not impaired	-	29.12	-	29.12	-	26.74	-	26.74
Non - performing								
- Individually impaired	-	-	235.84	235.84	-	-	211.08	211.08
Total	20,966.30	55.33	235.84	21,257.47	16,371.21	69.36	211.08	16,651.65

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to receivables under financing activities is, as follows:

Particulars	As at March 31, 2020				As at March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	16,371.21	69.36	211.08	16,651.65	11,308.79	74.31	99.62	11,482.72
<b>Gross carrying amount opening balance</b>								
New assets originated or purchased (net of repayment)	16,156.63	-	-	16,156.63	13,582.61	-	-	13,582.61
Assets derecognised or repaid (excluding write offs)	(11,255.61)	(65.12)	(102.34)	(11,423.07)	(8,213.44)	(78.78)	(66.10)	(8,358.33)
Transfers to Stage 1	7.15	(5.93)	(1.22)	-	15.54	(14.97)	(0.57)	0.00
Transfers to Stage 2	(93.70)	94.56	(0.86)	-	(112.18)	112.30	(0.12)	-
Transfers to Stage 3	(219.38)	(37.54)	256.92	-	(210.11)	(23.50)	233.61	-
Amounts written off	-	-	(127.74)	(127.74)	-	-	(55.36)	(55.36)
<b>Gross carrying amount closing balance</b>	<b>20,966.30</b>	<b>55.33</b>	<b>235.84</b>	<b>21,257.47</b>	<b>16,371.21</b>	<b>69.36</b>	<b>211.08</b>	<b>16,651.65</b>

Reconciliation of ECL balance is given below:

(Rs. In millions)

Particulars	For the year ended March 31, 2020				For the year ended March 31, 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance - opening balance</b>	<b>76.00</b>	<b>0.44</b>	<b>187.55</b>	<b>263.99</b>	<b>46.55</b>	<b>0.24</b>	<b>93.04</b>	<b>139.82</b>
New assets originated or purchased	147.50	-	-	147.50	59.09	-	-	59.09
Assets derecognised or repaid (excluding write offs)	(55.80)	(5.44)	(3.15)	(64.39)	(28.94)	(0.28)	(10.35)	(39.57)
Transfers to Stage 1	1.11	(0.03)	(1.09)	-	0.58	(0.05)	(0.53)	-
Transfers to Stage 2	(5.09)	5.86	(0.77)	-	(0.33)	0.45	(0.11)	-
Transfers to Stage 3	(11.90)	(0.17)	12.07	-	(0.95)	0.09	0.86	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	149.43	149.43	-	-	160.01	160.01
Amounts written off	-	-	(127.74)	(127.74)	-	-	(55.36)	(55.36)
<b>ECL allowance - closing balance</b>	<b>151.83</b>	<b>0.66</b>	<b>216.30</b>	<b>368.79</b>	<b>76.00</b>	<b>0.44</b>	<b>187.55</b>	<b>263.99</b>

*ECL provision is not created on staff loan as there is no credit risk. Any amount due if not paid is deducted from salary.*

**Transferred financial assets that are derecognised in their entirety but where the Company has continuing involvement**

The Company has sold some loans and advances measured at fair value through other comprehensive income, as a source of finance. As per terms of the deal, risk and reward has been transferred to the customer. Hence, as per the derecognition criteria of IND AS 109, including transfer of substantially all risks and rewards relating to assets being transferred to the buyer being met, the assets have been derecognised.

The table below summarises that carrying amounts of the derecognised financial assets

(Rs. In millions)

Particulars	March 31, 2020	March 31, 2019
Carrying amount of derecognised financial assets #	5,185.27	1,780.96
Interest only strip	385.27	118.51
Gain/(loss) from derecognition	266.76	118.51

# In Previous year derocognised financial assets figures were changed from gross value to carrying value.

### Transferred financial assets that are not derecognised in their entirety

The Company uses securitisations as a source of finance and a means of risk transfer. The Company securitised its microfinance loans to different entities. These entities are not related to the Company. Also, the Company neither holds any equity or other interest nor control them. As per the terms of the agreement, the Company is exposed to first loss amounting to 5% to 10% of the amount securitised and therefore continues to be exposed to significant risk and rewards relating to the underlying microfinance loans. These receivables are not derecognised and proceeds received are recorded as a financial liability under borrowings. The table below outlines the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

(Rs. In millions)

Particulars	March 31, 2020	March 31, 2019
Carrying amount of assets re - recognised due to non transfer of assets	1,987.55	4,061.11
Carrying amount of associated liabilities	1,288.30	3,617.76

The carrying amount of above assets and liabilities is a reasonable approximation of fair value.

### Interest in unconsolidated structured entity

These are entities which are not consolidated because the Company does not control them through voting rights, contract, funding agreements, or other means.

The following table describes the types of structured entities that the Company does not consolidate but in which it holds an interest.

Type of Structured Entity	Nature and Purpose	Interest held by the Company
Securitisation Vehicle for loans	To generate - funding for the Company's lending activities - Spread through sale of assets to investors - Fees for servicing loan	- Servicing fee - Credit Enhancement provided by the Company - Excess interest spread

(Rs. In millions)

Particulars	March 31, 2020	March 31, 2019
Aggregate value of accounts sold to securitisation company	2419.35	4888.38
Aggregate consideration	2116.28	4342.56
Quantum of credit enhancement in the form of deposits	157.12	289.79
Servicing fees	2.00	4.50

**10: Other financial assets****(Rs. In millions)**

Particulars	As at March 31, 2020	As at March 31, 2019
Security deposits	19.01	13.25
Receivable towards assignment transactions	376.25	355.12
Interest only strip	385.27	118.51
Interest accrued on fixed deposits with banks	91.52	71.55
<b>Total</b>	<b>872.05</b>	<b>558.43</b>

**11: Investment property****(Rs. in millions)**

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Gross carrying amount</b>		
Opening gross carrying amount	1.10	1.10
Addition during the year	-	-
Disposal	-	-
<b>Closing gross carrying amount</b>	<b>1.10</b>	<b>1.10</b>
<b>Accumulated depreciation</b>		
Opening accumulated depreciation amount	-	-
Depreciation charged during the period	-	-
<b>Closing accumulated depreciation amount</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>1.10</b>	<b>1.10</b>

The fair value of investment property is Rs. 1.16 millions as determined by an external independent property valuer having appropriate recognised professional qualifications. There is no change in fair value of property as compared to previous year.

**12: Property, plant and equipment****(Rs. In millions)**

Particulars	Office equipment	Computers	Furniture & Fixtures	Vehicles	Total
<b>Cost:</b>					
At April 1, 2018	4.15	32.52	5.94	1.41	44.03
Additions	13.75	25.76	5.10	-	44.60
Disposals	0.03	-	-	-	0.03
<b>At March 31, 2019</b>	<b>17.87</b>	<b>58.28</b>	<b>11.04</b>	<b>1.41</b>	<b>88.60</b>
Additions	18.00	34.00	7.60	0.06	59.66
Disposals	0.48	-	-	-	0.48
<b>At March 31, 2020</b>	<b>35.39</b>	<b>92.28</b>	<b>18.64</b>	<b>1.47</b>	<b>147.78</b>
<b>Accumulated depreciation</b>					
At April 1, 2018	2.33	15.28	2.93	0.48	21.02
Disposals	0.02	-	-	-	0.02
Depreciation charge for the year ended 31 March, 2019	4.96	16.77	4.55	0.31	26.59
<b>At March 31, 2019</b>	<b>7.27</b>	<b>32.05</b>	<b>7.47</b>	<b>0.79</b>	<b>47.59</b>
Disposals	0.34	-	-	-	0.34
Depreciation charge for the year ended 31 March, 2020	13.34	27.27	5.97	0.22	46.79
<b>At March 31, 2020</b>	<b>20.28</b>	<b>59.32</b>	<b>13.44</b>	<b>1.01</b>	<b>94.05</b>
<b>Net book value:</b>					
<b>At March 31, 2019</b>	<b>10.59</b>	<b>26.23</b>	<b>3.57</b>	<b>0.62</b>	<b>41.01</b>
<b>At March 31, 2020</b>	<b>15.11</b>	<b>32.96</b>	<b>5.20</b>	<b>0.46</b>	<b>53.73</b>

**13: Right of use of assets****(Rs. In millions)**

Particulars	As at March 31, 2020	As at March 31, 2019
Opening carrying value	38.67	-
Addition during the year	85.42	-
Depreciation for the year	(32.20)	-
Closing Carrying value	91.89	-

The Ministry of Corporate Affairs has notified Indian Accounting Standard 116 ('Ind AS 116'), Leases, with effect from April 1, 2019. The Company has elected to apply this Standard to its leases using modified retrospective method from April 1, 2019, which has resulted in right of use of assets and corresponding lease liability of 38.67 millions as on April 01, 2019. Refer note 41 (C) for further disclosure.

**14: Other Intangible Assets****(Rs. In millions)**

Particulars	Computer Software
<b>Cost:</b>	
At April 1, 2018	39.66
Additions	13.48
Disposals	-
<b>At March 31, 2019</b>	<b>53.14</b>
Additions	13.75
Disposals	-
<b>At March 31, 2020</b>	<b>66.89</b>
<b>Accumulated amortisation</b>	
At April 1, 2018	24.39
Amortisation charge for the year ended March 31, 2019	17.61
<b>At March 31, 2019</b>	<b>42.00</b>
Disposals	-
Amortisation charge for the year ended March 31, 2020	11.80
<b>At March 31, 2020</b>	<b>53.80</b>
<b>Net book value:</b>	
<b>At March 31, 2019</b>	<b>11.14</b>
<b>At March 31, 2020</b>	<b>13.09</b>

**15: Other Non-financial assets****(Rs. In millions)**

Particulars	As at March 31, 2020	As at March 31, 2019
Prepaid expenses	35.36	16.24
Insurance claim receivable	6.02	6.37
Other Receivables	28.89	16.98
<b>Total</b>	<b>70.27</b>	<b>39.60</b>

**16: Debt Securities****(Rs. In millions)**

Particulars	As at March 31, 2020			As at March 31, 2019		
	At amortised cost	At fair value through profit or loss	Designated at fair value through profit or loss	At amortised cost	At fair value through profit or loss	Designated at Through profit or loss
<b>Bonds/ Debentures</b>						
Secured Non-Convertible Debentures	203.19	-	-	931.33	-	-
Unsecured Non-Convertible	166.71	-	-	1,348.56	-	-
Debentures -Listed						
<b>Total (A)</b>	<b>369.90</b>	-	-	<b>2,279.88</b>	-	-
Debt securities in India	369.90	-	-	2,279.88	-	-
Debt securities outside India	-	-	-	-	-	-

## Details of Redeemable Non-Convertible Debentures

Particulars	Outstanding Balance as at				(Rs. In millions)
	Mar 31, 2020	Mar 31, 2019	Date of redemption	Nominal Value per debenture#	Total number of debenture#
<b>Secured Non-Convertible Debentures</b>					
12% Senior, Secured, Redeemable, Rated, Unlisted, Taxable, Non-Convertible Debentures	-	133.03	30-03-2020	1,000,000.00	400.00
11.6% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures	50.00	250.00	22-05-2020	100,000.00	5,000.00
11.4% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures	153.19	548.30	17-07-2020	100,000.00	10,000.00
<b>Total</b>	<b>203.19</b>	<b>931.33</b>			
<b>Unsecured Non-Convertible Debentures -Listed</b>					
11.68% Unsecured, Fully Paid, Rated, Listed, Senior, Redeemable, Taxable, Non-Convertible Debentures	-	1,348.56	26-03-2020	1,000,000.00	2,500.00
11.98% Unsecured, Fully Paid, Rated, Listed, Senior, Redeemable, Taxable, Non-Convertible Debentures	166.71	-	31-07-2021	100,000.00	2,000.00
<b>Total</b>	<b>166.71</b>	<b>1,348.56</b>			

Secured debentures are secured by hypothecation of Receivables under Financing activity.

# Nominal value per debenture and total number of debentures are in full numbers.

## 17: Borrowings (other than debt securities)

(Rs. In millions)

Particulars	As at March 31, 2020			As at March 31, 2019		
	At amortised cost	At fair value through profit or loss	Designated at fair value through profit or loss	At amortised cost	At fair value through profit or loss	Designated at Through profit or loss
<b>(a) Term loan</b>						
(i) from banks #	15,088.82	-	-	7,734.42	-	-
(ii) from Financial Institution	1,156.55	-	-	1,230.21	-	-
(iii) Securitisation	1,288.30	-	-	3,617.76	-	-
<b>(b) Loans repayable on demand</b>						
(i) from banks (OD & CC)						
Cash Credit ##	8.01	-	-	60.87	-	-
<b>Total (A)</b>	<b>17,541.68</b>	<b>-</b>	<b>-</b>	<b>12,643.25</b>	<b>-</b>	<b>-</b>
Borrowings in India	17,541.68	-	-	12,643.25	-	-
Borrowings outside India	-	-	-	-	-	-
<b>Total (B)</b>	<b>17,541.68</b>	<b>-</b>	<b>-</b>	<b>12,643.25</b>	<b>-</b>	<b>-</b>

# Secured by way of specific charge on receivables created out of the proceeds of the loan.

## Secured by hypothecation of Receivables under Financing activity.



## 18: Subordinated Liabilities

(Rs. In millions)

Particulars	As at March 31, 2020			As at March 31, 2019		
	At amortised cost	At fair value through profit or loss	Designated at fair value through profit or loss	At amortised cost	At fair value through profit or loss	Designated at Through profit or loss
Preference Shares other than those that qualify as Equity	-	-	-	500.00	-	-
Subordinated Liabilities - Debentures - Unlisted	560.00	-	-	170.00	-	-
Subordinated Liabilities - Debentures - Listed	234.09	-	-	235.31	-	-
Subordinated Liabilities - Loan	250.00	-	-	-	-	-
<b>Total (A)</b>	<b>1,044.09</b>	-	-	<b>905.31</b>	-	-
Subordinated Liabilities in India	1,044.09	-	-	905.31	-	-
Subordinated Liabilities outside India	-	-	-	-	-	-
<b>Total (B)</b>	<b>1,044.09</b>	-	-	<b>905.31</b>	-	-

### Details of Redeemable Preference Shares

(Rs. In millions)

Particulars	March 31, 2020		March 31, 2019	
	No. of shares	Amount	No. of shares	Amount
At the beginning of the year	50.00	500.00	31.00	310.00
Issued during the year	-	-	19.00	190.00
Redeemed during the year	(50.00)	(500.00)	-	-
<b>Outstanding at the end of the year</b>	<b>-</b>	<b>-</b>	<b>50.00</b>	<b>500.00</b>

During the Year 2019-20, The company has repaid its 50 millions non convertible redeemable cumulative preference shares of Rs. 10 each aggregating to Rs. 500 millions.

### Detail of Subordinated Debt

(Rs. In millions)

Particulars	As at March 31, 2020	As at March 31, 2019	Date of redemption	Nominal value per debenture #	Total number of debentures #
<b>Subordinated Liabilities - Debentures - Unlisted</b>					
15% Unsecured, Subordinated, Redeemable, Non-Convertible Debentures	100.00	100.00	29-03-2021	1,000,000.00	100
12% Unsecured, Redeemable, Rated, Unlisted, Subordinated, Taxable, Non-Convertible Debentures	70.00	70.00	31-07-2023	1,000,000.00	70.00
14.50% Unsecured, Redeemable, Rated, Unlisted, Subordinated, Taxable, Non-Convertible Debentures	240.00	-	03-12-2025	100,000.00	2,400.00
14.50% Unsecured, Redeemable, Rated, Unlisted, Subordinated, Taxable, Non-Convertible Debentures	150.00	-	15-05-2026	100,000.00	1,500.00
<b>Total</b>	<b>560.00</b>	<b>170.00</b>			
<b>Subordinated Liabilities - Debentures - Listed</b>					
11.5% Unsecured, Redeemable, Rated, listed, Subordinated, Taxable, Non-Convertible Debentures	234.09	235.31	31-05-2023	1,000.00	250,000.00
<b>Total</b>	<b>234.09</b>	<b>235.31</b>			
<b>Subordinated Liabilities - Loan</b>					
14.50% Unsecured, Subordinated Loan	250.00	-	23-12-2025		
<b>Total</b>	<b>250.00</b>	<b>-</b>			

# Nominal value per debenture and total number of debentures are in full numbers.

Terms of repayment of long term borrowings outstanding as at March 31, 2020

Maturity pattern of Debt securities

(Rs. In millions)

Type of Loan	Secured - NCD	Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		Due 3 to 4 years		Due 4 to 5 years		Due 5 to 10 years		Total	
		No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount
Original Maturity of loan	Quarterly repayment schedule	8%-10%	-	-	-	-	-	-	-	-	-	-	-	-	-
		10%-12%	8.00	312.99	2.00	56.92	-	-	-	-	-	-	-	10.00	369.90
		12%-14%	-	-	-	-	-	-	-	-	-	-	-	-	-
		14%-15%	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		8.00	312.99	2.00	56.92	-	-	-	-	-	-	-	-	10.00	369.90

Maturity pattern of term loan from Bank

(Rs. In millions)

Type of Loan	Term Loan Bank	Coupon rate	Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		Due 3 to 4 years		Due 4 to 5 years		Due 5 to 10 years		Total	
			No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount
Original Maturity of loan	Monthly repayment schedule	8%-10%	25.00	210.27	12.00	166.01	12.00	166.38	2.00	27.77	-	-	-	-	51.00	570.43
		10%-12%	181.00	2,153.98	97.00	1,087.21	33.00	271.84	-	-	-	-	-	-	311.00	3,513.03
		12%-14%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		14%-15%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Original Maturity of loan	Quarterly repayment schedule	8%-10%	21.00	741.40	17.00	586.83	-	-	-	-	-	-	-	-	38.00	1,328.23
		10%-12%	162.00	4,796.94	88.00	2,704.27	44.00	1,413.42	-	-	-	-	-	-	294.00	8,914.63
		12%-14%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		14%-15%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At the end of tenure / On demand		8%-10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		10%-12%	3.00	762.50	-	-	-	-	-	-	-	-	-	-	3.00	762.50
		12%-14%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		14%-15%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total			392.00	8,665.09	214.00	4,544.32	89.00	1,851.64	2.00	27.77	-	-	-	-	697.00	15,088.8



### Maturity pattern of Cash credit

(Rs. In millions)

Type of Loan	Cash Credit		Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		Due 3 to 4 years		Due 4 to 5 years		Due 5 to 10 years		Total	
	Original Maturity of loan	Coupon rate	No of Installments	Amount		Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount
At the end of tenure / On demand		8%-10%	1.00	8.01	-	-	-	-	-	-	-	-	-	-	1.00	8.01
		10%-12%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		12%-14%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		14%-15%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total			1.00	8.01	-	-	-	-	-	-	-	-	-	-	1.00	8.01

### Maturity pattern of Subordinated Liabilities

(Rs. In millions)

Type of Loan	Unsecured - Sub Debt		Due within 1 year		Due 1 to 2 years		Due 2 to 3 years		Due 3 to 4 years		Due 4 to 5 years		Due 5 to 10 years		Total	
	Original Maturity of loan	Coupon rate	No of Installments	Amount		Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount
At the end of tenure / On demand		8%-10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		10%-12%	-	-	-	-	-	-	2.00	306.86	-	-	-	-	2.00	306.86
		12%-14%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		14%-15%	1.00	99.66	-	-	-	-	-	-	-	-	4.00	637.57	5.00	737.23
Total			1.00	99.66	-	-	-	-	2.00	306.86	-	-	4.00	637.57	7.00	1,044.09

**19: Other Financial liabilities**

(Rs. In millions)

Particulars	As at March 31, 2020	As at March 31, 2020
Interest accrued but not due on borrowings	90.42	101.10
Preference dividend	-	37.73
Payable towards assignment transactions	885.10	352.83
<b>Total</b>	<b>975.52</b>	<b>491.66</b>

**20: Provisions**

(Rs. In millions)

Particulars	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits		
- Gratuity	7.50	5.46
- Others	44.00	31.85
Provision for other losses	6.57	9.60
<b>Total</b>	<b>58.07</b>	<b>46.91</b>

**Movement of provisions other than employee benefit during the year:**

The movement in provisions during 2019-20 and 2018-19 is, as follows:

(Rs. In millions)

Particulars	Others Amount
<b>At April 1, 2018</b>	
Arising during the year	9.60
Utilized during the year	-
<b>At March 31, 2019</b>	<b>9.60</b>
Arising during the year	0.64
Utilized during the year	(3.67)
<b>At March 31, 2020</b>	<b>6.57</b>

**21: Other Non-financial liabilities**

(Rs. In millions)

Particulars	As at March 31, 2020	As at March 31, 2019
Statutory dues payable	17.95	15.83
Lease liabilities	96.05	-
Employees payable	37.38	25.12
Insurance premium payable	-	6.54
Other non financial liabilities	68.96	22.45
<b>Total</b>	<b>220.34</b>	<b>69.94</b>

**22: Equity share capital**

(Rs. In millions)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Authorised:</b>		
10,00,00,000 (PY 5,00,00,000) Equity Shares of Rs.10/- each	1,000.00	500.00
<b>Issued, subscribed and fully paid up</b>		
3,75,20,524 (PY 3,75,20,524) Equity Shares of Rs.10/- each	375.21	375.21
<b>Total Equity</b>	<b>375.21</b>	<b>375.21</b>

During the year, Authorised Preference Share Capital of the Company amounting to Rs. 500 millions is reclassified to Authorised Equity Share Capital consisting of 5,00,00,000 shares of Rs. 10 each.

**Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the year**

(Rs. In lakhs)

Particulars	No. In millions	No. In millions
<b>At April 1, 2018</b>	<b>24.65</b>	<b>246.47</b>
Issued during the year	12.87	128.74
<b>At March 31, 2019</b>	<b>37.52</b>	<b>375.21</b>
Issued during the year	-	-
<b>At March 31, 2020</b>	<b>37.52</b>	<b>375.21</b>

**Terms/ rights attached to equity shares**

The Company has only one class of equity shares having a par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. 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.

**Details of Equity shareholder holding more than 5% shares in the company**

Particulars	March 31, 2020		March 31, 2019	
	No. in lakhs	% holding in the class	No. in lakhs	% holding in the class
Muthoot Finance Limited (Holding Company)	26.27	70.01	26.27	70.01
Sarvam Financial Inclusion Trust, Kancheepuram	6.58	17.52	6.58	17.52
Maj Invest Financial Inclusion Fund II K/S	4.15	11.05	4.15	11.05



## 23: Other equity

(Rs. In millions)

Particulars	As at March 31, 2020	As at March 31, 2019
<b>Statutory reserve (Pursuant to section 45-IC of the Reserve Bank of India Act, 1934)</b>		
Opening balance	264.58	118.88
Add: Transfer from surplus balance in the Statement of Profit and Loss	198.00	145.71
<b>Closing balance</b>	<b>462.58</b>	264.58
<b>Securities Premium Account</b>		
Opening balance	2,384.99	495.48
Add: Securities premium received during the year	-	1,889.51
<b>Closing balance</b>	<b>2,384.99</b>	<b>2,384.99</b>
<b>Debenture Redemption Reserve</b>		
Opening balance	-	88.31
Add: Amount transferred from surplus in the statement of profit and loss	-	-
Less: Amount transferred to surplus in the statement of profit and loss	-	(88.31)
<b>Closing balance</b>	<b>-</b>	-
<b>Capital Redemption Reserve(CRR)</b>		
Opening balance	-	-
Add: Amount Transfer during the year	500.00	-
<b>Closing balance</b>	<b>500.00</b>	-
<b>General Reserve</b>		
Opening balance	0.01	0.01
Add: Amount transferred from surplus in the statement of profit and loss	-	-
<b>Closing balance</b>	<b>0.01</b>	<b>0.01</b>
<b>Other Comprehensive income</b>		
Opening balance	12.96	4.05
Other comprehensive during the year (net of tax)	(1.15)	8.91
<b>Closing balance (net of tax)</b>	<b>11.81</b>	<b>12.96</b>
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance	964.01	303.17
Add: Profit for the period	989.99	728.53
<b>Less Appropriation :-</b>		
Dividend on equity shares	(18.76)	-
Tax on dividend on equity shares	(3.86)	-
Transfer to/(from) debenture redemption reserve	-	88.31
Transfer to Statutory Reserve	(198.00)	(145.71)
Transfer to Capital Redemption Reserve	(500.00)	-
Other Additions / Deductions during the year	10.30	(10.30)
<b>Total appropriations</b>	<b>(710.31)</b>	<b>(67.69)</b>
<b>Closing balance</b>	<b>1,243.68</b>	<b>964.01</b>
<b>Total</b>	<b>4,603.07</b>	<b>3,626.55</b>

## 24: Nature and purpose of reserve

**Securities Premium Reserve:** This Reserve represents the premium on issue of shares and can be utilized in accordance with the provisions of the Companies Act, 2013.

**Retained earnings:** This Reserve represents the cumulative profits of the Company. This Reserve can be utilized in accordance with the provisions of the Companies Act, 2013.

**Debenture Redemption Reserve:** The Company is not required to create Debenture redemption reserve in terms of the Companies (Share Capital and Debentures) Rules, 2014 read with the Companies (Share Capital and Debentures) Amendment Rules, 2019 as the Debentures of the Company are privately placed.

**Capital Redemption Reserve:** The Company has recognised Capital Redemption Reserve on redemption of Non-Convertible Redeemable Preference Shares from its retained earnings. The amount in Capital Redemption Reserve is equal to nominal amount of the Non-Convertible Redeemable Preference Shares redeemed. The Company may issue fully paid up bonus shares to its members out of the capital redemption reserve account.

**Statutory reserve:** This reserves is created by an appropriation and is required to maintain on its balance sheet with respect to the unmatured obligations (i.e., expected future claims) of the company.

**General Reserve:** This Reserve is created by an appropriation from one component of equity (generally retained earnings) to another, not being an item of Other Comprehensive Income. The same can be utilized by the Company in accordance with the provisions of the Companies Act, 2013.

**Other comprehensive income reserve:** The Company recognises changes in the fair value of debt instruments held with business objective of collect and sell in other comprehensive income. These changes are accumulated in OCI reserve within equity. The Company transfers amounts from this reserve to the statement of profit and loss when the debt instrument is sold. Any impairment loss on such instruments is reclassified immediately to the statement of profit and loss.

## 25: Dividend paid and proposed

(Rs. In millions)		
Particulars	As at March 31, 2020	As at March 31, 2019
Final dividend for fiscal year 2019	18.76	-
DDT paid for fiscal year 2019	3.86	-
Interim dividend for fiscal year 2020	-	-

The Board of Directors recommended a final dividend of Rs.0.60/- per equity share for the financial year ended March 31, 2020. The payment is subject to the approval of the shareholders in the ensuing Annual General meeting of the Company.

## 26: Interest income

(Rs. In millions)

Particulars	for the year ended March 31, 2020				for the year ended March 31, 2019			
	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	Interest Income on Financial Assets classified at fair value through profit or loss	Total	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	Interest Income on Financial Assets classified at fair value through PL	Total
<b>Interest on Loans</b>								
Interest income on loan	147.51	4,399.63	-	4,547.14	107.24	3,290.51	-	3,397.75
Interest income from fixed deposits	-	99.99	-	99.99	-	61.96	-	61.96
Other interest income	-	2.32	-	2.32	-	1.66	-	1.66
<b>Total</b>	<b>147.51</b>	<b>4,501.94</b>	<b>-</b>	<b>4,649.45</b>	<b>107.24</b>	<b>3,354.13</b>	<b>-</b>	<b>3,461.37</b>

## 27: Sale of services

(Rs. In millions)

Particulars	for the year ended March 31, 2020	for the year ended March 31, 2019
Commission fees	10.64	26.59
<b>Sale of services</b>	<b>10.64</b>	<b>26.59</b>
Fee income that are recognised over a certain period of time	-	-
Fee income that are recognised at point in time	10.64	26.59
<b>Sale of services</b>	<b>10.64</b>	<b>26.59</b>
<b>Geographical markets</b>		
India	10.64	26.59
Outside India	-	-
<b>Total</b>	<b>10.64</b>	<b>26.59</b>

## 28: Net gain on fair value changes

(Rs. In millions)

Particulars	for the year ended March 31, 2020	for the year ended March 31, 2019
(A) Net gain/ (loss) on financial instruments at fair value through profit or loss		
(I) On trading portfolio		
- Investments	66.75	64.62
<b>Total Net gain/(loss) on fair value changes</b>	<b>66.75</b>	<b>64.62</b>
Fair Value changes		
- Realised	66.75	64.62
- Unrealised	-	-
<b>Total Net gain/(loss) on fair value changes</b>	<b>66.75</b>	<b>64.62</b>

**29: Other Income**

(Rs. In millions)

Particulars	for the year ended March 31, 2020	for the year ended March 31, 2019
Bad debt recovery	13.23	5.15
Other income	0.64	4.44
<b>Total</b>	<b>13.87</b>	<b>9.59</b>

**30: Finance Cost**

(Rs. In millions)

Particulars	for the year ended March 31, 2020		for the year ended March 31, 2019	
	On Financial liabilities measured at fair value through profit or loss	On Financial liabilities measured at Amortised Cost	On Financial liabilities measured at fair value through profit or loss	On Financial liabilities measured at Amortised Cost
<b>Interest Expense on Borrowings:</b>				
Interest on borrowings	-	1,515.81	-	1,046.21
Interest on debt securities	-	192.60	-	338.47
Interest on subordinate liabilities	-	50.99	-	51.76
Dividend on preference shares (including taxes)	-	25.57	-	55.47
Interest on Lease liability	-	10.02	-	-
Other charges	-	4.13	-	-
<b>Total</b>	<b>-</b>	<b>1,799.12</b>	<b>-</b>	<b>1,491.91</b>

**31: Impairment of financial instruments**

(Rs. In millions)

Particulars	for the year ended March 31, 2020		for the year ended March 31, 2019	
	On Financial liabilities measured at fair value through profit or loss	On Financial liabilities measured at Amortised Cost	On Financial liabilities measured at fair value through profit OCI	On Financial liabilities measured at Amortised Cost
Loans	(28.55)	133.35	32.46	91.71
Bad Debts Written Off	-	127.74	-	55.36
Investments	-	-	-	-
Other Assets	-	(3.04)	-	4.10
<b>Total</b>	<b>(28.55)</b>	<b>258.05</b>	<b>32.46</b>	<b>151.17</b>

**32: Employee Benefit Expenses**

(Rs. In millions)

Particulars	for the year ended March 31, 2020	for the year ended March 31, 2019
Salaries and Wages	932.51	557.10
Contributions to Provident and Other Funds	79.35	36.17
Staff Welfare Expenses	39.07	23.05
<b>Total</b>	<b>1,050.93</b>	<b>616.32</b>

**33: Depreciation and amortization****(Rs. In millions)**

Particulars	for the year ended March 31, 2020	for the year ended March 31, 2019
Depreciation of Tangible Assets	46.80	26.59
Amortization of Intangible Assets	11.80	17.61
Depreciation on right to use asset	32.20	-
<b>Total</b>	<b>90.80</b>	<b>44.20</b>

**34: Other Expenses****(Rs. In millions)**

Particulars	for the year ended March 31, 2020	for the year ended March 31, 2019
Rent	19.76	31.63
Electricity Charges	6.86	4.13
Business Promotion Expenses	14.11	7.23
Bank charges	18.61	7.72
Repairs to Buildings	14.43	9.85
Repairs to Machinery	16.99	14.23
Repairs to Others	-	0.17
Communication expense	24.06	14.99
Postage and courier	3.61	2.95
Printing and Stationery	18.42	16.47
Rates & Taxes	7.37	5.69
Legal & Professional Charges	93.91	75.85
Travelling and Conveyance	125.03	84.09
Insurance	11.16	6.92
Payments to Auditor	2.77	2.26
Membership and subscription	5.96	3.19
Directors' Sitting Fee	4.36	3.48
Credit Bureau expenses	4.81	3.16
CSR Expenses	10.62	5.00
Loss on account of theft	0.08	0.20
Other expenses	2.69	8.82
<b>Total</b>	<b>405.60</b>	<b>308.01</b>

**Break up of payment to auditors****(Rs. In millions)**

Particulars	for the year ended March 31, 2020	for the year ended March 31, 2019
As auditor:		
Statutory audit	1.47	1.35
Tax audit	0.22	0.20
Limited review	0.66	0.60
Certification fees	0.42	0.11
<b>Total</b>	<b>2.77</b>	<b>2.26</b>

**Details of CSR expenditure:****(Rs. In millions)**

Particulars	for the year ended March 31, 2020	for the year ended March 31, 2019
a) Gross amount required to be spent by Company during the year	10.61	5.00
b) Amount spent during the period		
i) Construction/acquisition of any asset - In cash	-	-
Yet to paid in cash	-	-
Total	-	-
ii) On purpose other than (i) above - In cash	10.62	5.00
Yet to paid in cash	-	-
<b>Total</b>	<b>10.62</b>	<b>5.00</b>

**35: Income Tax**

The components of income tax expense for the year ended March 31, 2020 and year ended March 31, 2019 are:

**(Rs. In millions)**

Particulars	for the year ended March 31, 2020	for the year ended March 31, 2019
Current tax	291.45	322.07
Deferred tax relating to origination and reversal of temporary differences	51.01	(19.62)
<b>Income tax expense reported in statement of profit and loss</b>	<b>342.46</b>	<b>302.45</b>
<b>Deferred tax related to items recognised in OCI during the period:</b>		
Tax liability due to Fair value impact on debt instruments measured at FVOCI	(0.06)	5.13
Tax asset on remeasurements of defined benefit plans	(0.32)	(1.47)
<b>Income tax charged to OCI</b>	<b>(0.38)</b>	<b>3.66</b>

**Reconciliation of the total tax charge:**

The tax charge shown in the statement of profit and loss differs from the tax charge that would apply if all profits had been charged at India corporate tax rate. A reconciliation between the tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended March 31, 2020 and year ended March 31, 2019 is, as follows:

**(Rs. In millions)**

Particulars	for the year ended March 31, 2020	for the year ended March 31, 2019
<b>Tax rate as per IT Act, 1961</b>	<b>25.17%</b>	<b>29.12%</b>
Accounting profit before tax	1,332.45	1,030.98
At India's statutory income tax rate of 25.17% (2019: 29.12%)	335.35	300.22
Effect of expenses that are not deductible in determining taxable profit	16.42	36.84
Deductions	(18.93)	(15.79)
Effect of income that is exempt from taxation	-	(18.82)
Deferred tax adjustment due to change in rate of tax	21.44	-
Others	(11.82)	-
<b>Income tax expense reported in the statement of profit or loss</b>	<b>342.46</b>	<b>302.45</b>

The effective income tax rate for March 31, 2020 is 25.70% (March 31, 2019: 29.33%).



### 36: Deferred tax

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

(Rs. In millions)

Particulars	Deferred Tax Assets March 31, 20	Deferred Tax Liabilities March 31, 20	Income Statement 2019-20	OCI 2019-20
Depreciation	17.63	-	(5.17)	-
Impact of expenditure charged to the Statement of Profit and Loss in the current year but claimed as expense for tax purpose on payment basis.	20.03	-	(10.74)	-
Impairment allowance for financial assets	84.04	-	(6.92)	-
Debt financial asset measured at amortised cost	47.15	-	(1.84)	-
Financial liability measured at amortised cost (Borrowings)	-	(19.81)	10.19	-
Impact due to gain/loss on fair value of securitisation	-	(101.65)	67.14	-
Impact due to gain/loss on fair value of FVOCI loans	-	(8.65)	-	(0.06)
Impact due to actuarial gain/ loss on gratuity	3.23	-	-	(0.32)
Others	4.55	-	(1.64)	-
<b>Total</b>	<b>176.63</b>	<b>(130.11)</b>	<b>51.01</b>	<b>(0.38)</b>

(Rs. In millions)

Particulars	Deferred Tax Assets March 31, 20	Deferred Tax Liabilities March 31, 20	Income Statement 2019-20	OCI 2019-20
Depreciation	12.46	-	(3.80)	-
Impact of expenditure charged to the Statement of Profit and Loss in the current year but claimed as expense for tax purpose on payment basis.	9.28	-	(3.28)	-
Impairment allowance for financial assets	77.11	-	(32.50)	-
Debt financial asset measured at amortised cost (loans to customer)	45.31	-	(11.58)	-
Financial liability measured at amortised cost (Borrowings)	-	(9.61)	(2.97)	-
Impact due to gain/loss on fair value of securitisation	-	(34.51)	34.51	-
Impact due to gain/loss on fair value of FVOCI loans	-	(8.72)	-	5.13
Impact due to actuarial gain/ loss on gratuity	2.91	-	-	(1.47)
<b>Total</b>	<b>147.07</b>	<b>(52.84)</b>	<b>(19.62)</b>	<b>3.66</b>

### 37: Earnings per share

(Rs. In millions)

Particulars	for the year ended March 31, 2020	for the year ended March 31, 2019
Net profit attributable to ordinary Equity Shareholders	989.99	728.53
<b>Weighted average number of ordinary shares for basic earnings per share (in Lakhs)</b>	<b>37.52</b>	<b>31.19</b>
Effect of dilution:	-	-
<b>Weighted average number of ordinary shares adjusted for effect of dilution (in Lakhs)</b>	<b>37.52</b>	<b>31.19</b>
<b>Earnings per share</b>		
Basic earnings per share (Rs.)	26.39	23.35
Diluted earnings per share (Rs.)	26.39	23.35

### 38: Retirement Benefit Plan

#### Defined Contribution Plan

The company makes contributions to provident fund which are defined contribution plan for qualifying employees. During the year, the Company recognised Rs. 56.09 millions (Previous Year Rs. 32.72 millions) for provident fund contributions in the statement of profit and loss.

#### Defined Benefit Plan

The Company has a defined benefit gratuity plan. The gratuity plan is governed by the Payment of Gratuity Act, 1972. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

The following tables summaries the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity plan.

#### Statement of Profit and Loss

*Net employee benefit expense recognised in the employee cost*

(Rs. In millions)

Particulars	As at March 31, 2020	As at March 31, 2019
Current service cost	10.83	5.10
Interest cost on benefit obligation	0.38	0.03
Past Service Cost	-	-
<b>Actual return on plan assets</b>	<b>11.21</b>	<b>5.13</b>

#### Balance Sheet

*Reconciliation of present value of the obligation and the fair value of plan assets:*

(Rs. In millions)

Particulars	As at March 31, 2020	As at March 31, 2019
Defined benefit obligation	40.38	28.33
Fair value of plan assets	32.87	22.87
Asset/(liability) recognized in the balance sheet	(7.50)	(5.46)
Experience adjustments on plan liabilities (Gain) / Loss	-	-
Experience adjustments on plan assets Gain / (Loss)	-	-

*Changes in the present value of the defined benefit obligation are as follows:*

(Rs. In millions)

Particulars	As at March 31, 2020	As at March 31, 2019
Opening defined benefit obligation	28.33	17.74
Interest cost	1.99	1.28
Current service cost	10.83	5.10
Benefits paid	(2.39)	(0.44)
Past Service Cost	-	-
Actuarial loss / (gain) on obligation	1.62	4.65
<b>Closing defined benefit obligation</b>	<b>40.38</b>	<b>28.33</b>

Changes in the fair value of plan assets are as follows:

(Rs. In millions)

Particulars	As at March 31, 2020	As at March 31, 2019
Opening fair value of plan assets	22.87	12.18
Expected return	1.60	1.25
Contributions by employer	10.46	10.29
Benefits paid	(2.39)	(0.44)
Actuarial gains / (losses)	0.33	(0.41)
Closing fair value of plan assets	32.87	22.87

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

(Rs. In millions)

Particulars	As at March 31, 2020	As at March 31, 2019
Discount rate	6.41%	7.01%
Rate of increase in compensation levels	10%	10%
Attrition rate	20%	20%
Expected rate of return on assets	7.01%	7.01%

The plan assets of the Company relating to Gratuity are managed through a trust are invested through Life Insurance Corporation (LIC) and Exide life insurance (Exide). The details of investments relating to these assets are not shown by LIC and Exide. Hence, the composition of each major category of plan assets, the percentage or amount that each major category constitutes to the fair value of the total plan assets has not been disclosed.

Particulars	As at March 31, 2020	As at March 31, 2019
Funded with LIC	67.00%	100.00%
Funded with Exide	33.00%	0.00%

Particulars	Mar 31, 2020		Mar 31, 2020	
Assumptions	Discount rate impact		Future salary impact	
Sensitivity Level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation	(9.62)	10.11	19.57	(18.14)

Particulars	Mar 31, 2019		Mar 31, 2019	
Assumptions	Discount rate impact		Future salary impact	
Sensitivity Level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation	(27.64)	29.05	29.07	(27.62)

Particulars	As at Mar 31, 2020	As at Mar 31, 2019
Within the next 12 months (next annual reporting period)	4.84	3.70
Between 2 and 5 years	20.37	15.62
Between 5 and 10 years	33.39	12.59
Total expected payments	58.60	32.20

The average duration of the defined benefit obligation as at 31 March 2020 is 6 years (2019: 5.8 years)

The estimates of future salary increases considered in actuarial valuation, takes account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.

### 39: Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Loans and advances to customers, the Company uses the same basis of expected repayment behaviour as used for estimating the EIR. Issued debt reflect the contractual coupon amortisations.

Particulars	March 31, 2020			March 31, 2019		
	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	1,719.28	-	1,719.28	2,188.23	-	2,188.23
Bank Balance other than above	769.04	654.75	1,423.79	608.32	486.55	1,094.87
Trade receivables	1.60	-	1.60	8.47	-	8.47
Loans	12,654.97	8,233.72	20,888.68	11,901.10	4,486.55	16,387.65
Investments	-	-	-	-	-	-
Other financial assets	812.46	59.59	872.05	558.43	-	558.43
<b>Non-financial Assets</b>						
Current tax asset (net)	5.88	-	5.88	13.98	-	13.98
Deferred tax assets (net)	-	46.52	46.52	-	94.24	94.24
Investment property	-	1.10	1.10	-	1.10	1.10
Property, plant and equipment	-	53.73	53.73	-	41.01	41.01
Right of use assets	-	91.89	91.89	-	-	-
Other intangible assets	-	13.09	13.09	-	11.14	11.14
Other non financial assets	56.81	13.46	70.27	39.60	-	39.60
<b>Total assets</b>	<b>16,020.04</b>	<b>9,167.85</b>	<b>25,187.88</b>	<b>15,318.12</b>	<b>5,120.60</b>	<b>20,438.72</b>
<b>Liabilities</b>						
<b>Financial Liabilities</b>						
Debt Securities	312.99	56.92	369.90	2,046.81	233.07	2,279.88
Borrowings (other than debt security)	10,694.48	6,847.20	17,541.68	9,328.54	3,314.71	12,643.25
Subordinated Liabilities	99.66	944.43	1,044.09	500.00	405.31	905.31
Other Financial liabilities	975.52	-	975.52	491.66	-	491.66
<b>Non-financial Liabilities</b>						
Provisions	58.07	-	58.07	46.91	-	46.91
Other non-financial liabilities	164.85	55.49	220.34	69.94	-	69.94
<b>Total Liabilities</b>	<b>12,305.56</b>	<b>7,904.04</b>	<b>20,209.60</b>	<b>12,483.86</b>	<b>3,953.10</b>	<b>16,436.96</b>
<b>Net</b>			<b>4,978.28</b>			<b>4,001.76</b>

(Rs. In millions)

#### 40: Change in liabilities arising from financing activities

(Rs. In millions)

Particulars	As at March 31, 2019	Cash Flows	Others*	As at March 31, 2020
Debt Securities	2,279.88	(1,911.91)	1.93	369.90
Borrowings other than debt securities	12,643.25	4,930.05	(31.63)	17,541.68
Subordinated Liabilities	905.31	140.00	(1.22)	1,044.09
<b>Total liabilities from financing activities</b>	<b>15,828.45</b>	<b>3,158.15</b>	<b>(30.92)</b>	<b>18,955.67</b>

Particulars	As at March 31, 2020	Cash Flows	Others*	As at March 31, 2020
Debt Securities	2,159.56	123.78	(3.45)	2,279.88
Borrowings other than debt securities	9,301.77	3,358.57	(17.09)	12,643.25
Subordinated Liabilities	713.04	206.96	(14.69)	905.31
<b>Total liabilities from financing activities</b>	<b>12,174.37</b>	<b>3,689.31</b>	<b>(35.23)</b>	<b>15,828.44</b>

#### 41: Contingent liabilities, commitments and leasing arrangements

##### (A) Contingent Liabilities

Particulars	As at March 31, 2020	As at March 31, 2019
In respect of income tax demand where the Company has filed appeal before tax authorities	73.15	-
<b>Total</b>	<b>73.15</b>	<b>-</b>

Future cashflows in respect of above is determinable only on receipt of judgement / decisions pending with tax authorities. The company is of the opinion that above demand is not sustainable and expect to succeed in its appeal. The management believes that the ultimate outcome of the proceeding will not have a material adverse effect on the Company's financial position and results of operations.

Disputed income tax demand is on account of cash deposited during demonitisation period which has been added by the department to income from other source for the assessment year 2017-18

##### (B) Commitments

The Company has no exposure to the real estate sector and capital market directly or indirectly in the current and previous year.

##### (C) Lease Disclosures

###### Operating Lease :

The Company has cancellable operating lease agreements for office spaces. Terms of such lease gives right of cancellation to both the parties. Operating lease rental expenses for short term leases amounts to Rs. 19.76 millions (March 31, 2019 Rs. 31.63 millions) have been debited to statement of Profit and Loss.

###### Adoption of Indian Accounting standard - 116 "Leases"

"Except as specified below, the company has consistently applied the accounting policies to all periods presented in this financial statement. The company has applied Ind AS 116 with the date of initial application of April 1, 2019. As a result, the company has changed its accounting policy for lease contracts as detailed below: The company has applied Ind AS 116 using the modified retrospective approach from April 1, 2019."

(Rs. In millions)	
Particulars	Amount
Lease commitments as at 31 March 2019	-
Add/(less): contracts reassessed as lease contracts	38.67
Add/(less): adjustments on account of extension/termination	-
<b>Lease liabilities as on 1 April 2019</b>	<b>38.67</b>
Current lease liability	17.07
Non current lease liabilities	21.60

Right of use assets of Rs. 38.67 millions and lease liabilities of Rs. 38.67 millions have been recognised as on April 1, 2019.

The impact of change in accounting policy on account on adoption of Ind AS 116 is as follows

(Rs. In millions)	
Particulars	Amount
Increase in lease liability by	121.12
Increase in right of use assets by	121.12
Increase in deferred tax assets by	1.62
Increase in finance cost by	10.02
Increase in depreciation by	32.20

Carrying value of right of use assets at the end of the reporting period by class.

(Rs. In millions)	
Particulars	Amount
Balance at April 1, 2019	38.67
Addition during the year	85.42
Less: Depreciation charge for the year	(32.20)
<b>Balance at March 31, 2020</b>	<b>91.89</b>

Amounts recognised in profit or loss

(Rs. In millions)	
Particulars	Amount
Interest on lease liabilities	10.02
Variable lease payments not included in the measurement of lease liabilities	-
Income from sub-leasing right-of-use assets	-
Expenses relating to short-term leases	19.76
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	-
<b>Total</b>	<b>29.78</b>

Amounts recognised in the statement of cash flows

(Rs. In millions)	
Particulars	Amount
Interest paid on Lease liabilities	10.02
Payment towards Lease liabilities	25.07
<b>Total cash outflow for leases</b>	<b>35.09</b>



## Maturity analysis of lease liabilities

	(Rs. In millions)
Particulars	Amount
Less than one year	40.56
One to five years	55.49
More than five years	-
<b>Total cash outflow for leases</b>	<b>96.05</b>

## 42: Related Party Disclosures

### Relationship

Key Management Personnel	Dr. (Mrs.) Kalpanaa Sankar (Managing Director) Mr. Sitaraman Chandrasekar (Executive Director) Mr. George Alexander (Investor Director) Mr. George Muthoot Jacob (Investor Director) Mr. Kuttickattu Rajappan Bijimon (Investor Director) Mr. David Arturo Paradiso (Investor Director) Mr. Subramanian Ananthanarayanan (Independent Director) Mr. Vadakkakara Antony George (Independent Director) Mr. Venkataraman Krishnamoorthy (Independent Director) Mr. Chinnasamy Ganesan (Independent Director) Mr. L. Muralidharan (Chief Financial Officer) Mr. Sunil Kumar Sahu (Company Secretary)
Enterprises owned or significantly influenced by key management personnel or their relatives	1. Hand in Hand Consulting Services Pvt Ltd 2. Hand in Hand Inclusive Development & Services 3. Hand in Hand India 4. Socio Economic and Educational Development Trust 5. Hand in Hand Academy for Social Entrepreneurship 6. Sahasankha Advisory and Consulting Services Private Limited 7. Muthoot Securities Limited
Holding Company	Muthoot Finance Limited
Fellow Subsidiary	1. Asia Asset Finance PLC, Sri Lanka 2. Muthoot Homefin (India) Limited. 3. Muthoot Insurance Brokers Private Limited 4. Muthoot Money Limited (Formerly known as Muthoot Money India Private Limited) 5. Muthoot Asset Management Private Limited 6. Muthoot Trustee Private Limited
Entities holding substantial interest	1. Sarvam Financial Inclusion Trust (previously known as Sarvam Mutual Benefit Trust, Kancheepuram) 2. Maj Invest Financial Inclusion Fund II K/S
Relatives of Key Management Personnel	1. George Alexander Muthoot 2. George Jacob Muthoot 3. George Thomas Muthoot

**Related Party transactions during the year:**

Particulars	Holding Company		Associates / Enterprises owned or significantly influenced by Key Management Personnel or their relatives		Fellow Subsidiary		Entities holding substantial interest		Key Managerial Persons		Relative of Key Managerial Persons	
	As at Mar 31, 2020	As at Mar 31, 2019	As at Mar 31, 2020	As at Mar 31, 2019	As at Mar 31, 2020	As at Mar 31, 2019	As at Mar 31, 2020	As at Mar 31, 2019	As at Mar 31, 2020	As at Mar 31, 2019	As at Mar 31, 2020	As at Mar 31, 2019
Towards loan repayment collections, reimbursement of expenses and loan recoveries for employees transferred	-	-	0.43	0.06	-	-	-	-	-	-	-	-
Insurance premium collection paid	-	-	50.47	-	-	-	-	-	-	-	-	-
Towards purchase of SHG Loan Portfolio	-	-	50.39	367.22	-	-	-	-	-	-	-	-
Term loan repaid	-	79.67	-	-	-	-	-	-	-	-	-	-
Subordinated Debts	-	-	-	-	-	-	-	-	-	-	240.00	-
Issue of equity shares (including share premium)	-	1,368.20	-	-	-	-	649.99	-	-	-	-	-
Services rendered	-	-	5.46	-	-	-	-	-	-	-	-	-
Services received	-	-	26.53	1.32	-	0.46	-	-	-	-	-	-
Dividend paid on Equity Shares	13.13	-	3.29	-	-	-	2.29	-	0.05	-	-	-
Interest on NCD paid	-	-	-	-	23.40	23.40	-	-	-	-	8.65	-
Finance cost on Account of term loan availed	-	3.09	-	-	-	-	-	-	-	-	-	-
Arranger fee	-	-	1.20	-	-	-	-	-	-	-	-	-
Consultancy services availed for training	-	-	8.19	1.35	-	-	-	-	-	-	-	-
Corporate Social Responsibility	-	-	10.46	5.00	-	-	-	-	-	-	-	-
Sitting fee	-	-	-	-	-	-	-	-	4.36	3.48	-	-
Balance outstanding as at the year end:	-	-	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	1.42	-	-	-	-	-	-	-	-
Receivables	-	-	0.96	-	-	0.49	-	-	-	-	-	-
Subordinated Debts	-	-	-	-	170.00	170.00	-	-	-	-	240.00	-

## Compensation of key management personnel of the Company:

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Company and its employees. The Company considers all Directors, Chief Financial Officer and Company Secretary as key management personnel for the purposes of IND AS 24 Related Party Disclosures.

Particulars	As at Mar 31, 2020	As at Mar 31, 2019
Short-term employee benefits	23.69	16.73
Contribution to PF (defined contribution)	0.09	0.06
<b>Total</b>	<b>23.78</b>	<b>16.79</b>

The remuneration to the key managerial personnel does not include the provisions made for gratuity, as they are determined on an actuarial basis for the company as a whole.

## 43: Capital

The primary objective of the Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and requirements of the financial covenants. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. RBI has issued guidance on implementation of Indian Accounting Standards vide RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020. The Regulatory capital as at March 31, 2020 has been computed as per above mentioned RBI notification.

Regulatory Capital	(Rs. In millions)	
	As at Mar 31, 2020	As at Mar 31, 2019
Common Equity Tier1 capital	4,373.55	3,880.13
Other Tier 2 capital instruments	848.67	518.64
<b>Total capital</b>	<b>5,222.23</b>	<b>4,398.76</b>
Risk weighted assets	20,342	16,997
CET1 capital ratio	21.50%	22.83%
<b>Total capital ratio</b>	<b>25.67%</b>	<b>25.88%</b>

## 44: Events after reporting date

There are no events after the reporting date that require disclosure in these financial statements.

## 45: Fair Value Measurement

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.

	(Rs. In millions)		
March 31, 2020	Level 1	Level 2	Level 3
<b>Assets measured at fair value on a recurring basis</b>			
<u>Financial assets at FVOCI</u>			
Loans	-	-	1,429.36

	(Rs. In millions)		
March 31, 2019	Level 1	Level 2	Level 3
<b>Assets measured at fair value on a recurring basis</b>			
<u>Financial assets at FVOCI</u>			
Loans	-	-	1,239.27

### Fair value technique

#### Loans at FVOCI

For loans at FVOCI, valuation is done using a discounted cash flow model based on contractual cash flows using actual or estimated yields.

**II. The following tables show the reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities measured at fair value:**

	(Rs. In millions)						
March 31, 2020	As at April 01, 2019	Issuances and Settlements (Net)	Transfers into Level 3	Transfers from Level 3	Net interest income	Other Comprehensive Income	As at Mar 31, 2020
<u>Financial assets at FVOCI</u>							
Loans	1,239.27	42.82			147.51	(0.25)	1,429.36

	(Rs. In millions)						
March 31, 2019	As at 01 April 2018	Issuances and Settlements (Net)	Transfers into Level 3	Transfers from Level 3	Net interest income	Other Comprehensive Income	As at March 31, 2019
<u>Financial assets at FVOCI</u>							
Loans	520.12	594.27			107.24	17.63	1,239.27

**III. Impact on fair value of level 3 financial instruments, measured at fair value of changes to key assumptions.**

The table summarises the valuation techniques together with the significant unobservable inputs used to calculate the fair value of loans classified at level 3.

	(Rs. In millions)		
Particulars	Level 3 Assets March 31, 2020	Valuation Technique	Significant Unobservable Input
Loans	1,429.36	Discounted Projected cash flow	Discount/Margin Spread

Particulars	Level 3 Assets March 31, 2020	Valuation Technique	(Rs. In millions)
			Significant Unobservable Input
Loans	1,239.27	Discounted Projected cash flow	Discount/Margin Spread

The Company has taken one discount rate to discount the loans. The discount rate taken in March 2020 is 21.05% and in March 2019 is 23.55%. Thus a significant increase in spread above the cost of borrowing would result in lower fair value.

#### IV. Sensitivity of fair value measurements to changes in unobservable market data

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects.

Particulars	(Rs. In millions)			
	March 31, 2020		March 31, 2019	
	Effect in Other Comprehensive Income		Effect in Other Comprehensive Income	
	Favourable 6.09	Unfavourable 6.09	Favourable 4.57	Unfavourable Loans 4.55

#### Fair value of financial instruments not measured at fair value

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

(Rs. In millions)						
Particulars	Note	Level	Carrying Value		Fair Value	
			Mar 2020	Mar 2019	Mar 2020	Mar 2019
Financial assets not measured at fair value						
Cash and cash equivalents	6	1	1,719.28	2,188.23	1,719.28	2,188.23
Bank Balance other than above	7	1	1423.79	1,094.87	1,423.79	1,094.87
Trade receivables	8	3	1.60	8.46	1.60	8.46
Loans	9	3	19,469.76	15,187.37	19,469.76	15,187.37
Other Financial assets	11	3	872.05	558.43	872.05	558.43
Total financial assets			23,486.48	19,037.35	23,486.48	19,037.35
Financial Liabilities not measured at fair value						
Debt Securities	16	2	369.90	2,279.88	369.90	2,279.88
Borrowings (other than debt securities)	17	2	17,541.68	12,643.25	17,541.68	12,643.25
Subordinated Liabilities	18	2	1,044.09	905.31	1,044.09	905.31
Other Financial liabilities	19	3	975.52	491.66	975.52	491.66
Financial Liabilities			19,931.19	16,320.10	19,931.19	16,320.10

There have been no transfers between the level 1 and level 2 during the period.

## **V. Valuation methodologies of financial instruments not measured at fair value**

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the financial statements. These fair values were calculated for disclosure purposes only. The below methodologies and assumptions relate only to the instruments in the above tables.

### **Financial assets at amortised cost**

The fair value of loans given to customers are estimated using a discounted cash flow model based on contractual cash flows using actual or estimated yields.

### **Financial liability at amortised cost**

The fair value of borrowings, debt securities and subordinate liabilities are estimated using a discounted cash flow model based on contractual cash flows using actual or estimated yields.

### **Short term financial assets and liabilities**

The fair value of cash and cash equivalents, bank balances, trade receivables, other financial assets and other financial liabilities approximate their carrying amount largely due to the short-term nature of these instruments. The Company's loans have been contracted at market rates of interest. Accordingly, the carrying value of these approximates fair value.

## **46: Risk Management**

Risk is an integral part of the Company's business and sound risk management is critical to the success. As a financial intermediary, the Company is exposed to risks that are particular to its lending and the environment within which it operates and primarily includes credit, liquidity and market risks. The Board of Directors of the Company are responsible for the overall risk management approach and for approving the risk management strategies and principles. The Company has a risk management policy which covers all the risk associated with its assets and liabilities.

The Company has implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the Company. The risk management process is continuously reviewed, improved and adapted in the changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event-driven basis.

The Company has an elaborate process for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. The Company's treasury is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company.

## **I. Credit Risk**

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances and trade receivables. For a micro finance institution like Belstar, this assumes more significance since the lending that is carried out is not backed by any collaterals.

The credit risk management policy of the Company seeks to have following controls and key metrics that allows credit risks to be identified, assessed, monitored and reported in a timely and efficient manner in compliance with regulatory requirements.



- Standardize the process of identifying new risks and designing appropriate controls for these risks
- Minimize losses due to defaults or untimely payments by borrowers
- Maintain an appropriate credit administration and loan review system
- Establish metrics for portfolio monitoring
- Design appropriate credit risk mitigation techniques

## **Risk Identification**

Credit risk may originate in one or multiple of following ways mentioned below:

- Adverse selection of members for group formation eg. (bogus members, defaulters, etc.)
- Adverse selection of groups for undertaking lending activity (unknown members due to geographical vicinity, etc.)
- Gap in credit assessment of borrower's credit worthiness (Failure to collect KYC documents, verify residential address, assess income source, etc.)
- Undue Influence of Animator/Representative on group members (misuses of savings of group, etc.)
- Sanction of higher loan amount
- Improper use of loan amount than the designated activity
- Over-concentration in any geography/branch/zone etc
- Change in the savings pattern/meeting pattern of group post availing loan (eg. failure of members to deposit minimum savings amount each month, absence of members from meetings, etc.)

## **Risk assessment and measurement**

Belstar is having a robust risk assessment framework to address each of the identified risks. The following is the framework implemented in order to ensure completeness and robustness of the risk assessment.

- Selection of client base for group formation - Adequate due diligence is carried out for selection of women borrowers who are then brought together for SHG formation. (eg. members with same level of income, only one member from family, annual per capita income, etc.)
- Adequate Training and Knowledge of SHG operations
- Credit assessment - credit rating and credit bureau check
- Follow up and regular monitoring of the group

## **Risk Monitoring**

Monitoring and follow up is an essential element in the overall risk management framework and is taken up very seriously at all levels within the organization. Monitoring and controlling risks is primarily performed based on limits established by the Company.

Borrower Risk Ratings is an effective tool to flag potential problems in the loan accounts and identify if any corrective action plan are to be taken. However, the loans originated by Belstar are mostly short tenure loans (maximum loan tenure being 30 months) and the volume of such loan origination per credit officer is also high, thereby making it practically difficult to carry out a re-rating of borrowers at regular intervals. Therefore, loans are tracked at a homogeneous pool basis by the Risk Team. Any deterioration in the performance of the pool are immediately pointed out to the Senior Management and detailed analysis are carried out to identify the trends in performance.

The risk monitoring metrics have been defined to track performance at each stage of the loan life cycle:

- Credit Origination - KYC pendency, if any; deviation index from the defined policies and procedures
- Credit sanction - Disbursement to High Risk rated groups/borrowers; Early Delinquency due to fraud

- Credit monitoring -
- Portfolio at risk - The metrics provides an indication of potential losses that may arise from overdue accounts. (loans staging more than 90 Days past due);
- Static pool analysis - Provides an indication about the portfolio performance vis-a-vis the vintage of the loans and helps compare performance of loans generated in different time periods
- Collection and Recovery - collection efficiency, Roll forward rates and roll backward rates.

## **Risk Mitigation**

Risk Mitigation or risk reduction is defined as the process of reducing risk exposures and/or minimizing the likelihood of incident occurrence.

The following risk mitigation measures has been suggested at each stage of loan life cycle:

- Loan Origination - site screening, independent visit by manager, adequate training to officers.
- Loan underwriting - Risk rating, independent assessment, etc.
- Loan Pre and Post Disbursement - disbursement at the branch premises and in the bank account only, tracking to avoid misuse of funds,
- Loan monitoring - credit officers to attend group meeting, reminder of payment of emis on time, etc.
- Loan collection and recovery - monitor repayments, confirmation of balances,

It is the Company's policy to ensure that a robust risk awareness is embedded in its organisational risk culture. Employees are expected to take ownership and be accountable for the risks the Company is exposed to that they decide to take on. Continuous training and development emphasises that employees are made aware of the Company's risk appetite and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Company's risk appetite limits. Compliance breaches and internal audit findings are important elements of employees' annual ratings and remuneration reviews.

## **Impairment assessment**

The Company is basically engaged in the business of providing loans and access to Credit to the Self Help Group (SHG) members / Joint Liability Group (JLG) members. The tenure of which is ranging from 12 months to 24 months. Moreover, Company has categorised its loan into two broad categories Micro Enterprise loans (MEL) and others.

The Company's impairment assessment and measurement approach is set out in this note. It should be read in conjunction with the Summary of significant accounting policies 3.6

### ***Definition of default and cure***

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the due amount have been paid. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

*Company's internal credit rating grades and staging criteria for loans are as follows:*

Rating	Loans Days past due (DPD)	Stages
High grade	Not yet due	Stage I
Standard grade	1-30 DPD	Stage I
Sub-standard grade	30-60 DPD	Stage II
Past due but not impaired	60-89 DPD	Stage II
Individually impaired	90 DPD or More	Stage III

### **Exposure at Default (EAD)**

The outstanding balance as at the reporting date is considered as EAD by the company.

### **Probability of default (PD)**

The Probability of Default is an estimate of the likelihood of default over a given time horizon. To calculate the ECL for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 financial assets, the exposure at default is considered for events over the lifetime of the instruments. The Company uses historical information where available to determine PD. Considering the different products and schemes, the Company has bifurcated its loan portfolio into various pools. PD is calculated using Incremental NPA approach considering fresh slippage using historical information.

Based on its review of macro-economic developments and economic outlook, the Company has analysed various scenarios and applied management estimates on the proposed collection trend for the demand and created an additional COVID 19 provision based on approval from the board.

### **Loss Given Default**

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

LGD Rates have been computed internally based on the discounted recoveries in NPA accounts that are closed/ written off/ repossessed and upgraded during the year.

When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

### **Significant Increase in credit risk**

The internal rating model evaluates the loans on an ongoing basis. The rating model also assesses if there has been a significant increase in credit risk since the previously assigned risk grade. One key factor that indicates significant increase in credit risk is when contractual payments are more than 30 days past due.

Company's financial assets measured on a collective basis

For Stage 3 assets ECL is calculated on an individual basis. For stages 1 and 2 the internal rating model analysis past trends, income level and other combinations. The loss estimation for these pools is hence done on a collective basis.

## II. Asset Liability Management

Asset and Liability Management (ALM) is defined as the practice of managing risks arising due to mismatches in the asset and liabilities. Belstar's funding consists of both long term as well as short term sources with different maturity patterns and varying interest rates. On the other hand, the asset book also comprises of loans of different duration and interest rates. Maturity mismatches are therefore common and has an impact on the liquidity and profitability of the company. It is necessary for Belstar to monitor and manage the assets and liabilities in such a manner to minimize mismatches and keep them within reasonable limits.

The objective of this policy is to create an institutional mechanism to compute and monitor periodically the maturity pattern of the various liabilities and assets of Belstar to (a) ascertain in percentage terms the nature and extent of mismatch in different maturity buckets, especially the 1-30/31days bucket, which would indicate the structural liquidity (b) the extent and nature of cumulative mismatch in different buckets indicative of short term dynamic liquidity and (c) the residual maturity pattern of repricing of assets and liabilities which would show the likely impact of movement of interest rate in either direction on profitability. This policy will guide the ALM system in Belstar.

The scope of ALM function can be described as follows:

- Liquidity risk management
- Management of market risks
- Others

### 46.1. Liquidity Risk

Liquidity is measured by our ability to accommodate decreases in purchased liabilities, and fund increases in assets. In assessing the company's liquidity position, consideration shall be given to: (1) present and anticipated asset quality (2) present and future earnings capacity (3) historical funding requirements (4) current liquidity position (5) anticipated future funding needs, and (6) sources of funds.

The Company maintains a portfolio of marketable assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Company also enters into securitization deals (direct assignment as well as pass through certificates) of their loan portfolio, the funding from which can be accessed to meet liquidity needs. In accordance with the Company's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Company. Net liquid assets consist of cash, short-term bank deposits and investments in mutual fund available for immediate sale, less issued securities and borrowings due to mature within the next month.

### Liquidity ratios

#### *Advances to borrowings ratios*

Particulars	2020	2019
Year-end	110.67%	107.62%
Maximum	116.50%	122.82%
Minimum	98.64%	100.55%
Average	109.12%	109.94%

Borrowings from banks and financial institutions and issue of debentures are considered as important sources of funds to finance lending to customers. They are monitored using the advances to borrowings ratio, which compares loans and advances to customers as a percentage of secured and unsecured borrowings.

## Maturity pattern of assets and liabilities as on March 31, 2020:

(Rs. In millions)

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 Year	3 to 5 Year	Over 5 years	Total
Borrowings (other than debt securities)	840.08	706.35	1,260.41	2,905.70	4,981.94	6,819.43	27.77	-	17,541.68
Debt securities	78.15	50.00	50.00	78.21	56.62	56.92	-	-	369.90
Subordinated debts	-	-	-	-	99.66	-	304.86	639.57	1,044.09
<b>Total</b>	<b>918.23</b>	<b>756.35</b>	<b>1,310.41</b>	<b>2,983.91</b>	<b>5,138.23</b>	<b>6,876.34</b>	<b>332.63</b>	<b>639.57</b>	<b>18,955.68</b>
Cash and bank balance	1,719.28	-	-	-	-	-	-	-	1,719.28
Deposits	83.00	100.02	27.00	282.43	276.60	598.51	56.24	-	1,423.79
Receivables	1.60	-	-	-	-	-	-	-	1.60
Loans	245.34	237.48	1,318.95	4,359.84	6,493.36	8,233.71	-	-	20,888.68
<b>Total</b>	<b>2,049.23</b>	<b>337.50</b>	<b>1,345.95</b>	<b>4,642.27</b>	<b>6,769.96</b>	<b>8,832.22</b>	<b>56.24</b>	<b>-</b>	<b>24,033.36</b>

## Maturity pattern of assets and liabilities as on March 31, 2019:

(Rs. In millions)

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 Year	3 to 5 Year	Over 5 years	Total
Borrowings (other than debt securities)	706.17	812.53	991.39	2,577.26	4,316.31	2,677.77	561.81	-	12,643.25
Debt securities	50.00	50.00	387.50	554.17	1,023.52	200.00	14.70	-	2,279.88
Subordinated debts	-	310.00	-	-	190.00	100.00	305.31	-	905.31
<b>Total</b>	<b>756.17</b>	<b>1,172.53</b>	<b>1,378.89</b>	<b>3,131.43</b>	<b>5,529.83</b>	<b>2,977.77</b>	<b>881.82</b>	<b>-</b>	<b>15,828.45</b>
Cash and bank balance	1,888.23	-	300.00	-	-	-	-	-	2,188.23
Deposits	7.54	121.25	147.79	50.68	281.07	-	486.55	-	1,094.87
Receivables	8.47	-	-	-	-	-	-	-	8.47
Loans	1,143.99	1,121.88	1,097.39	3,169.41	5,171.86	4,683.11	-	-	16,387.65
<b>Total</b>	<b>3,048.23</b>	<b>1,243.13</b>	<b>1,545.18</b>	<b>3,220.09</b>	<b>5,452.94</b>	<b>4,683.11</b>	<b>486.55</b>	<b>-</b>	<b>19,679.22</b>

## 46.2. Economic Risk

The SARS CoV-2 virus responsible for COVID -19 continues to spread across the globe and India, which has contributed to a significant decline and volatility in global and Indian financial markets and a significant decrease in economic activities. The impact of the same is also seen in the microfinance borrowers with whom the Company is dealing . On March 24, 2020, the Indian Government announced a strict 21 day lockdown which was further extended till May 17, 2020 across the Country to contain the spread of the virus. As a result of the same, the Company also restricted its collection activities.

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Company has proposed a moratorium of three months on the payment of all instalments and/ or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers classified as standard, even if overdue as on February 29, 2020, excluding the collections made already made in the month of March 31, 2020. For all such accounts where the moratorium is granted, the asset classification will remain standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification)

The Company based on current information available, has analysed various scenarios and applied management estimates on the proposed collection trend for the demand and created an additional COVID 19 provision based on approval from the board .

## 46.3. Market Risk

Market Risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates and other market changes. The Company is exposed to two types of market risk as follows:

#### 46.4. Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Asset Liability Committee shall manage its rate sensitivity position to ensure the long run earning power of the company. In addressing this challenge, the ratios of rate sensitive assets (RSA) to rate sensitive liabilities (RSL) and gap (RSA minus RSL) to equity, as well as gap to total assets will be reviewed based on 30, 60, 90, 180, and 365-day, 1-2 year, and greater than 2 year definitions. More importantly, however, special emphasis is to be placed on the change in net interest income that will result from possible fluctuations in interest rates, changing account volumes, and time.

We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. We assess and manage our interest rate risk by managing our assets and liabilities. Our Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately.

#### Management of Interest Margin

The spread or interest margin, otherwise known as “Gap”, is the difference between the return on assets and the expenses paid on liabilities. Assets are classified as Rate Sensitive Assets and fixed Rate Assets. Liabilities are classified as Rate Sensitive Liabilities and fixed Rate Liabilities. An asset or liability is identified as sensitive if cash flows from the asset or liability change in the same direction and general magnitude as the change in short-term rates. The cash flows of insensitive (or non-sensitive) assets or liabilities do not change within the relevant time period.

The sensitivity of the statement of profit and loss is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non-trading financial assets and financial liabilities held at March 31, 2020.

The Company has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings affected. With all other variables held constant, the profit before tax affected through the impact on floating rate borrowings, as follows:

(Rs. In millions)		
Particulars	Effect on Statement of Profit and loss for the year 2019-20	Effect on Statement of Profit and loss for the year 2018-19
0.50% increase	(94.78)	(79.14)
0.50% decrease	94.78	79.14

#### 46.5. Price Risk

The Company's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surpluses in the highly liquid debt funds for very short durations. The Company has a board approved policy of investing its surplus funds in highly rated mutual funds and other instruments having insignificant price risk, not being equity funds/ risk bearing instruments.



## 46.6. Prepayment risk

Prepayment risk is the risk that the Company will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

## III. Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

## 47: Micro Enterprises and Small Enterprises

Based on and to the extent on information received by the Company from the Suppliers during the year regarding their status under the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act) there are no amounts due to the suppliers registered under MSMED Act, 2006.

## 48: Expenditure in Foreign Currency

### A. Foreign Currency Expenditure

The total foreign travel expenditure for the year ended as on 31 March 2020 is Rs. Nil (PY Nil).

### B. Unhedged Foreign Currency

The Company did not have any unhedged Foreign currency exposure as at 31 March 2020 is Rs. Nil (PY Nil).

## 49: Segment Information

The Company is primarily engaged in the business of Micro Financing. As per the Chief Operating decision maker, all the activities of the Company revolve around the main business and there is no other relevant segment. Further, the Company does not have any separate geographical segments other than India. As such there are no separate reportable segments as per Ind AS -108 "Operating Segments".

## 50: Additional Disclosures pursuant to Reserve Bank of India Directions

### A. Disclosure Pursuant to Reserve Bank of India D NBS.193 DG (VL) – 2007 dated 22 February 2007:

S. No	Particulars	As at March 31, 2020		As at March 31, 2019	
		Amount Outstanding	Amount Over Due	Amount Outstanding	Amount Over Due
1	<b>Liabilities :</b>				
	<b>Loans and advances availed by the NBFC inclusive of interest accrued thereon not paid:</b>				
(a)	Debentures & Preference shares				
	-Secured	203.19	-	931.33	-
	-Unsecured	1,210.80	-	2,253.87	-
	(Other than falling within the meaning of Public deposits)	-	-	-	-
(b)	Deferred Credits	-	-	-	-
(c)	Term Loans	16,245.37	-	8,964.62	-
(d)	Inter-Corporate Loans and Borrowings	-	-	-	-
(e)	Commercial Paper	-	-	-	-
(f)	Other Loans (Nature of other Loans, CC etc.)	1,296.31	-	3,678.63	-

(Rs. in millions)

S. No	Particulars	As at Mar 31, 2020	As at Mar 31, 2019
	<b>Assets</b>		
2	<b>Breakup of Loans and Advances including Bills Receivables [Other than those included in (3) below] :</b>		
(a)	Secured	-	-
(b)	Unsecured (including Interest accrued and Loans to staff)	21,257.47	16,651.64
3	<b>Break up of Leased Assets and Stock on Hire and other Assets counting towards AFC activities.</b>		
(i)	Leased Assets including Leased Rentals Accrued and Due:		
(a)	Financial Lease	-	-
(b)	Operating Lease	-	-
(ii)	Stock on hire including Hire charges under Sundry Debtors:		
(a)	Assets on Hire	-	-
(b)	Reposessed Assets	-	-
(iii)	Other Loans counting towards AFC activities		
(a)	Loans where Assets have been Reposessed	-	-
(b)	Loans Other than (a) above	-	-
4	<b>Breakup of investments</b>		
	Current Investments		
I	Quoted:		
(i)	Shares : (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Fund	-	-
(iv)	Government Securities	-	-
(v)	Others (Please Specify)	-	-
II	Unquoted:		
(i)	Shares : (a) Equity	-	-
(ii)	(b) Preference	-	-
(iii)	Debentures and Bonds	-	-
(iv)	Units of Mutual Fund	-	-
(v)	Government Securities	-	-
	Others (Please Specify)	-	-
	Long Term Investments		
I	Quoted:		
(i)	Shares : (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Fund	-	-
(iv)	Government Securities	-	-
(v)	Others (Please Specify)	-	-
II	Unquoted:		
(i)	Shares : (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Fund	-	-
(iv)	Government Securities	-	-
(v)	Others (Please Specify)	-	-

(Rs. In millions)

**5 Borrower Group-Wise classification of Assets financed as in (2) and (3) above**

S. No	Category	Net of provisions as at March 31, 2020			Net of provisions as at March 31, 2019		
		Secured	Unsecured	Total	Secured	Unsecured	Total
1	Related Parties	-	-	-	-	-	-
	(a) Subsidiaries	-	-	-	-	-	-
	(b) Companies in the Same Group	-	-	-	-	-	-
	(c) Other Related Parties	-	-	-	-	-	-
2	Other than Related Parties	-	20,888.68	20,888.68	-	16,387.65	16,387.65
	<b>Total</b>	<b>-</b>	<b>20,888.68</b>	<b>20,888.68</b>	<b>-</b>	<b>16,387.65</b>	<b>16,387.65</b>

**6 Investor Group-Wise classification of all Investments (Current and Long-term) in shares and securities (both quoted and unquoted) :**

		As at March 31, 2020		As at March 31, 2019	
Category		Market value / Breakup Value or Fair Value or Net Asset Value	Book Value (Net of Provisioning)	Market value / Breakup Value or Fair Value or Net Asset Value	Book Value (Net of Provisioning)
1	Related Parties	-	-	-	-
(a)	Subsidiaries	-	-	-	-
(b)	Companies in the Same Group	-	-	-	-
(c)	Other Related Parties	-	-	-	-
2	Other than Related Parties	-	-	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Rs. In millions)

<b>7 Other Information</b>		Amount outstanding as at March 31, 2020	Amount outstanding as at March 31, 2019
(i)	Gross Non-Performing Assets		
	Related Parties	-	-
	Other than Related Parties	235.84	211.08
(ii)	Net Non-Performing Assets		
	Related Parties	-	-
	Other than Related Parties	19.53	23.53
(iii)	Assets Acquired in Satisfaction Debt		
	Related Parties	-	-
	Other than Related Parties	-	-

**B. Disclosure pursuant to RBI Notification DNBS.200/CGM (PK)-125/03.05.00/2008 dated August 01, 2008**

(Rs. In millions)

	Category	As at Mar 31, 2020	As at Mar 31, 2019
A)	Direct Exposure		
(i)	Residential Mortgages -		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lakh may be shown separately)	-	-
(ii)	Commercial Real Estate -		
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose Commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	-	-
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a.	Residential Mortgage -	-	
b.	Commercial Real Estate -	-	
B)	Indirect Exposure		
	Fund based and non-fund based exposures on National	-	-
	Housing Bank (NHB) and Housing Finance Companies	-	-

**C. Disclosure pursuant to RBI guidelines on Securitisation DNBR (PD) CC. No.002/03.10.001/2014-15 dated November 10, 2014 the details of securitisation are given below**

(Rs. In millions)

Particulars	March 31, 2020	March 31, 2019
No. of. SPVs sponsored by the NBFC for securitisation transaction	10	11
Total amount of securitised assets as per books of the SPVs sponsored	1,543.62	3,665.01
Total amount of exposures retained by the NBFC to company with MRR as on the date of Balance sheet		
a) Off-Balance sheet exposures		
First loss		
Others		
b) On-Balance sheet exposures		
First Loss	379.13	313.25
Others	688.52	610.88
Amount of exposures to securitisation transactions other than MRR		
a) Off-Balance sheet exposures		
i) Exposure to own securitisations		
First loss	-	-
Loss	-	-
ii) Exposure to third party securitisations		
First loss	-	-
Others	-	-
b) On-Balance sheet exposures		
i) Exposure to own securitisations		
First loss	-	-
Others	-	-
ii) Exposure to third party securitisations		
First loss	-	-
Others	-	-

## Details of Assignment Transactions undertaken:-

Particulars	March 31, 2020	March 31, 2019
I) Total number of loan assets assigned during the year	290,012	90,661
ii) Book value of loan assets assigned during the year (Rs. In millions)	7,807.89	2,148.30
iii) Sale consideration received during the year (Rs. In millions)	6,769.28	1,933.47
vi) Income recognised in statement of profit and loss (Rs. In millions)	266.76	118.51

## D. Disclosure pursuant to RBI Notification RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020

(Rs. In millions)

Asset classification as per RBI norms	Asset classification as per IND AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
Performing asset	Stage 1	20,966.30	151.83	20,814.47	89.93	61.90
Standard	Stage 2	55.33	0.66	54.66	0.38	0.28
<b>Subtotal</b>		<b>21,021.63</b>	<b>152.49</b>	<b>20,869.14</b>	<b>90.31</b>	<b>62.19</b>
<b>Non-Performing asset (NPA)</b>						
Substandard	Stage 3	235.84	216.30	19.53	110.69	105.61
Doubtful						
upto 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
<b>Subtotal for NPA</b>		<b>235.84</b>	<b>216.30</b>	<b>19.53</b>	<b>110.69</b>	<b>105.61</b>
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal	-	-	-	-	-	-
<b>Total</b>	<b>Stage 1</b>	<b>20,966.30</b>	<b>151.83</b>	<b>20,814.47</b>	<b>89.93</b>	<b>61.90</b>
	<b>Stage 2</b>	<b>55.33</b>	<b>0.66</b>	<b>54.66</b>	<b>0.38</b>	<b>0.28</b>
	<b>Stage 3</b>	<b>235.84</b>	<b>216.30</b>	<b>19.53</b>	<b>110.69</b>	<b>105.61</b>
	<b>Total</b>	<b>21,257.46</b>	<b>368.79</b>	<b>20,888.67</b>	<b>201.00</b>	<b>167.79</b>

As per guidance on implementation of Indian Accounting Standards vide RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020, where impairment allowance under Ind AS 109 is lower than the provisioning required under IRACP (including standard asset provisioning), NBFCs/ARCs shall appropriate the difference from their net profit or loss after tax to a separate 'Impairment Reserve'. Since the impairment allowance under IND AS 109 is higher than the provisioning required under IRACP (including standard asset provisioning), the Company has not created any Impairment Reserve.

**E. Disclosure pursuant to RBI circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020 the details of moratorium are given below**

(Rs. In millions)		
Particulars	No. of Loan Accounts	Amount
(i) Moratorium extended Nos and due amount	62,488	122.18
(ii) Asset classification benefit extended Nos and Outstanding amount	2,850	45.28
(iii) Provisions made on 31st Mar-2020	-	18.95
(iv) Provisions adjusted	-	-

**Note : As on 31st Mar'20 moratorium extended for 62488 loan accounts, whereas the same extended for all loan accounts for Apr'20 to May'20 as per RBI circular**

**51: Fraud**

**Disclosure of Frauds reported during the year to RBI vide DNBS PD.CC NO. 256 / 03.10.042 / 2012 -13 dated March 02, 2012:**

Particulars	March 31, 2020	March 31, 2019
Number of frauds reported during the year to Reserve Bank of India	1	5
Amount involved in such frauds and provided for	0.64	4.10
<b>Total</b>	<b>0.64</b>	<b>4.10</b>

**52: RBI Compliance**

Company has ensured guidelines prescribed by RBI vide its Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016 (as amended from time to time) is being complied. During current year, RBI has issued guidance on implementation of Indian Accounting Standards vide RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020. Following Key aspects as per Ind AS were complied as per above guidance.

- Adherence to IRACP and ECL norms as prescribed by RBI.
- Computation of Capital Adequacy Ratio by ensuring compliance above the prescribed RBI norms.
- Adherence to the Asset and the Income Pattern of the Company as per RBI norms.
- Adherence to the Qualifying Assets Criteria of the Company as per RBI norms.
- Margin Cap of the Company as on 31 March 2020 is 9.36% (31 March 2019: 8.28%).

**53: Exposures**

The Company has no exposure to the real estate sector and capital market directly or indirectly in the current and previous year.

**54: Rating**

Ratings assigned by credit rating agencies during the year



Instrument	Rating agency	Rating/Grading
Long Term Bank Facilities	CRISIL	CRISIL A+
Non-Convertible Debentures	CARE	CARE A+
Non-Convertible Debentures	CRISIL	CRISIL A+
Subordinated Debts	ICRA	ICRA A
MFI Grading	CARE	MFI 1

## 55: Customer complaints

SI No	Particular	As at March 31, 2020	As at March 31, 2019
1	No. of complaints pending as at the beginning of the year	6	14
2	No. of complaints received during the year	249	285
3	No. of complaints redressed during the year	255	293
4	No. of complaints pending as at the end of the year	-	6

## 56: Previous year comparatives

Previous year's figures have been regrouped / reclassified, wherever considered necessary, to conform with current year's presentation.

Notes on accounts form part of final accounts  
As per our Report of even date attached

For and on behalf of the Board of Directors

**For M/s. N. Sankaran & Co**  
Chartered Accountants  
Firm Regn. No 003590S

Sd/  
**Dr. Kalpanaa Sankar**  
Managing Director  
(DIN. 01926545)

Sd/  
**S. Chandrasekar**  
Wholetime Director  
(DIN. 02360909)

Sd/  
**M N Prabhakar**  
Partner  
M.No. 207188

Sd/  
**L. Muralidharan**  
Chief Financial Officer

Sd/  
**Sunil Kumar Sahu**  
Company Secretary

Place : Chennai  
Date : May 10, 2020



## Belstar Microfinance Limited

(Formerly Belstar Investment and Finance Private Limited)

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+91-44-43414567

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Website: <http://belstar.in>

Corporate Office:

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Tamil Nadu - 600 083.