



**N. SANKARAN & CO.**  
**CHARTERED ACCOUNTANTS**

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**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 Company Limited) ("the Company"), comprising of the Balance Sheet as at March 31, 2021, 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 31 March 2021, 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.



# Independent Auditors' Report (Contd.)

## 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, Business Responsibility 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.



# Independent Auditors' Report (Contd.)

## 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.



## Independent Auditors' Report (Contd.)

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, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2021 from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of the internal financial controls 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



## Independent Auditors' Report (Contd.)

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.

Place: Chennai  
Date: 29<sup>th</sup> April 2021

UDIN: 21207188AAAABY5121



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

M N Prabhakar  
Partner  
(Membership No. 207188)

## Independent Auditors' Report (Contd.)

**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, 2021**

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, 2021 for a period of more than six months from the date on when they become payable.



## Independent Auditors' Report (Contd.)

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, 2021 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. 12,17,272 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, 2021 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.



## Independent Auditors' Report (Contd.)

- 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.

Place: Chennai  
Date: 29<sup>th</sup> April 2021

UDIN: 21207188AAAABY5121



For N.Sankaran & Co  
Chartered Accountants  
(Firm's Registration No. 0035905)

  
M N Prabhakar  
Partner  
(Membership No. 207188)

## **Independent Auditors' Report (Contd.)**

**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 31,2021**

### **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, 2021 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.



# Independent Auditors' Report (Contd.)

## 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, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note 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.0035905)



Place: Chennai  
Date: 29<sup>th</sup> April 2021

UDIN: 21207188AAAABY5121

  
M N Prabhakar  
Partner  
(Membership No. 207188)

**BELSTAR MICROFINANCE LIMITED**  
(Formerly known as Belstar Investment and Finance Private Limited)  
Balance Sheet as at March 31, 2021

(Rs. In millions)

Particulars	Notes	As at	As at
		March 31, 2021	March 31, 2020
<b>I ASSETS</b>			
<b>1 Financial assets</b>			
a) Cash and cash equivalents	6	4,521.23	1,719.28
b) Bank Balance other than (a) above	7	1,256.62	1,423.79
c) Receivables			
(I) Trade Receivables	8	3.14	1.60
(II) Other Receivables		-	-
d) Loans	9	27,837.47	20,888.68
e) Investments		-	-
f) Other Financial assets	10	625.47	872.05
<b>2 Non-financial Assets</b>			
a) Current tax assets (Net)		-	5.88
b) Deferred tax assets (Net)	36	195.84	46.52
c) Investment Property	11	1.10	1.10
d) Property, Plant and Equipment	12	35.76	53.73
e) Right-of-use assets	13	72.89	91.89
f) Other Intangible assets	14	13.31	13.09
g) Intangible assets under development		0.55	-
h) Other non financial assets	15	109.50	70.27
<b>Total assets</b>		<b>34,672.88</b>	<b>25,187.88</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		5.73	-
(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		2.31	-
c) Debt Securities	16	5,284.95	369.90
d) Borrowings (other than debt securities)	17	21,032.99	17,541.68
e) Subordinated Liabilities	18	1,638.42	1,044.09
f) Other Financial liabilities	19	1,051.27	975.52
<b>2 Non-financial Liabilities</b>			
a) Current tax liabilities (net)		20.34	-
b) Provisions	20	50.97	58.07
c) Other non-financial liabilities	21	168.74	220.34
<b>3 Equity</b>			
a) Equity share capital	22	375.21	375.21
b) Other equity	23	5,041.95	4,603.07
<b>Total Liabilities and Equity</b>		<b>34,672.88</b>	<b>25,187.88</b>

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

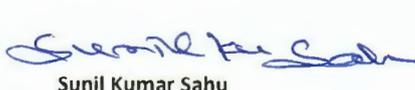
For M/s. N. Sankaran & Co.  
Chartered Accountants  
(FRN: 003590S)

  
M N Prabhakar  
Partner  
M.No.207188  
Date: April 29, 2021  
Place: Chennai



For and on behalf of Board of Directors

  
Dr. Kalpana Sankar      B Balakumaran  
Managing Director      Director  
(DIN. 01926545)      (DIN. 09099182)

   
L Muralidharan      Sunil Kumar Sahu  
Chief Financial Officer      Company Secretary



**BELSTAR MICROFINANCE LIMITED**

(Formerly known as Belstar Investment and Finance Private Limited)

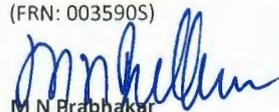
Statement of Profit and Loss for the year ended March 31, 2021

(Rs. In millions)

Particulars	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Revenue from operations</b>			
(i) Interest income	26	5,442.37	4,649.45
(ii) Sale of services	27	28.15	10.64
(iii) Net gain on fair value changes on investments	28	13.84	66.75
(iv) Net gain on derecognition of financial instruments		31.86	266.76
<b>(I) Total Revenue from operations</b>		<b>5,516.22</b>	<b>4,993.60</b>
<b>(II) Other Income</b>	29	15.37	13.87
<b>(III) Total Income (I + II)</b>		<b>5,531.59</b>	<b>5,007.47</b>
<b>Expenses</b>			
(i) Finance cost	30	2,344.55	1,821.85
(ii) Fee and commission expenses		129.03	99.07
(iii) Impairment of financial instruments	31	807.55	229.50
(iv) Employee benefit expenses	32	1,217.65	1,050.93
(v) Depreciation, amortization and impairment	33	92.55	90.80
(vi) Other expenses	34	370.14	382.87
<b>(IV) Total Expenses</b>		<b>4,961.47</b>	<b>3,675.02</b>
<b>(V) Profit/(loss) before tax (III - IV)</b>		<b>570.12</b>	<b>1,332.45</b>
<b>(VI) Tax Expense:</b>			
(i) Current tax	35	261.36	291.45
(ii) Deferred tax charge/ (credit)	36	(150.50)	51.01
(iii) Earlier years adjustments		(7.25)	-
<b>(VII) Profit/(loss) for the period (V - VI)</b>		<b>466.51</b>	<b>989.99</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		2.99	(1.28)
(ii) Tax impact thereon		(0.75)	0.32
<b>Subtotal (A)</b>		<b>2.24</b>	<b>(0.96)</b>
<b>B) Items that will be classified to profit or loss</b>			
(i) Fair value gain/ (loss) on debt instruments measured at FVOCI		(9.84)	(0.25)
(ii) Tax impact thereon		2.48	0.06
<b>Subtotal (B)</b>		<b>(7.36)</b>	<b>(0.19)</b>
<b>Other Comprehensive Income (A + B)</b>		<b>(5.12)</b>	<b>(1.15)</b>
<b>(IX) Total Comprehensive Income for the period (VII + VIII)</b>		<b>461.39</b>	<b>988.84</b>
<b>(X) Earnings per equity share</b>	37		
Basic (Rs.)		12.43	26.39
Diluted (Rs.)		12.43	26.39

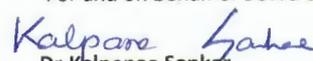
Notes on accounts form part of final accounts  
As per our Report of even date attached

For M/s. N. Sankaran & Co.  
Chartered Accountants  
(FRN: 003590S)

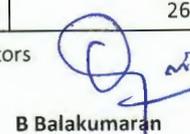
  
M N Prabhakar  
Partner  
M.No.207188  
Date: April 29, 2021  
Place: Chennai

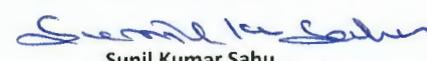


For and on behalf of Board of Directors

  
Dr. Kalpana Sankar  
Managing Director  
(DIN. 01926545)

  
L Muralidharan  
Chief Financial Officer

  
B Balakumaran  
Director  
(DIN. 09099182)

  
Sunil Kumar Sahu  
Company Secretary



**BELSTAR MICROFINANCE LIMITED**

(Formerly known as Belstar Investment and Finance Private Limited)

**Statement of changes in Equity for the year ended March 31, 2021**
**a. Equity Share Capital**

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

	No. in millions	Rs. in millions
As at April 01, 2019	37.52	375.21
Issued during the year	-	-
As at March 31, 2020	37.52	375.21
Issued during the year	-	-
As at March 31, 2021	37.52	375.21

**b. Other Equity**

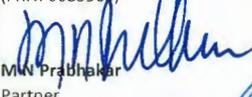
(Rs. In millions)

Particulars	Reserves and Surplus						Total
	Statutory Reserve	Securities Premium Account	Capital redemption reserve	General Reserve	Retained Earnings	Other comprehensive income	
Balance as at April 01, 2019	264.58	2,384.99	-	0.01	964.01	12.96	3,626.55
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
Balance as at March 31, 2020	462.58	2,384.99	500.00	0.01	1,243.68	11.81	4,603.07
Dividends including tax	-	-	-	-	(22.51)	-	(22.51)
Transfer to/ from retained earnings	93.30	-	-	-	(93.30)	-	-
Other Additions / Deductions during the year	-	-	-	-	-	-	-
Premium received during the year	-	-	-	-	-	-	-
Profit (loss) for the year after income tax	-	-	-	-	466.51	-	466.51
Other Comprehensive Income for the year before income tax	-	-	-	-	-	(6.85)	(6.85)
Less: Income Tax	-	-	-	-	-	1.73	1.73
Balance as at March 31, 2021	555.88	2,384.99	500.00	0.01	1,594.38	6.69	5,041.95

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

For and on behalf of Board of Directors

 For M/s. N. Sankaran & Co.  
 Chartered Accountants  
 (FRN: 0035905)



 M.N. Prabhakar  
 Partner  
 M.No.207188  
 Date: April 29, 2021  
 Place: Chennai



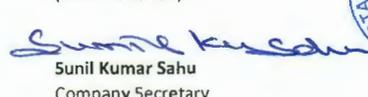
 Dr. Kalpana Sankar  
 Managing Director  
 (DIN. 01926545)



 L. Muralidharan  
 Chief Financial Officer



 B. Balakumaran  
 Director  
 (DIN. 09099182)



 Sunil Kumar Sahu  
 Company Secretary

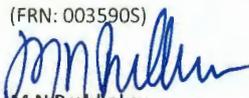

**BELSTAR MICROFINANCE LIMITED**  
(Formerly known as Belstar Investment and Finance Private Limited)  
Cash Flow Statement for the year ended March 31, 2021

(Rs. In millions)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Operating activities</b>		
<b>Profit before tax</b>	<b>570.12</b>	<b>1,332.45</b>
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation & amortisation	92.55	90.80
Impairment on financial instruments	807.55	229.50
Finance cost	2,344.55	1,821.85
Realised gain on investment held for trading	(13.83)	(66.75)
Interest income on deposits	(163.26)	(99.99)
Profit on sale of asset	(0.13)	(0.17)
<b>Operating Profit Before Working Capital Changes</b>	<b>3,637.55</b>	<b>3,307.69</b>
Working capital changes		
(Increase) / Decrease in Trade receivables	(1.54)	6.86
(Increase) / Decrease in Loans	(7,763.27)	(4,720.43)
(Increase) / Decrease in Other financial asset	232.30	(296.63)
(Increase) / Decrease in Other non financial asset	(0.62)	(17.20)
Increase / (Decrease) in Trade and Other payables	8.05	-
Increase / (Decrease) in Other liabilities	(228.43)	586.62
Increase / (Decrease) in Provision	(4.11)	9.88
<b>Cash flows from/(used in) operating activities before tax</b>	<b>(4,120.07)</b>	<b>(1,123.23)</b>
Interest paid on borrowings	(2,130.41)	(1,891.16)
Income tax paid	(266.51)	(299.72)
<b>Net cash flows from/(used in) operating activities</b>	<b>(6,516.99)</b>	<b>(3,314.11)</b>
<b>Investing activities</b>		
Acquisition of fixed and intangible assets	(34.19)	(73.43)
Acquisition of investment property	-	-
Realised gain on investment held for trading	13.83	66.75
Proceeds from sale of fixed assets	0.18	0.31
Investment in fixed deposits	167.17	(328.92)
Interest received on deposits	177.10	80.02
<b>Net cash flows from/(used in) investing activities</b>	<b>324.09</b>	<b>(255.27)</b>
<b>Financing activities</b>		
Proceeds from issue of shares	-	-
Net receipts/Payments from borrowings	9,065.09	3,158.15
Interest paid on Lease liabilities	(10.33)	(10.02)
Payment towards Lease liabilities	(37.40)	(25.07)
Dividend paid on equity shares	(22.51)	(22.62)
<b>Net cash flows from financing activities</b>	<b>8,994.85</b>	<b>3,100.44</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,801.95</b>	<b>(468.95)</b>
Net foreign exchange difference	-	-
Cash and cash equivalents at 1 April	1,719.28	2,188.23
<b>Cash and cash equivalents at reporting date</b>	<b>4,521.23</b>	<b>1,719.28</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  
(FRN: 003590S)

  
M N Prabhakar  
Partner  
M.No.207188  
Date: April 29, 2021  
Place: Chennai



For and on behalf of Board of Directors

  
Dr. Kalpana Sankar      B Balakumaran  
Managing Director      Director  
(DIN. 01926545)      (DIN. 09099182)

  
L Muralidharan      Sunil Kumar Sahu  
Chief Financial Officer      Company Secretary



## 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 Education, Small Enterprise Loan (SEL) as part of 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, 2021.

### 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.



**Belstar Microfinance Limited**  
**(Formerly known as Belstar Investment and Finance Private Limited)**  
**Notes forming part of Financial Statements**

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 amortised 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



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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:

1. 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
2. The Company cannot sell or pledge the original asset other than as security to the eventual recipients
3. 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:

1. The Company has transferred substantially all the risks and rewards of the asset  
or
2. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset



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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 counter parties.

### **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-month 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:



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**Notes forming part of Financial Statements**

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-month 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.



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**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.



**Belstar Microfinance Limited**  
**(Formerly known as Belstar Investment and Finance Private Limited)**  
**Notes forming part of Financial Statements**

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.



**Belstar Microfinance Limited**  
(Formerly known as Belstar Investment and Finance Private Limited)  
Notes forming part of Financial Statements

**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.

The estimated useful lives are as follows:

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 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.



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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.



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**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

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.



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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, asset; 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.



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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.



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**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, 2021. On 24 March 2021, the Ministry of Corporate Affairs ('MCA') through a notification, amended Schedule III of the Companies Act, 2013. The amendments revise Division I, II and III of Schedule III are applicable from 1 April 2021.

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

For M/s. N. Sankaran & Co.  
Chartered Accountants  
(FRN: 003590S)



**M N Prabhakar**

Partner

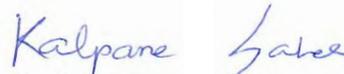
M. No. 207188

Date: April 29, 2021

Place: Chennai



For and on behalf of Board of Directors



**Dr. Kalpanaa Sankar**

Managing Director

(DIN. 01926545)



**K B Balakumaran**

Director

(DIN. 09099182)



**L Muralidharan**

Chief Financial Officer



**Sunil Kumar Sahu**

Company Secretary



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Notes to financial statements for the period ended March 31, 2021

**6: Cash and cash equivalents**

(Rs. In millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Cash on hand	9.32	18.75
Balances with Banks		
- in current accounts	984.41	1,400.53
- Bank deposit with maturity of less than 3 months	3,527.50	300.00
<b>Total</b>	<b>4,521.23</b>	<b>1,719.28</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 March 31, 2021	As at March 31, 2020
Deposit with original maturity for more than three months but less than twelve months	-	-
Balances with banks to the extent held as security against the borrowings #	1,256.62	1,423.79
<b>Total</b>	<b>1,256.62</b>	<b>1,423.79</b>

# It represents deposits maintained as cash collateral against term loans availed from banks and financial institutions and earn interest at the respective fixed deposit rates.



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Notes to financial statements for the period ended March 31, 2021

**8: Trade Receivables**

(Rs. in millions)

Particulars	As at March 31, 2021	As at March 31, 2020
<b>(i) Trade receivables</b>		
Receivable considered good - Secured	-	-
Receivable considered good - Unsecured	3.14	1.60
Receivables which have significant increase in credit risk	-	-
Receivables - credit impaired	-	-
<b>Total</b>	<b>3.14</b>	<b>1.60</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>3.14</b>	<b>1.60</b>

Trade receivables includes Rs. 3.14/- million (Previous year 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 2020-21, INR Nil (2019-20: INR Nil) was recognised as provision for expected credit losses on trade receivable.

(Rs. in millions)

Trade receivables / days past due		0-30 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
<b>ECL rate</b>		<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>50%</b>	<b>100%</b>	
March 31, 2021	Estimated total gross carrying amount	3.14	-				<b>3.14</b>
	ECL-Simplified approach	-					-
	Net carrying amount	3.14	-	-	-	-	<b>3.14</b>
March 31, 2020	Estimated total gross carrying amount	1.56	0.04				<b>1.60</b>
	ECL-Simplified approach	-					-
	Net carrying amount	1.56	<b>0.04</b>	-	-	-	<b>1.60</b>



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9: Loans (Rs. in millions)

Particulars	As at March 31, 2021					As at March 31, 2020				
	Amortised Cost	At Fair value			Total	Amortised Cost	At Fair value			Total
		Through Other Comprehensive Income	Through profit or loss	Designated at Through profit or loss			Through Other Comprehensive Income	Through profit or loss	Designated at Through profit or loss	
<b>(A)</b>										
i) Receivables under financing activities	27,771.99	1,034.45	-	-	28,806.44	19,818.79	1,429.36	-	-	21,248.15
ii) Staff Loan	11.25	-	-	-	11.25	9.32	-	-	-	9.32
<b>Total (A) - Gross</b>	<b>27,783.24</b>	<b>1,034.45</b>	<b>-</b>	<b>-</b>	<b>28,817.69</b>	<b>19,828.11</b>	<b>1,429.36</b>	<b>-</b>	<b>-</b>	<b>21,257.47</b>
Less : Impairment loss allowance	(972.42)	(7.80)	-	-	(980.22)	(358.35)	(10.44)	-	-	(368.79)
<b>Total (A) - Net</b>	<b>26,810.82</b>	<b>1,026.65</b>	<b>-</b>	<b>-</b>	<b>27,837.47</b>	<b>19,469.76</b>	<b>1,418.92</b>	<b>-</b>	<b>-</b>	<b>20,888.68</b>
<b>(B)</b>										
I) Secured by tangible assets and intangible assets	0.88	-	-	-	0.88	-	-	-	-	-
II) Covered by Bank / Government Guarantees	-	-	-	-	-	-	-	-	-	-
III) Unsecured	-	-	-	-	-	-	-	-	-	-
i) Receivables under financing activities	27,771.12	1,034.45	-	-	28,805.56	19,818.79	1,429.36	-	-	21,248.15
ii) Staff loan	11.25	-	-	-	11.25	9.32	-	-	-	9.32
<b>Total (III) - Gross</b>	<b>27,782.36</b>	<b>1,034.45</b>	<b>-</b>	<b>-</b>	<b>28,816.81</b>	<b>19,828.11</b>	<b>1,429.36</b>	<b>-</b>	<b>-</b>	<b>21,257.47</b>
Less : Impairment loss allowance	(972.42)	(7.80)	-	-	(980.22)	(358.35)	(10.44)	-	-	(368.79)
<b>Total (III) - Net</b>	<b>26,809.94</b>	<b>1,026.65</b>	<b>-</b>	<b>-</b>	<b>27,836.59</b>	<b>19,469.76</b>	<b>1,418.92</b>	<b>-</b>	<b>-</b>	<b>20,888.68</b>
<b>Total (B) (I+II+III) - Net</b>	<b>26,810.82</b>	<b>1,026.65</b>	<b>-</b>	<b>-</b>	<b>27,837.47</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	27,783.24	1,034.45	-	-	28,817.69	19,828.11	1,429.36	-	-	21,257.47
<b>Total ( C) - Gross</b>	<b>27,783.24</b>	<b>1,034.45</b>	<b>-</b>	<b>-</b>	<b>28,817.69</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 )	(972.42)	(7.80)	-	-	(980.22)	(358.35)	(10.44)	-	-	(368.79)
<b>Total ( C ) - Net</b>	<b>26,810.82</b>	<b>1,026.65</b>	<b>-</b>	<b>-</b>	<b>27,837.47</b>	<b>19,469.76</b>	<b>1,418.92</b>	<b>-</b>	<b>-</b>	<b>20,888.68</b>



**BELSTAR MICROFINANCE LIMITED**

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**Notes to financial statements for the period ended March 31, 2021****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.

(Rs. in millions)

Particulars	As at March 31, 2021				As at March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Internal rating grade</b>								
<b>Performing</b>								
High grade	27,451.34			27,451.34	20,940.25			20,940.25
Standard grade	247.75			247.75	26.05			26.05
Sub-standard grade		196.24		196.24		26.21		26.21
Past due but not impaired		139.17		139.17		29.12		29.12
<b>Non - performing</b>				-				-
Individually impaired			783.18	783.18			235.84	235.84
<b>Total</b>	<b>27,699.09</b>	<b>335.41</b>	<b>783.18</b>	<b>28,817.69</b>	<b>20,966.30</b>	<b>55.33</b>	<b>235.84</b>	<b>21,257.47</b>



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Notes to financial statements for the period ended March 31, 2021

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to receivables under financing activities is, as follows:

(Rs. in millions)

Particulars	As at March 31, 2021				As at March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount opening balance</b>	<b>20,966.30</b>	<b>55.33</b>	<b>235.84</b>	<b>21,257.46</b>	<b>16,371.21</b>	<b>69.36</b>	<b>211.08</b>	<b>16,651.65</b>
New assets originated or purchased (net of repayment)	20,362.37	-	-	<b>20,362.37</b>	16,156.63	-	-	<b>16,156.63</b>
Assets derecognised or repaid (excluding write offs)	(12,405.13)	(116.34)	(83.46)	<b>(12,604.93)</b>	(11,255.61)	(65.12)	(102.34)	<b>(11,423.07)</b>
Transfers to Stage 1	4.39	(2.51)	(1.88)	-	7.15	(5.93)	(1.22)	-
Transfers to Stage 2	(445.91)	446.29	(0.38)	-	(93.70)	94.56	(0.86)	-
Transfers to Stage 3	(782.95)	(47.35)	830.30	-	(219.38)	(37.54)	256.92	-
Amounts written off	-	-	(197.23)	<b>(197.23)</b>	-	-	(127.74)	<b>(127.74)</b>
<b>Gross carrying amount closing balance</b>	<b>27,699.09</b>	<b>335.41</b>	<b>783.18</b>	<b>28,817.69</b>	<b>20,966.30</b>	<b>55.33</b>	<b>235.84</b>	<b>21,257.47</b>

Reconciliation of ECL balance is given below:

(Rs. in millions)

Particulars	For the year ended March 31, 2021				For the year ended March 31, 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance - opening 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>
New assets originated or purchased	137.28	-	-	<b>137.28</b>	147.50	-	-	<b>147.50</b>
Assets derecognised or repaid (excluding write offs)	(61.24)	(0.39)	(20.96)	<b>(82.60)</b>	(55.80)	(5.44)	(3.15)	<b>(64.39)</b>
Transfers to Stage 1	1.83	(0.03)	(1.80)	-	1.11	(0.03)	(1.09)	-
Transfers to Stage 2	(17.29)	17.64	(0.35)	-	(5.09)	5.86	(0.77)	-
Transfers to Stage 3	(16.51)	(0.47)	16.98	-	(11.90)	(0.17)	12.07	-
Impact on year end ECL of exposures transferred between stages during the year	68.85	80.36	604.75	<b>753.97</b>	-	-	149.43	<b>149.43</b>
Amounts written off	-	-	(197.23)	<b>(197.23)</b>	-	-	(127.74)	<b>(127.74)</b>
<b>ECL allowance - closing balance</b>	<b>264.75</b>	<b>97.78</b>	<b>617.69</b>	<b>980.22</b>	<b>151.83</b>	<b>0.66</b>	<b>216.30</b>	<b>368.79</b>

**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, 2021	March 31, 2020
Carrying amount of derecognised financial assets	4,395.41	5,185.27
#		
Interest only strip	417.13	385.27
Gain/(loss) from derecognition	31.86	266.76



**BELSTAR MICROFINANCE LIMITED**  
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**Notes to financial statements for the period ended March 31, 2021**

**Transferred financial assets that are not derecognised ( Securitisation ) 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.

Particulars	(Rs. in millions)	
	As at March 31, 2021	As at March 31, 2020
Carrying amount of assets re - recognised due to non transfer of assets	78.58	1,987.55
Carrying amount of associated liabilities	6.16	1,288.30

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

Particulars	(Rs. in millions)	
	March 31, 2021	March 31, 2020
Aggregate value of accounts sold to securitisation company	-	2419.35
Aggregate consideration	-	2116.28
Quantum of credit enhancement in the form of deposits	-	157.12
Servicing fees	-	2.00



**BELSTAR MICROFINANCE LIMITED**

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Notes to financial statements for the period ended March 31, 2021

**10: Other financial assets**

(Rs. in millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Security deposits	21.88	19.01
Receivable towards assignment transactions	108.78	376.25
Interest only strip	417.13	385.27
Interest accrued on fixed deposits with banks	77.68	91.52
<b>Total</b>	<b>625.47</b>	<b>872.05</b>

**11: Investment property**

(Rs. in millions)

Particulars	As at March 31, 2021	As at March 31, 2020
<i>Gross carrying amount</i>		
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>
<i>Accumulated depreciation</i>		
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. 1.15 millions ( Rs. 1.16 millions for previous year ) as determined by an external independent property valuer having appropriate recognised professional qualifications.



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Notes to financial statements for the period ended March 31, 2021

**12: Property, plant and equipment**

(Rs. in millions)

Particulars	Office equipment	Computers	Furniture & Fixtures	Vehicles	Total
<b>Cost:</b>					
At April 1, 2019	17.87	58.28	11.04	1.41	88.60
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>
Additions	9.86	9.61	1.76	-	21.22
Disposals	0.11	0.60	-	-	0.71
<b>At March 31, 2021</b>	<b>45.13</b>	<b>101.29</b>	<b>20.40</b>	<b>1.47</b>	<b>168.29</b>
<b>Accumulated depreciation</b>					
At April 1, 2019	7.27	32.05	7.47	0.79	47.59
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>20.27</b>	<b>59.32</b>	<b>13.44</b>	<b>1.01</b>	<b>94.04</b>
Disposals	0.09	0.56	-	-	0.66
Depreciation charge for the year ended 31 March, 2021	11.83	24.07	3.07	0.15	39.13
<b>At March 31, 2021</b>	<b>32.01</b>	<b>82.83</b>	<b>16.51</b>	<b>1.16</b>	<b>132.51</b>
<b>Net book value:</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>
<b>At March 31, 2021</b>	<b>13.12</b>	<b>18.46</b>	<b>3.89</b>	<b>0.31</b>	<b>35.76</b>



**BELSTAR MICROFINANCE LIMITED**

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Notes to financial statements for the period ended March 31, 2021

**13: Right of use of assets**

(Rs. in millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Opening carrying value	91.89	38.67
Addition during the year	22.22	85.42
Depreciation for the year	(41.22)	(32.20)
Closing Carrying value	72.89	91.89

**14: Other Intangible Assets**

(Rs. in millions)

Particulars	Computer Software
<b>Cost:</b>	
At April 1, 2019	53.14
Additions	13.75
Disposals	-
<b>At March 31, 2020</b>	<b>66.89</b>
Additions	12.42
Disposals	-
<b>At March 31, 2021</b>	<b>79.31</b>
<b>Accumulated amortisation</b>	
At April 1, 2019	42.00
Amortisation charge for the year ended March 31, 2020	11.80
<b>At March 31, 2020</b>	<b>53.80</b>
Disposals	-
Amortisation charge for the year ended March 31, 2021	12.20
<b>At March 31, 2021</b>	<b>66.00</b>
<b>Net book value:</b>	
At March 31, 2020	13.09
At March 31, 2021	13.31

**15: Other Non-financial assets**

(Rs. in millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Prepaid expenses	35.35	35.36
Insurance claim receivable	7.37	6.02
Other Receivables	66.78	28.89
<b>Total</b>	<b>109.50</b>	<b>70.27</b>



**BELSTAR MICROFINANCE LIMITED**  
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Notes to financial statements for the period ended March 31, 2021

**16: Debt Securities**

(Rs. in millions)

Particulars	As at March 31, 2021			As at March 31, 2020		
	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 fair value through profit or loss
<b>Bonds/ Debentures</b>						
Secured Non-Convertible Debentures	5,227.93	-	-	200.00	-	-
Unsecured Non-Convertible Debentures -Listed	57.02	-	-	169.90	-	-
<b>Total (A)</b>	<b>5,284.95</b>	<b>-</b>	<b>-</b>	<b>369.90</b>	<b>-</b>	<b>-</b>
Debt securities in India	5,284.95	-	-	369.90	-	-
Debt securities outside India	-	-	-	-	-	-



**BELSTAR MICROFINANCE LIMITED**  
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Notes to financial statements for the period ended March 31, 2021  
Details of Redeemable Non-Convertible Debentures

Particulars	As at March 31, 2021			As at March 31, 2020			Date of redemption	Nominal value per debenture #	Total number of debentures
	Loan Amount	EIR Adjustments	Balance outstanding	Loan Amount	EIR Adjustments	Balance outstanding			
<b>Secured Non-Convertible Debentures</b>									
11.6% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures			-	50.00		50.00	22-05-2020	1,00,000.00	5,000.00
11.4% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures			-	150.00		150.00	17-07-2020	1,00,000.00	10,000.00
11% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures	250.00	(1.04)	248.96	-		-	16-05-2023	10,00,000.00	250.00
11% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures	200.00	(0.84)	199.16				17-06-2023	10,00,000.00	200.00
11% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures	700.00	(2.97)	697.03				30-06-2023	10,00,000.00	700.00
11% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures	350.00	(3.40)	346.60				07-07-2023	10,00,000.00	350.00
10.58% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures	500.00	(1.65)	498.35			-	21-04-2023	10,00,000.00	500.00
10.5% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures	342.86	(0.01)	342.84			-	15-09-2022	8,57,143.00	400.00
9.5% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures	250.00	-	250.00			-	25-02-2022	10,00,000.00	400.00
9.5% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures	2,000.00	(3.73)	1,996.27				25-09-2022	10,00,000.00	400.00
9.5% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures	400.00	(0.69)	399.31				13-05-2022	10,00,000.00	400.00
9.35% Senior, Secured, Redeemable, Rated, Listed, Taxable, Non-Convertible Debentures	250.00	(0.59)	249.41			-	03-06-2022	10,00,000.00	400.00
<b>Total</b>	<b>5,242.86</b>	<b>(14.92)</b>	<b>5,227.93</b>	<b>200.00</b>	<b>-</b>	<b>200.00</b>			
<b>Unsecured Non-Convertible Debentures -Listed</b>									
11.98% Unsecured, Fully Paid, Rated, Listed, Senior, Redeemable, Taxable, Non-Convertible Debentures	57.14	(0.12)	57.02	171.43	(1.52)	169.90	31-07-2021	1,00,000.00	2,000.00
<b>Total</b>	<b>57.14</b>	<b>(0.12)</b>	<b>57.02</b>	<b>171.43</b>	<b>(1.52)</b>	<b>169.90</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.



**BELSTAR MICROFINANCE LIMITED**  
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Notes to financial statements for the period ended March 31, 2021

**17: Borrowings (other than debt securities)**

(Rs. in millions)

Particulars	As at March 31, 2021			As at March 31, 2020		
	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 fair value through profit or loss
<b>(a) Term loan #</b>						
<i>(i) from banks</i>	19,453.44	-	-	15,088.82	-	-
<i>(ii) from Financial Institution</i>	1,536.98	-	-	1,156.55	-	-
<i>(iii) Securitisation</i>	6.16	-	-	1,288.30	-	-
<b>(b) Loans repayable on demand</b>						
<i>(i) from banks (OD &amp; CC)</i>						
Cash Credit ##	36.41	-	-	8.01	-	-
	-	-	-	-	-	-
<b>Total (A)</b>	<b>21,032.99</b>			<b>17,541.68</b>		
Borrowings in India	21,032.99	-	-	17,541.68	-	-
Borrowings outside India	-	-	-	-	-	-
<b>Total (B)</b>	<b>21,032.99</b>			<b>17,541.68</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



BELSTAR MICROFINANCE LIMITED  
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Notes to financial statements for the period ended March 31, 2021

18: Subordinated Liabilities

(Rs. in millions)

Particulars	As at March 31, 2021			As at March 31, 2020		
	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 fair value through profit or loss
Subordinated Liabilities - Debentures - Unlisted	656.79	-	-	558.65	-	-
Subordinated Liabilities - Debentures - Listed	732.86	-	-	236.86	-	-
Subordinated Liabilities - Loan	248.77	-	-	248.58	-	-
<b>Total (A)</b>	<b>1,638.42</b>	<b>-</b>	<b>-</b>	<b>1,044.09</b>	<b>-</b>	<b>-</b>
Subordinated Liabilities in India	1,638.42	-	-	1,044.09	-	-
Subordinated Liabilities outside India	-	-	-	-	-	-
<b>Total (B)</b>	<b>1,638.42</b>	<b>-</b>	<b>-</b>	<b>1,044.09</b>	<b>-</b>	<b>-</b>

Detail of Redeemable Preference Shares

(Rs. in millions)

Particulars	As at 31-03-2021		As at 31-03-2020	
	No. of shares	Amount	No. of shares	Amount
At the beginning of the year	-	-	50.00	500.00
Issued during the year	-	-	-	-
Redeemed during the year	-	-	(50.00)	(500.00)
<b>Outstanding at the end of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



**BELSTAR MICROFINANCE LIMITED**  
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Notes to financial statements for the period ended March 31, 2021

**Detail of Subordinated Debt**

Particulars	As at March 31, 2021			As at March 31, 2020			Date of redemption	Nominal value per debenture #	Total number of debentures #
	Loan Amount	EIR Adjustments	Balance outstanding	Loan Amount	EIR Adjustments	Balance outstanding			
<b>Subordinated Liabilities - Debentures - Unlisted</b>									
15% Unsecured, Subordinated, Redeemable, Non-Convertible Debentures			-	100.00	-	100.00	29-03-2021	10,00,000.00	100
12% Unsecured, Redeemable, Rated, Unlisted, Subordinated, Taxable, Non-Convertible Debentures	70.00	-	70.00	70.00	-	70.00	31-07-2023	10,00,000.00	70.00
14% Unsecured, Redeemable, Rated, Unlisted, Subordinated, Taxable, Non-Convertible Debentures	200.00	(2.02)	197.98				11-09-2025	10,00,000.00	200.00
14.50% Unsecured, Redeemable, Rated, Unlisted, Subordinated, Taxable, Non-Convertible Debentures	240.00	(1.19)	238.81	240.00	(1.35)	238.65	03-12-2025	1,00,000.00	2,400.00
14.50% Unsecured, Redeemable, Rated, Unlisted, Subordinated, Taxable, Non-Convertible Debentures	150.00	-	150.00	150.00	-	150.00	15-05-2026	1,00,000.00	1,500.00
<b>Total</b>	<b>660.00</b>	<b>(3.21)</b>	<b>656.79</b>	<b>560.00</b>	<b>(1.35)</b>	<b>558.65</b>			
<b>Subordinated Liabilities - Debentures - Listed</b>									
11.5% Unsecured, Redeemable, Rated, listed, Subordinated, Taxable, Non-Convertible Debentures	250.00	(9.90)	240.10	250.00	(13.14)	236.86	31-05-2023	1,000.00	2,50,000.00
14.50% Unsecured, Redeemable, Rated, listed, Subordinated, Taxable, Non-Convertible Debentures	500.00	(7.24)	492.76				30-09-2027	10,00,000.00	500.00
<b>Total</b>	<b>750.00</b>	<b>(17.14)</b>	<b>732.86</b>	<b>250.00</b>	<b>(13.14)</b>	<b>236.86</b>			
<b>Subordinated Liabilities - Loan</b>									
14.50% Unsecured, Subordinated Loan	250.00	(1.23)	248.77	250.00	(1.42)	248.58	23-12-2025		
<b>Total</b>	<b>250.00</b>	<b>(1.23)</b>	<b>248.77</b>	<b>250.00</b>	<b>(1.42)</b>	<b>248.58</b>			

# Nominal value per debenture and total number of debentures are in full numbers.



BELSTAR MICROFINANCE LIMITED  
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Notes to financial statements for the period ended March 31, 2021

Terms of repayment of long term borrowings outstanding as at 31 March 2021

Maturity pattern of Debt securities

Type of Loan	Secured & Unsecured 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	
		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
Monthly repayment schedule	8%-10%	-	-	1	399.30	-	-	-	-	-	-	-	-	1	399.30
	10%-12%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	12%-14%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	14%-15%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarterly repayment schedule	8%-10%	3	186.94	1	62.47									4	249.41
	10%-12%	6	285.58	2	114.28									8	399.86
	12%-14%													-	-
	14%-15%													-	-
Half yearly repayment schedule	8%-10%													-	-
	10%-12%													-	-
	12%-14%													-	-
	14%-15%													-	-
Yearly repayment schedule	8%-10%													-	-
	10%-12%													-	-
	12%-14%													-	-
	14%-15%													-	-
At the end of tenure / On demand	8%-10%	5	2,241.72											5.00	2,241.72
	10%-12%					6.00	1,994.66							6.00	1,994.66
	12%-14%													-	-
	14%-15%													-	-
<b>Total</b>		<b>14</b>	<b>2,714.24</b>	<b>4.00</b>	<b>576.05</b>	<b>6.00</b>	<b>1,994.66</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24.00</b>	<b>5,284.95</b>	



## Maturity pattern of term loan from Bank

(Rs. in millions)

Type of Loan	Term Loan - Bank	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	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount
Monthly repayment schedule	8%-10%	268	3,696.57	202	2,806.02	5	58.74							475	6,561.34
	10%-12%	130	1,749.27	75	1,048.67	9	149.91							214	2,947.85
	12%-14%													-	-
	14%-15%													-	-
Quarterly repayment schedule	8%-10%	114	3,090.36	70	1,565.49	36	550.67	1	45.45					221	5,251.97
	10%-12%	49	1,106.88	25	550.37									74	1,657.25
	12%-14%													-	-
	14%-15%													-	-
Half yearly repayment schedule	8%-10%	-	-	-	-									-	-
	10%-12%	23	506.56	2	250.40									25	756.96
	12%-14%													-	-
	14%-15%													-	-
Yearly repayment schedule	8%-10%													-	-
	10%-12%													-	-
	12%-14%													-	-
	14%-15%													-	-
At the end of tenure / On demand	8%-10%	8	1,777.15	1	500.91									9	2,278.07
	10%-12%													-	-
	12%-14%													-	-
	14%-15%													-	-
<b>Total</b>		<b>592</b>	<b>11,926.79</b>	<b>375</b>	<b>6,721.86</b>	<b>50</b>	<b>759.32</b>	<b>1</b>	<b>45.45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,018</b>	<b>19,453.44</b>



## Maturity pattern of term loan from Financial Institution

(Rs. in millions)

Type of Loan	Term Loan - NBFC	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	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount
Monthly repayment schedule	8%-10%	24	404.90	14.00	237.47										642.37
	10%-12%	35	374.84	13.00	131.76										506.60
	12%-14%														-
	14%-15%														-
Quarterly repayment schedule	8%-10%														-
	10%-12%	8	132.24	8.00	134.38	5.00	121.39								388.01
	12%-14%														-
	14%-15%														-
Half yearly repayment schedule	8%-10%														-
	10%-12%														-
	12%-14%														-
	14%-15%														-
Yearly repayment schedule	8%-10%														-
	10%-12%														-
	12%-14%														-
	14%-15%														-
At the end of tenure / On demand	8%-10%														-
	10%-12%														-
	12%-14%														-
	14%-15%														-
<b>Total</b>		<b>67</b>	<b>911.97</b>	<b>35</b>	<b>503.62</b>	<b>5</b>	<b>121.39</b>	-	-	-	-	-	-	-	<b>1,536.98</b>



## Maturity pattern of term loan - Securitisation

(Rs. in millions)

Type of loan	Term Loan - PTC	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	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No of Installments	Amount	No. of installments	Amount
Monthly repayment schedule	8%-10%	1	6.16											1	6.16
	10%-12%														-
	12%-14%														-
	14%-15%														-
<b>Total</b>		<b>1</b>	<b>6.16</b>											<b>1</b>	<b>6.16</b>

## 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	No of Installments	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	36.41											1	36.41
	10%-12%														-
	12%-14%														-
	14%-15%														-
<b>Total</b>		<b>1</b>	<b>36.41</b>											<b>1</b>	<b>36.41</b>

## Maturity pattern of Subordinated Liabilities

(Rs. in millions)

Type of Loan	Un Secured - 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	No of Installments	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	304.99	-	-	-	-	-	-	2	304.99
	12%-14%	-	-	-	-	-	-	-	-	1	203.09	-	-	1	203.09
	14%-15%	-	-	-	-	-	-	-	-	3	482.67	2	647.67	5	1,130.34
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>304.99</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>685.76</b>	<b>2</b>	<b>647.67</b>	<b>8</b>	<b>1,638.42</b>



**BELSTAR MICROFINANCE LIMITED**

Notes to financial statements for the period ended March 31, 2021

**19: Other Financial liabilities**

(Rs. in millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Interest accrued but not due on borrowings	358.63	90.42
Preference dividend	-	-
Payable towards assignment transactions	692.64	885.10
<b>Total</b>	<b>1,051.27</b>	<b>975.52</b>

**20: Provisions**

(Rs. in millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Provision for employee benefits		
- Gratuity	4.12	7.50
- Others	41.39	44.00
Provision for other losses	5.46	6.57
<b>Total</b>	<b>50.97</b>	<b>58.07</b>

**Movement of provisions other than employee benefit during the year:**

The movement in provisions during 2020-21 and 2019-20 is, as follows:

(Rs. in millions)

Particulars	Others
	Amount
<b>At April 1, 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>
Arising during the year	1.22
Utilized during the year	(2.33)
<b>At March 31, 2021</b>	<b>5.46</b>

**21: Other Non-financial liabilities**

(Rs. in millions)

Particulars	As at March 31, 2021	As at March 31, 2020
Statutory dues payable	8.62	17.95
Lease liabilities	80.43	96.05
Employees payable	38.80	37.38
Insurance premium payable	2.70	-
Other non financial liabilities	38.19	68.96
<b>Total</b>	<b>168.74</b>	<b>220.34</b>



**BELSTAR MICROFINANCE LIMITED**

Notes to financial statements for the year ended March 31, 2021

**22: Equity share capital**

(Rs. in millions)

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Authorised:</b>		
10,00,00,000 (PY 5,00,00,000) Equity Shares of Rs.10/- each	1,000.00	1,000.00
<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>

**Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the year**

Particulars	No. in millions	Rs. in millions
<b>At April 1, 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>
Issued during the year	-	-
<b>At March 31, 2021</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	As at March 31, 2021		As at March 31, 2020	
	No. in millions	% holding in the class	No. in millions	% 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



**BELSTAR MICROFINANCE LIMITED**

Notes to financial statements for the year ended March 31, 2021

**23: Other equity**

(Rs. in millions)

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Statutory reserve (Pursuant to section 45-IC of the Reserve Bank of India Act, 1934)</b>		
Opening balance	462.58	264.58
Add: Transfer from surplus balance in the Statement of Profit and Loss	93.30	198.00
<b>Closing balance</b>	<b>555.88</b>	<b>462.58</b>
<b>Securities Premium Account</b>		
Opening balance	2,384.99	2,384.99
Add: Securities premium received during the year	-	-
<b>Closing balance</b>	<b>2,384.99</b>	<b>2,384.99</b>
<b>Capital Redemption Reserve(CRR)</b>		
Opening balance	500.00	-
Add: Amount Transfer during the year		500.00
<b>Closing balance</b>	<b>500.00</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	11.81	12.96
Other comprehensive during the year (net of tax)	(5.12)	(1.15)
<b>Closing balance (net of tax)</b>	<b>6.69</b>	<b>11.81</b>
<b>Surplus in Statement of Profit and Loss</b>		
Opening balance	1,243.68	964.01
Add: Profit for the period	466.51	989.99
Less Appropriation :-		
Dividend on equity shares	(22.51)	(18.76)
Tax on dividend on equity shares		(3.86)
Transfer to Statutory Reserve	(93.30)	(198.00)
Transfer to Capital Redemption Reserve	-	(500.00)
Other Additions / Deductions during the year	-	10.30
<b>Total appropriations</b>	<b>(115.81)</b>	<b>(710.31)</b>
<b>Closing balance</b>	<b>1,594.38</b>	<b>1,243.68</b>
<b>Total</b>	<b>5,041.95</b>	<b>4,603.07</b>



**BELSTAR MICROFINANCE LIMITED****Notes to financial statements for the year ended March 31, 2021****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	As at
	March 31, 2021	March 31, 2020
Final dividend for previous fiscal year	22.51	18.76
DDT paid for previous fiscal year	-	3.86
Interim dividend for current fiscal year	-	-

The Board of Directors recommended a final dividend of Rs.0.30/- per equity share for the financial year ended March 31, 2021. The payment is subject to the approval of the shareholders in the ensuing Annual General meeting of the Company.



**BELSTAR MICROFINANCE LIMITED**

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Notes to financial statements for the year ended March 31, 2021

**26: Interest income**

(Rs. in millions)

Particulars	For the year ended March 31, 2021				For the year ended March 31, 2020			
	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	242.13	5,034.91	-	5,277.04	147.51	4,399.63	-	4,547.14
Interest income from fixed deposits	-	163.26	-	163.26	-	99.99	-	99.99
Other interest income	-	2.07	-	2.07	-	2.32	-	2.32
<b>Total</b>	<b>242.13</b>	<b>5,200.23</b>	<b>-</b>	<b>5,442.37</b>	<b>147.51</b>	<b>4,501.94</b>	<b>-</b>	<b>4,649.45</b>

**27: Sale of services**

(Rs. in millions)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Commission fees	28.15	10.64
<b>Sale of services</b>	<b>28.15</b>	<b>10.64</b>
Fee income that are recognised over a certain period of time	-	-
Fee income that are recognised at point in time	28.15	10.64
Sale of services	28.15	10.64
<b>Geographical markets</b>		
India	28.15	10.64
Outside India	-	-
<b>Total</b>	<b>28.15</b>	<b>10.64</b>



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Notes to financial statements for the year ended March 31, 2021

**28: Net gain on fair value changes on investments** (Rs. in millions)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
(A) Net gain/ (loss) on financial instruments at fair value through profit or loss		
(i) On trading portfolio	-	-
- Investments	13.84	66.75
- Derivatives	-	-
- Others	-	-
<b>Total Net gain/(loss) on fair value changes</b>	<b>13.84</b>	<b>66.75</b>
Fair Value changes:		
- Realised	13.84	66.75
- Unrealised	-	-
<b>Total Net gain/(loss) on fair value changes</b>	<b>13.84</b>	<b>66.75</b>

**29: Other Income** (Rs. in millions)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Bad debt recovery	15.03	13.23
Other income	0.34	0.64
<b>Total</b>	<b>15.37</b>	<b>13.87</b>



**BELSTAR MICROFINANCE LIMITED**

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Notes to financial statements for the year ended March 31, 2021

**30: Finance Cost**

(Rs. in millions)

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	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	-	1,820.30	-	1,538.54
Interest on debt securities	-	323.48	-	174.93
Interest on subordinate liabilities	-	185.99	-	68.65
Dividend on preference shares (including taxes)	-	-	-	25.57
Interest on Lease liability	-	10.33	-	10.02
Other charges	-	4.45	-	4.13
	-	-	-	-
<b>Total</b>	-	<b>2,344.55</b>	-	<b>1,821.85</b>



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Notes to financial statements for the period ended March 31, 2021

**31: Impairment of financial instruments**

The below table show impairment loss on financial instruments charge to statement of profit and loss based on category of financial instrument:

(Rs. in millions)

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	On Financial instruments measured at fair value through OCI	On Financial instruments measured at Amortised Cost	On Financial instruments measured at fair value through OCI	On Financial instruments measured at Amortised Cost
Loans	(2.64)	614.07	(28.55)	133.35
Bad Debts Written Off	-	197.23	-	127.74
Other Assets	-	(1.11)	-	(3.04)
<b>Total</b>	<b>(2.64)</b>	<b>810.19</b>	<b>(28.55)</b>	<b>258.05</b>



**BELSTAR MICROFINANCE LIMITED**

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Notes to financial statements for the year ended March 31, 2021

**32: Employee Benefit Expenses**

(Rs. in millions)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Salaries and Wages	1,083.80	932.51
Contributions to Provident and Other Funds	97.14	79.35
Staff Welfare Expenses	36.71	39.07
<b>Total</b>	<b>1,217.65</b>	<b>1,050.93</b>

**33: Depreciation, amortization and impairment**

(Rs. in millions)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Depreciation of Tangible Assets	39.13	46.80
Amortization of Intangible Assets	12.20	11.80
Depreciation on Right to use Asset	41.22	32.20
<b>Total</b>	<b>92.55</b>	<b>90.80</b>



**BELSTAR MICROFINANCE LIMITED**

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Notes to financial statements for the year ended March 31, 2021

**34: Other Expenses**

(Rs. in millions)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Rent	16.67	19.76
Electricity Charges	7.00	6.86
Business Promotion Expenses	5.18	14.11
Bank charges	18.33	18.61
Repairs to Buildings	15.82	14.43
Repairs to Machinery	30.47	16.88
Communication expense	29.37	24.06
Postage and courier	2.09	3.61
Printing and Stationery	13.95	18.42
Rates & Taxes	5.13	7.37
Legal & Professional Charges	43.79	58.39
Travelling and Conveyance	102.50	125.03
Insurance	21.17	11.16
Payments to Auditor	2.78	2.77
Membership and subscription	6.93	5.96
Directors' Sitting Fee	4.62	4.36
Credit Bureau expenses	5.63	4.81
Cloud charges	18.62	12.89
CSR Expenses	17.57	10.62
Loss on account of theft	0.04	0.08
Other expenses	2.49	2.69
<b>Total</b>	<b>370.14</b>	<b>382.87</b>



**BELSTAR MICROFINANCE LIMITED**

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Notes to financial statements for the year ended March 31, 2021

**Break up of payment to auditors**

(Rs. in millions)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
As auditor:		
Statutory audit	1.47	1.47
Tax audit	0.22	0.22
Limited review	0.66	0.66
Certification fees	0.43	0.42
	<b>2.78</b>	<b>2.77</b>

**Details of CSR expenditure:**

(Rs. in millions)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
a) Gross amount required to be spent by Company during the year	18.43	10.61
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	17.57	10.62
Yet to paid in cash	-	-
Total	17.57	10.62

Unspent amount pertaining to CSR for the Financial Year 2020-21 has been deposited in a separate bank account



**BELSTAR MICROFINANCE LIMITED**

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**Notes to financial statements for the period ended March 31, 2021****35: Income Tax**

The components of income tax expense for the year ended March 31, 2021 and year ended March 31, 2020 are:

(Rs. in millions)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Current tax	261.36	291.45
Deferred tax relating to origination and reversal of temporary differences	(150.50)	51.01
Earlier years adjustments	(7.25)	-
<b>Income tax expense reported in statement of profit and loss</b>	<b>103.61</b>	<b>342.46</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	(2.47)	(0.06)
Tax asset on remeasurements of defined benefit plans	0.75	(0.32)
<b>Income tax charged to OCI</b>	<b>(1.72)</b>	<b>(0.38)</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, 2021 and year ended March 31, 2020 is, as follows:

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
<b>Tax rate as per IT Act, 1961</b>	<b>25.17%</b>	<b>25.17%</b>
Accounting profit before tax	570.12	1,332.45
At India's statutory income tax rate of 25.168%	143.49	335.35
Effect of expenses that are not deductible in determining taxable profit	4.45	16.42
Deductions	(37.08)	(18.93)
Effect of income that is exempt from taxation		-
Deferred tax adjustment due to change in rate of tax		21.44
Others	(7.25)	(11.82)
<b>Income tax expense reported in the statement of profit or loss</b>	<b>103.61</b>	<b>342.46</b>

The effective income tax rate for March 31, 2021 is 18.17% (March 31, 2020 is 25.70%)



**BELSTAR MICROFINANCE LIMITED**

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Notes to financial statements for the period ended March 31, 2021

**36: Deferred tax**

The following table shows deferred tax recorded in the balance sheet and changes recorded in the Income tax expense:

**Deferred tax working for the year ended March 31, 2021**

Particulars	Deferred Tax Assets	Deferred Tax Liabilities	Income Statement	OCI
	March 31, 2021	March 31, 2021	2020-21	2020-21
Depreciation	22.66	-	(5.02)	-
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.	19.95	-	0.08	-
Impairment allowance for financial assets	230.79	-	(146.76)	-
Debt financial asset measured at amortised cost	63.26	-	(16.11)	-
Financial liability measured at amortised cost (Borrowings)	-	(29.84)	10.04	-
Impact due to gain/loss on fair value of securitisation	-	(109.67)	8.02	-
Impact due to gain/loss on fair value of FVOCI loans	-	(6.18)	-	(2.47)
Impact due to actuarial gain/ loss on gratuity	2.48	-	-	0.75
Others	2.39	-	(0.75)	-
<b>Total</b>	<b>341.53</b>	<b>(145.69)</b>	<b>(150.50)</b>	<b>(1.72)</b>

**Deferred tax working for the year ended March 31, 2020**

Particulars	Deferred Tax Assets	Deferred Tax Liabilities	Income Statement	OCI
	March 31, 2020	March 31, 2020	2019-20	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 (loans to customer)	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>



**BELSTAR MICROFINANCE LIMITED**

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Notes to financial statements for the period ended March 31, 2021

**37: Earnings per share**

(Rs. in millions)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Net profit attributable to ordinary equity holders of the parent	466.51	989.99
Weighted average number of ordinary shares for basic earnings per share	37.52	37.52
Effect of dilution:	-	-
Weighted average number of ordinary shares adjusted for effect of dilution	37.52	37.52
<b>Earnings per share</b>		
Basic earnings per share (Rs.)	<b>12.43</b>	<b>26.39</b>
Diluted earnings per share (Rs.)	<b>12.43</b>	<b>26.39</b>



**BELSTAR MICROFINANCE LIMITED**

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Notes to financial statements for the period ended March 31, 2021

**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. 65.65 millions (Previous Year Rs. 56.09 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	March 31, 2021	March 31, 2020
Current service cost	11.63	10.83
Interest cost on benefit obligation	0.48	0.38
Past Service Cost	-	-
Actual return on plan assets	<b>12.11</b>	<b>11.21</b>

**Balance Sheet***Reconciliation of present value of the obligation and the fair value of plan assets:***(Rs. in millions)**

Particulars	March 31, 2021	March 31, 2020
Defined benefit obligation	49.44	40.38
Fair value of plan assets	45.32	32.87
Asset/(liability) recognized in the balance sheet	(4.12)	(7.50)
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	March 31, 2021	March 31, 2020
Opening defined benefit obligation	40.38	28.33
Interest cost	2.59	1.99
Current service cost	11.63	10.83
Benefits paid	(3.30)	(2.39)
Past Service Cost	-	-
Actuarial loss / (gain) on obligation	(1.86)	1.62
<b>Closing defined benefit obligation</b>	<b>49.44</b>	<b>40.38</b>

*Changes in the fair value of plan assets are as follows:***(Rs. in millions)**

Particulars	March 31, 2021	March 31, 2020
Opening fair value of plan assets	32.87	22.87
Expected return	2.11	1.60
Contributions by employer	12.50	10.46
Benefits paid	(3.30)	(2.39)
Actuarial gains / (losses) on assets	1.14	0.33
<b>Closing fair value of plan assets</b>	<b>45.32</b>	<b>32.87</b>



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The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

Particulars	March 31, 2021	March 31, 2020
Discount rate	6.25%	6.41%
Rate of increase in compensation levels	8%	10%
Attrition rate	23%	20%
Expected rate of return on assets	6.41%	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	March 31, 2021	March 31, 2020
Funded with LIC	45.00%	67.00%
Funded with Exide	55.00%	33.00%

Assumptions Sensitivity Level	March 31, 2021 Discount rate impact		March 31, 2021 Future salary impact	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation	(0.95)	0.99	1.95	(1.83)

Assumptions Sensitivity Level	March 31, 2020 Discount rate impact		March 31, 2020 Future salary impact	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation	(0.96)	1.01	1.96	(1.81)

Expected benefit payment for future years	(Rs. in millions)	
	March 31, 2021	March 31, 2020
Within the next 12 months (next annual reporting period)	9.13	4.84
Between 2 and 5 years	26.55	20.37
Between 5 and 10 years	30.04	33.39
<b>Total expected payments</b>	<b>65.72</b>	<b>58.60</b>

The average duration of the defined benefit obligation as at March 31, 2021 is 6 years (2020: 6 years)

The estimates of future salary increases, considered in actuarial valuation, take 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.

The Parliament has approved the Code on Social Security, 2020 ('Code') which may impact the contribution by the Company towards Provident Fund and Gratuity. The effective date from which the Code and its provisions would be applicable is yet to be notified and the rules which would provide the details based on which financial impact can be determined are yet to be framed after which the financial impact can be ascertained. The Company will complete its evaluation and will give appropriate impact, if any, in the financial result following the Code becoming effective and the related rules being framed and notified.



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**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.

(Rs. in millions)

Particulars	As at March 31, 2021			As at March 31, 2020		
	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	4,521.23	-	4,521.23	1,719.28	-	1,719.28
Bank Balance other than above	536.81	719.81	1,256.62	769.04	654.75	1,423.79
Trade receivables	3.14	-	3.14	1.60	-	1.60
Loans	18,390.11	9,447.36	27,837.47	12,654.97	8,233.72	20,888.68
Investments	-	-	-	-	-	-
Other financial assets	562.52	62.95	625.47	812.46	59.59	872.05
<b>Non-financial Assets</b>						
Current tax asset (net)	-	-	-	5.88	-	5.88
Deferred tax assets (net)	-	195.84	195.84	-	46.52	46.52
Investment property	-	1.10	1.10	-	1.10	1.10
Property, plant and equipment	-	35.76	35.76	-	53.73	53.73
Right of use assets	-	72.89	72.89	-	91.89	91.89
Other intangible assets	-	13.86	13.86	-	13.09	13.09
Other non financial assets	57.42	52.08	109.50	56.81	13.46	70.27
<b>Total assets</b>	<b>24,071.23</b>	<b>10,601.65</b>	<b>34,672.88</b>	<b>16,020.04</b>	<b>9,167.85</b>	<b>25,187.88</b>
<b>Liabilities</b>						
<b>Financial Liabilities</b>						
Trade Payables	5.73	-	5.73			
Other Payables	2.31	-	2.31			
Debt Securities	2,714.24	2,570.71	5,284.95	312.99	56.92	369.90
Borrowings (other than debt security)	12,881.34	8,151.65	21,032.99	10,694.48	6,847.20	17,541.68
Subordinated Liabilities	-	1,638.42	1,638.42	99.66	944.43	1,044.09
Other Financial liabilities	1,051.27	-	1,051.27	975.52	-	975.52
<b>Non-financial Liabilities</b>						
Current tax liabilities (net)	20.34	-	20.34	-	-	-
Provisions	50.97	-	50.97	58.07	-	58.07
Other non-financial liabilities	136.32	32.42	168.74	164.85	55.49	220.34
<b>Total Liabilities</b>	<b>16,862.52</b>	<b>12,393.20</b>	<b>29,255.72</b>	<b>12,305.56</b>	<b>7,904.04</b>	<b>20,209.60</b>
<b>Net</b>			<b>5,417.16</b>			<b>4,978.28</b>



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**40: Change in liabilities arising from financing activities**

(Rs. in millions)

Particulars	As at April 01, 2020	Cash Flows	Other*	As at March 31, 2021
Debt Securities	369.90	4,928.57	(13.52)	5,284.95
Borrowings other than debt securities	17,541.68	3,536.52	(45.20)	21,032.99
Subordinated Liabilities	1,044.09	600.00	(5.67)	1,638.42
<b>Total liabilities from financing activities</b>	<b>18,955.67</b>	<b>9,065.09</b>	<b>(64.40)</b>	<b>27,956.36</b>

(Rs. in millions)

Particulars	As at April 01, 2019	Cash Flows	Other*	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>

\* Other includes EIR adjustments.

**41: Contingent liabilities, commitments and leasing arrangements****(A) Contingent Liabilities**

(Rs. in millions)

Particulars	As at March 31, 2021	As at March 31, 2020
In respect of income tax demand where the Company has filed appeal before tax authorities	73.15	73.15
<b>Total</b>	<b>73.15</b>	<b>73.15</b>

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. 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.

Subsequent to year end, the Company has received income tax assessment order under section 143(3) for the assessment year 2018-19 on April 23, 2021. Based on the above assessment the department has issued demand notice of Rs. 32.96 millions under section 156. The Company is confident that the above demand is not sustainable and the company will file appeal against the assessment order.

**(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. 16.67 millions (March 31, 2020 Rs. 19.76 millions) have been debited to statement of Profit and Loss.

The company has applied the practical expedient under IND AS 116, not to assess rent concessions that occur as a direct consequence of COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as they are not lease modifications.

The company has recognised Rs. 1.09 million in statement of profit and loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the lessee has applied practical expedient.

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)
Balance at March 31, 2020	91.89
Addition during the year	22.22
Less: Depreciation charge for the year	(41.22)
Balance at March 31, 2021	72.89

Amounts recognised in profit or loss

(Rs. in millions)

Particulars	March 31, 2021	March 31, 2020
Interest on lease liabilities	10.33	10.02
Variable lease payments not included in the measurement of lease liabilities	-	-
Income from sub-leasing right-of-use assets	-	-
Depreciation charged on right-of-use assets	41.22	32.20
Expenses relating to short-term leases	16.67	19.76
Expenses relating to leases of low-value assets, excluding short-term leases of low	-	-
Total	68.22	61.98

Amounts recognised in the statement of cash flows

(Rs. in millions)

Particulars	March 31, 2021	March 31, 2021
Interest paid on Lease liabilities	10.33	10.02
Payment towards Lease liabilities	37.40	25.07
Total cash outflow for leases	47.73	35.09

Maturity analysis of lease liabilities

(Rs. in millions)

Particulars	March 31, 2021	March 31, 2020
Less than one year	48.01	40.56
One to five years	32.42	55.49
More than five years	-	-
Total cash outflow for leases	80.43	96.05



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**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. Hand in Hand Academy for Social Entrepreneurship 5. Socio Economic and Educational Development Trust 6. Muthoot securities limited 7. Sahasankha Advisory and Consulting Services Private 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 4. CV Sankar 5. Bindu Dandapani



## Related Party transactions during the year:

(Rs. in millions)

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 March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Towards loan repayment collections, reimbursement of expenses and loan recoveries for employees transferred	-	-	2.02	0.43	-	-	-	-	-	-	-	-
Insurance premium collection paid	-	-	122.58	50.47	-	-	-	-	-	-	-	-
Towards purchase of SHG Loan Portfolio	-	-	-	50.39	-	-	-	-	-	-	-	-
Term loan received	-	-	-	-	1,250.00	-	-	-	-	-	-	-
Term loan repaid	-	-	-	-	1,210.96	-	-	-	-	-	-	-
Subordinated Debts Received	-	-	200.00	-	-	-	-	-	-	-	-	240.00
Subordinated Debts Repaid	-	-	-	-	100.00	-	-	-	-	-	-	-
Issue of equity shares (including share premium)	-	-	-	-	-	-	-	-	-	-	-	-
Services rendered	-	-	16.72	5.46	-	-	-	-	-	-	-	-
Services received	-	-	3.38	26.53	-	-	-	-	-	-	-	-
Dividend paid on Equity Shares	15.76	13.13	0.26	3.29	-	-	6.43	2.29	0.06	0.05	-	-
Interest on NCD paid	-	-	13.86	-	23.32	23.40	-	-	-	-	34.73	8.65
Interest on paid on term Loan	-	-	-	-	57.22	-	-	-	-	-	-	-
Processing fee on account of term loan availed	-	-	2.00	-	0.98	-	-	-	-	-	-	-
Arranger fee	-	-	0.98	1.20	-	-	-	-	-	-	-	-
Consultancy services availed for training	-	-	19.23	8.19	-	-	-	-	-	-	-	-
Corporate Social Responsibility	-	-	15.00	10.46	-	-	-	-	-	-	-	-
Sitting fee	-	-	-	-	-	-	-	-	4.24	4.36	-	-
<b>Balance outstanding as at the year end:</b>	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payable	-	-	1.61	-	0.28	-	-	-	-	-	2.76	-
Payables	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	3.14	0.96	-	-	-	-	-	-	-	-
Term Loan	-	-	-	-	39.04	-	-	-	-	-	-	-
Subordinated Debts	-	-	200.00	-	70.00	170.00	-	-	-	-	240.00	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	(Rs. in millions)	
	March 31, 2021	March 31, 2020
Short-term employee benefits	19.87	23.69
<b>Total</b>	<b>19.87</b>	<b>23.69</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.



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**Notes to financial statements for the period ended March 31, 2021****43: Capital****Capital Management**

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.

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 has been computed as per above mentioned RBI notification.

	(Rs. in millions)	
Regulatory capital	March 31, 2021	March 31, 2020
Common Equity Tier1 capital	4,737.08	4,373.55
Other Tier 2 capital instruments	1,594.87	848.67
<b>Total capital</b>	<b>6,331.95</b>	<b>5,222.23</b>
<b>Risk weighted assets</b>	<b>28,469</b>	<b>20,342</b>
CET1 capital ratio	16.64%	21.50%
Total capital ratio	22.24%	25.67%

**44: Events after reporting date**

There are no events after the reporting date that require disclosure in these financial statements.



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**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.

I. The following table shows an analysis of financial instruments recorded at fair value (Rs. in millions)

March 31, 2021	Level 1	Level 2	Level 3
Assets measured at fair value on a recurring basis			
<i>Financial assets at FVOCI</i>			
Loans	-	-	1,034.45

(Rs. in millions)

March 31, 2020	Level 1	Level 2	Level 3
Assets measured at fair value on a recurring basis			
<i>Financial assets at FVOCI</i>			
Loans	-	-	1,429.36

**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:

March 31, 2021	As at April 01, 2020	Issuances and Settlements (Net)	Transfers into Level 3	Transfers from Level 3	Net interest income	Other Comprehensive Income	As at March 31, 2021
<i>Financial assets at FVOCI</i>							
Loans	1,429.36	(627.20)			242.13	(9.84)	1,034.45

(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 March 31, 2020
<i>Financial assets at FVOCI</i>							
Loans	1,239.27	42.82			147.51	(0.25)	1,429.36



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**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, 2021	Valuation Technique	Significant Unobservable Input
Loans	1,034.45	Discounted Projected cash flow	Discount/Margin Spread

Particulars	Level 3 Assets 31 March 2020	Valuation Technique	Significant Unobservable Input
Loans	1,429.36	Discounted Projected cash flow	Discount/Margin Spread

The Company has taken one discount rate to discount the loans. The discount rate taken in March 2021 is 20.86% and in March 2020 is 21.05%.

**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.

(Rs. in millions)

Particulars	March 31, 2021		March 31, 2020	
	Effect in Other Comprehensive Income		Effect in Other Comprehensive Income	
	Favourable	Unfavourable	Favourable	Unfavourable
Loans	5.03	4.99	6.09	6.09



## BELSTAR MICROFINANCE LIMITED

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### 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/JLG formation. (eg. members with same level of income, only one member from family, annual per capita income, etc.)
- *Adequate Training and Knowledge of SHG/JLG 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 unlikeliness 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 12 month ECL. 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 adequate 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	2021	2020
Year-end	101.16%	110.67%
Maximum	104.62%	116.50%
Minimum	92.25%	98.64%
Average	101.28%	109.12%

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

The table below provide details regarding the contractual maturities of significant financial assets and liabilities as on:-



Maturity pattern of assets and liabilities as on March 31, 2021:

(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 years	3 to 5 years	Over 5 years	Total
Borrowings (other than debt securities)	1,186.24	728.41	1,313.74	3,124.03	6,528.92	8,105.88	45.77	-	21,032.99
Debt securities	27.81	-	55.62	145.94	2,484.87	2,570.71	-	-	5,284.95
Subordinated debts	-	-	-	-	-	304.99	685.76	647.67	1,638.42
<b>Total</b>	<b>1,214.05</b>	<b>728.41</b>	<b>1,369.37</b>	<b>3,269.97</b>	<b>9,013.79</b>	<b>10,981.59</b>	<b>731.53</b>	<b>647.67</b>	<b>27,956.36</b>
Cash and bank balance	4,521.23	-	-	-	-	-	-	-	4,521.23
Deposits	81.19	55.00	109.74	22.00	268.88	694.81	25.00	-	1,256.62
Receivables	3.14	-	-	-	-	-	-	-	3.14
Loans	1596.18	1,633.26	1,611.95	4,773.78	8,774.94	9,447.36	-	-	27,837.47
<b>Total</b>	<b>6,201.74</b>	<b>1,688.26</b>	<b>1,721.68</b>	<b>4,795.79</b>	<b>9,043.81</b>	<b>10,142.17</b>	<b>25.00</b>	<b>-</b>	<b>33,618.46</b>

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 years	3 to 5 years	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>18,955.67</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>



#### 46.2. Economic Risk

The Covid-19 pandemic has impacted most countries, including India. This resulted in countries announcing lockdown and quarantine measures that sharply stalled economic activity. Several countries took unprecedented fiscal and monetary actions to help alleviate the impact of the crisis.

Government of India had announced various measures to support the economy during this period. The Reserve Bank of India had also announced several measures to ease the financial system stress, including enhancing system liquidity, reducing interest rates, moratorium on loan repayments for borrowers, asset classification standstill benefit to overdue accounts where a moratorium had been granted amongst others to alleviate the economic stress induced by the pandemic which had an impact across sectors that were already showing signs of a slowdown even before the outbreak.

NBFCs were adversely impacted by COVID-related stress due to their underlying business models. On the supply side, the sources of funds dried up, more so for the small and mid-sized NBFCs, on account of reduced risk appetite of lenders for low rated and unrated exposures. The situation was worsened by the unprecedented redemption pressure on the mutual fund industry, resulting in a spike in spreads.

The challenges for the NBFCs have moved from the liability to the asset side in terms of liquidity and asset quality with the outbreak of Covid19. The liquidity covers of NBFCs is largely dependent on collections and the ability to raise resources. The collections of NBFCs witnessed decline during the six month moratorium on the payment of instalments in respect of all term loans to their borrowers for the period from March 1, 2020 to August 31, 2020.

Asset quality may still pose some challenges in the first half of fiscal 2022 with the uncertainty around the economic fallout of the second wave induced localised restrictions being placed in various parts of the Country. However, these challenges are expected to taper as we move towards the second half of fiscal 2022. The uneven recovery being currently observed is expected to be more broad-based later on in the fiscal as well.

#### 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, 2021.

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 2020-21	Effect on Statement of Profit and loss for the year 2019-20
0.50% increase	(139.78)	(94.78)
0.50% decrease	139.78	94.78

#### 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.



**BELSTAR MICROFINANCE LIMITED**

(Formerly known as Belstar Investment and Finance Private Limited)

Notes to financial statements for the period ended March 31, 2021

**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 2021 is Rs. Nil (PY Nil).

**B. Unhedged Foreign Currency**

The Company did not have any unhedged Foreign currency exposure as at 31 March 2021 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:**

(Rs. in millions)

S. No	Particulars	As at March 31, 2021		As at March 31, 2020	
		Amount Outstanding	Amount Over Due	Amount Outstanding	Amount Over Due
	<b>Liabilities :</b>			-	-
<b>1</b>	<b>Loans and advances availed by the NBFC inclusive of interest accrued thereon not paid:</b>			-	-
(a)	Debentures & Preference shares			-	-
	-Secured	5,227.93	-	200.00	-
	-Unsecured	1,446.67	-	965.41	-
	(Other than falling within the meaning of Public deposits)			-	-
(b)	Deferred Credits	-	-	-	-
(c)	Term Loans	20,990.42	-	16,245.37	-
(d)	Inter-Corporate Loans and Borrowings	-	-	-	-
(e)	Commercial Paper	-	-	-	-
(f)	Other Loans (Nature of other Loans, CC etc.)	291.34	-	1,544.89	-



(Rs. in millions)

S. No	Particulars	As at March 31, 2021	As at March 31, 2020
	<b>Assets</b>		
<b>2</b>	<b>Breakup of Loans and Advances including Bills Receivables [Other than those included in (3) below ] :</b>		
(a)	Secured	0.88	-
(b)	Unsecured (including Interest accrued and Loans to staff)	28,816.81	21,257.47
<b>3</b>	<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 fire including Hire charges under Sundry Debtors:		
	(a) Assets on Hire	-	-
	(b) Repossessed Assets	-	-
(iii)	Other Loans counting towards AFC activities		
	(a) Loans where Assets have been Repossessed	-	-
	(b) Loans Other than (a) above	-	-
<b>4</b>	<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)	-	-



5 Borrower Group-Wise classification of Assets financed as in (2) and (3) above (Rs. in millions)

S. No	Category	Net of provisions as at March 31, 2021			Net of provisions as at March 31, 2020		
		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	0.88	27,836.59	27,837.47	-	20,888.68	20,888.68
	<b>Total</b>	<b>0.88</b>	<b>27,836.59</b>	<b>27,837.47</b>	<b>-</b>	<b>20,888.68</b>	<b>20,888.68</b>

6 Investor Group-Wise classification of all Investments (Current and Long-term) in shares and securities (both quoted and unquoted) :

S. No	Category	As at March 31, 2021		As at March 31, 2020	
		Market value / Breakup Value or Fair Value or Net	Book Value (Net of Provisioning)	Market value / Breakup Value or Fair Value or	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)

7	Other Information	Amount outstanding as at March 31, 2021	Amount outstanding as at March 31, 2020
(i)	Gross Non-Performing Assets		
	Related Parties	-	-
	Other than Related Parties	783.18	235.84
(ii)	Net Non-Performing Assets		
	Related Parties	-	-
	Other than Related Parties	165.50	19.53
(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 1 August**

(Rs. in millions)

	Category	As at March 31, 2021	As at March 31, 2020
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.		-	-
b.		-	-
B)	Indirect Exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-

**C. Disclosure pursuant to RBI guidelines on Securitisation DNBR (PD) CC. No.002/03.10.001/2014- November 10, 2014 the details of securitisation are given below**

(Rs. in millions)

Particulars	March 31, 2021	March 31, 2020
No. of. SPVs sponsored by the NBFC for securitisation transaction	1	10
Total amount of securitised assets as per books of the SPVs sponsored	6.16	1,543.62
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	41.00	379.13
Others	69.12	688.52
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, 2021	March 31, 2020
i) Total number of loan assets assigned during the year	1,47,040	2,90,012
ii) Book value of loan assets assigned during the year (Rs. In millions)	3,514.97	7,807.89
iii) Sale consideration received during the year (Rs. In millions)	3,163.54	6,769.28
vi) Income recognised in statement of profit and loss (Rs. In millions)	31.86	266.76



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 As at March 31, 2021

(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
<b>Performing asset</b>						
Standard	Stage 1	27,699.09	264.75	27,434.34	191.17	73.58
	Stage 2	335.41	97.78	237.64	3.22	94.56
Subtotal		28,034.50	362.53	27,671.97	194.39	168.14
<b>Non-Performing asset (NPA)</b>						
Substandard	Stage 3	783.18	617.69	165.50	269.39	348.30
Doubtful						
upto 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	-	-	-	-	-
More than 3 years	Stage 3	-	-	-	-	-
Subtotal for doubtful		-	-	-	-	-
Loss	Stage 3	-	-	-	-	-
Subtotal for NPA		783.18	617.69	165.50	269.39	348.30
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>	Stage 1	27,699.09	264.75	27,434.34	191.17	73.58
	Stage 2	335.41	97.78	237.64	3.22	94.56
	Stage 3	783.18	617.69	165.50	269.39	348.30
	<b>Total</b>		28,817.69	980.22	27,837.47	463.78

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 As at March 31, 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
<b>Performing asset</b>						
Standard	Stage 1	20,966.30	151.83	20,814.47	89.93	61.90
	Stage 2	55.33	0.66	54.66	0.38	0.28
Subtotal		21,021.63	152.49	20,869.14	90.31	62.19
<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	-	-	-	-	-
Subtotal for NPA		235.84	216.30	19.53	110.69	105.61
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>	Stage 1	20,966.30	151.83	20,814.47	89.93	61.90
	Stage 2	55.33	0.66	54.66	0.38	0.28
	Stage 3	235.84	216.30	19.53	110.69	105.61
	<b>Total</b>		21,257.47	368.79	20,888.67	201.00

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 securitisation are given below

Particulars	(Rs. in millions)	
	As at March 31, 2021	As at March 31, 2020
(i) Respective amounts in SMA/overdue categories, where moratorium/deferment was extended	22.01	5.02
(ii) Respective amount where asset classification benefits is extended	42.46	45.28
(iii) General Provisions Made *	-	-
(iv) General provision adjusted during the period against slippages and the residual provisions	-	-

\* The Company, being NBFC-MFI, has complied with Ind-AS and guidelines duly approved by the Board for recognition of the impairments. Refer Note 9

F. Disclosure pursuant to Reserve Bank of India Circular DOR.No.BP.BC/3/21.04.048/2020-21 dated 6 August 2020 pertaining to Resolution Framework 19-related Stress

Type of Borrower	Number of accounts where resolution plan has been implemented under this window	exposure to accounts mentioned at (A) before implementation of the plan	Of (B), aggregate amount of debt that was converted into other securities	Additional funding sanctioned, if any, including invocation of the plan and implementation	Increase in provisions on account of the implementation of the resolution plan*
Personal Loans	-	-	-	-	-
Corporate Persons	-	-	-	-	-
Of Which MSMEs	-	-	-	-	-
Others	50,144.00	715.15	-	-	71.76
<b>Total</b>	<b>50,144.00</b>	<b>715.15</b>	<b>-</b>	<b>-</b>	<b>71.76</b>

\* Provisions given above are total ECL calculated as per Ind AS

The Company, being NBFC, has complied with Ind-AS and its Expected Credit Loss policy duly approved by the Board for the purpose of provision on such restructured accounts.



G. Disclosure on restructuring pursuant to Reserve Bank of India notification DNBS.CO. PD. No. 367/03.10.01/2013-14 dated 23rd January 2014 (Rs. In Million)

S.No.	Type of Restructuring		Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Others			Total		
	Asset Classification Details		Low Credit Risk & Significant	Credit Impaired	Total	Low Credit Risk & Significant	Credit Impaired	Total	Low Credit Risk &	Credit Impaired	Total	Low Credit Risk &	Credit Impaired	Total
1	Restructured accounts as on 1st Apr 2020 (opening figures) *	No. of Borrowers										-	-	-
		Amount of Outstanding										-	-	-
		Provision Thereon										-	-	-
2	Fresh Restructuring during the year	No. of Borrowers						20,805.00	29,339.00	50,144.00	20,805.00	29,339.00	50,144.00	
		Amount of Outstanding						320.94	394.21	715.15	320.94	394.21	715.15	
		Provision Thereon						32.79	40.37	73.16	32.79	40.37	73.16	
3	Upgradations restructured standard category during the year	No. of Borrowers									-	-	-	
		Amount of Outstanding									-	-	-	
		Provision Thereon									-	-	-	
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and need not be shows as restructured	No. of Borrowers									-	-	-	
		Amount of Outstanding									-	-	-	
		Provision Thereon									-	-	-	
5	Downgradations of restructured accounts during the financial year	No. of Borrowers									-	-	-	
		Amount of Outstanding									-	-	-	
		Provision Thereon									-	-	-	
6	Closed Restructured accounts during the financial year	No. of Borrowers						4,035.00	-	4,035.00	4,035.00	-	4,035.00	
		Amount of Outstanding						54.07	-	54.07	54.07	-	54.07	
		Provision Thereon						5.53	-	5.53	5.53	-	5.53	
7	Restructured accounts collected during the financial year	No. of Borrowers									-	-	-	
		Amount of Outstanding						22.32	10.16	32.47	22.32	10.16	32.47	
		Provision Thereon						0.56	(4.68)	(4.13)	0.56	(4.68)	(4.13)	
8	Write off restructured accounts during the financial year	No. of Borrowers									-	-	-	
		Amount of Outstanding									-	-	-	
		Provision Thereon									-	-	-	
9	Restructured accounts as on 31st March 2021	No. of Borrowers						16,770.00	29,339.00	46,109.00	16,770.00	29,339.00	46,109.00	
		Amount of Outstanding						244.55	384.06	628.61	244.55	384.06	628.61	
		Provision Thereon						26.70	45.06	71.76	26.70	45.06	71.76	

\* Excluding the figures the standard restructured accounts which do not attract higher provisioning or risk weight (if applicable)

Provisions and Contingencies

Particulars	March 31, 2021	March 31, 2020
Category wise breakup of Provisions & Contingencies shown in Statement of Profit and Loss		
Provision towards non-performing assets*	401.39	28.75
Provision made towards income tax	261.36	291.45
Provision for gratuity	12.11	9.93
Provision for standard assets#	210.04	76.05
Provision for other assets	(1.11)	(3.04)

\* Represents impairment loss allowance on stage 3 loans.

# Represents impairment loss allowance on stage 1 and stage 2 loans.



**51: Fraud**

Disclosure of Frauds reported during the year to RBI vide DNBS PD.CC NO. 256 / 03.10.042 / 2012 -13 dated 2 March 2012:

(Rs. in millions)		
Particulars	March 31, 2021	March 31, 2020
Number of frauds reported during the year to Reserve Bank of India	3	1
Amount involved in such frauds and provided for	1.22	0.64
<b>Total</b>	<b>1.22</b>	<b>0.64</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.

- a) Adherence to IRACP and ECL norms as prescribed by RBI.
- b) Computation of Capital Adequacy Ratio by ensuring compliance above the prescribed RBI norms.
- c) Adherence to the Asset and the Income Pattern of the Company as per RBI norms.
- d) Adherence to the Qualifying Assets Criteria of the Company as per RBI norms.
- e) Margin Cap of the Company as on 31 March 2021 is 9.99% ( 31 March 2020: 9.36%).
- f) RBI circular dated April 07, 2021 advised all lending institutions to immediately put in place a Board-approved policy to refund/adjust the 'interest on interest' charged to the borrowers during the moratorium period, i.e. March 01, 2020 to August 31, 2020. Since the Company has not charged interest on interest to borrowers during such period, the above circular is not applicable.

**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

Instrument	As at March 31, 2021		As at March 31, 2020	
	Rating agency	Rating/ Grading	Rating agency	Rating/ Grading
Long Term Bank Facilities	CRISIL	CRISIL AA-	CRISIL	CRISIL A+
Non-Convertible Debentures	CARE	CARE A+	CARE	CARE A+
Non-Convertible Debentures	CRISIL	CRISIL AA-	CRISIL	CRISIL A+
Subordinated Debts	ICRA	ICRA A	ICRA	ICRA A
MFI Grading	CART	MFI 1	CARE	MFI 1

**55: Customer complaints**

SI No	Particular	As at March 31, 2021	As at March 31, 2020
1	No. of complaints pending as at the beginning of the year	-	6
2	No of complaints received during the year	232	249
3	No of complaints redressed during the year	229	255
4	No. of complaints pending as at the end of the year	3	-

**56: Previous year comparatives**

Previous year's figures have been regrouped / reclassified, wherever considered necessary, to conform with current year's presentation.

As per our Report of even date attached

For M/s. N. Sankaran & Co.  
Chartered Accountants  
(FRN: 003590S)



**M N Prabhakar**  
Partner  
M.No.207188  
Date: April 29, 2021  
Place: Chennai



For and on behalf of Board of Directors



**Dr. Kalpana Sankar**  
Managing Director  
(DIN. 01926545)



**B Balakumaran**  
Director  
(DIN. 09099182)



**L Muralidharan**  
Chief Financial Officer



**Sunil Kumar Sahu**  
Company Secretary

