funding sources.

Our ability to maintain our net interest income and net interest margin

Our results of operations depend substantially on the level of our net interest income (representing our total interest income as reduced by our total interest expended) and our ability to maintain and improve our net interest margin (representing the ratio of our net interest income to our total assets). Hence, the differential between the interest rates that we charge on interest-earning assets and the interest rates that we pay on interest-bearing liabilities, and the volume of such assets and liabilities, tends to have a significant impact on our results of operations.

We provide loans to our customers at interest rates that are linked to our retail prime lending rate ("**RPLR**"), which is calculated by us based on the interest rate that we pay on our borrowings and other factors and is reviewed by the asset-liability committee of our Board of Directors on a quarterly basis. We primarily pay interest on our bank borrowings based on floating rates and on our NCDs and borrowings from the NHB based on fixed and floating rates. As our RPLR is reviewed on a quarterly basis, it allows us the ability to pass on increases in our borrowing costs to our customers, which we have been able to do in the past. For example, we increased our RPLR in FY2021, FY2022, FY2023 and the nine months ended December 31, 2023, which contributed to the increase in our interest income for those periods (for further details, see "– *Our Results of Operations*" below). As a result, we have been able to improve our net interest margin, which amounted to 5.8%, 6.9%, 8.0%, 8.0% and 9.0% for FY2021, FY2022, FY2023 and the nine months ended December 31, 2022 and December 31, 2023, respectively. See "*Selected Statistical Information*" on page 215 for further details.

We increased our RPLR by 50 BPS during the month of October 2022 and 75 BPS in April 2023 to compensate for an increase in finance cost on borrowing in FY2023 and FY2024. This has resulted in an increase in our finance cost for the nine months ended December 31, 2023 and an increase in our average cost of borrowings from 7.0% for the nine months ended December 31, 2022 to 7.6% for the nine months ended December 31, 2023.

In addition, we believe we also have in place effective asset liability management strategies and aim to ensure that we do not have any cumulative asset/ liability mismatches. In FY2021, FY2022 and FY2023 and the nine months ended December 31, 2023, we have positive asset-liability mismatch across all the maturity buckets. While the contracted maturity of the loans that we originate is higher than the maturity of our borrowings, the actual maturity of the loans is typically lower (due to prepayment and foreclosures). This, along with the excess liquidity that we hold in the form of bank fixed deposits and liquid and overnight mutual funds, helps us to maintain a balanced asset-liability profile.

Credit Quality and Provisioning

Our ability to manage the credit quality of our loans is a key driver of our results of operations. Under Ind AS, we are required to make provisions on the basis of expected credit losses, which requires the estimation of loss on financial assets, considering reasonable and supportable information about past events, current conditions and forecasts of future economic conditions which could impact the credit quality of the loans and advances. Given the impairment provision is based on various judgements and estimates, the actual credit losses for the next 12 months could be different than the expected credit loss estimates prepared by us.

As at March 31, 2021, March 31, 2022, March 31, 2023, December 31, 2022 and December 31, 2023, our GNPAs were ₹1,430.3 million, ₹2,154.5 million, ₹1,997.7 million, ₹2,920.8 million and ₹2,778.5 million representing 1.1%, 1.5%, 1.2%, 1.8% and 1.4% of our Gross AUM, respectively. The increase in GNPA as at March 31, 2022 as compared to March 31, 2021 was due to the impact of the November 12 Circular, which applied prospectively from November 2021. For further details in relation to the impact of the November 12 Circular on our GNPA, see *"-Significant Factors Affecting our Results of Operations – General Economic Conditions in India and the impact of the COVID-19 outbreak"* on page 338. The decreases in GNPA as at March 31, 2023 as compared to March 31, 2022 and as at December 31, 2023 as compared to December 31, 2022 were on account of improved collection efficiency in FY2023 and the nine months ended December 31, 2023, respectively.

The following table sets forth details of our impairment loss allowance and provisions as of the dates indicated:

(₹ in million, except percentages)

	As of				
	March 31, 2021	**March 31, 2022**	**March 31, 2023**	**December 31, 2022**	**December 31, 2023**
Impairment loss allowance	1,478.4	1,718.1	1,861.0	1,922.5	2,168.7
Provision for GNPA	433.6	539.3	556.8	739.5	853.3
Provision for GNPA as percentage of GNPA	30.3%	25.0%	27.9%	25.3%	30.7%
Provision for standard assets(1)	1,044.8	1,171.8	1,304.2	1,183.0	1,315.4

Note:

(1) Provision for standard assets means provision maintained on Stage 1 and Stage 2 assets.

Further, as a prudent measure, we recognized impairment allowance on loans towards loans to developers amounting to ₹50.3