

5. *Any increase in the levels of non-performing assets in our AUM would adversely affect our business, results of operations, cash flows and financial condition.*

Our Company offers loans to retail borrowers.

The following table sets forth, for the period ends indicated, our Gross AUM:

(₹ in million)

	As of				
	March 31, 2021	March 31, 2022	March 31, 2023	December 31, 2022	December 31, 2023
Gross AUM	133,271.0	147,777.9	172,228.3	165,664.6	198,651.6

The breakdown of Gross AUM by occupation is set forth in the table below:

(₹ in million, except percentages)

Occupation	As of									
	March 31, 2021		March 31, 2022		March 31, 2023		December 31, 2022		December 31, 2023	
	Amount	% Share	Amount	% Share	Amount	% Share	Amount	% Share	Amount	% Share
Salaried	85,093.3	63.8%	90,891.1	61.5%	100,933.2	58.6%	98,490.7	59.5%	113,686.1	57.2%
Self Employed	48,177.7	36.2%	56,886.8	38.5%	71,295.1	41.4%	67,173.9	40.5%	84,965.5	42.8%
- Formal self-employed	20,891.1	43.4%	19,583.9	34.4%	18,122.9	25.4%	18,731.7	27.9%	17,094.7	20.1%
- Informal self-employed	27,286.6	56.6%	37,302.9	65.6%	53,172.2	74.6%	48,442.2	72.1%	67,870.8	79.9%

Any slowdown of or disruption to the macroeconomic environment as a whole and the Indian economy may adversely affect such retail borrowers' ability, especially informal self-employed borrowers, to service their loans, which could lead to increased customer defaults, leading to an increase in the levels of our NPAs.

Income of informal customers (i.e., customers that do not have formal income documentation) is assessed by the credit manager during personal discussion with such customers and verification and collection of other secondary data, in the absence of a documented proof of income. Such an assessment of income for customers from the informal segment may be incorrect or inaccurate for multiple reasons which may result in an increased chance of delinquencies and defaults from such customers.

The RBI Master Directions – HFC set out prudential norms in relation to the identification of NPAs and income recognition against NPAs. If our NPA level increases due to deterioration in the credit quality of our AUM or our inability to implement effective monitoring and collection methods, our results of operations and financial condition may be adversely affected. As we intend to continue our efforts to originate new loans, we cannot assure you that there will not be significant additional NPAs in our AUM in the future.

On November 12, 2021, the RBI issued a circular on *Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications* (the “**November 12 Circular**”) which clarified that the classification of borrower accounts as special mention accounts or NPAs will be on a day-end position basis and accounts can only be upgraded from an NPA to a ‘standard’ asset after the clearance of all overdues (in other words, only if the entire arrears of interest and principal are paid by the borrower). Following the November 12 Circular, from a reporting perspective, we classified our Stage 3 assets into: (a) Stage 3a loans not more than 90 days past due and (b) Stage 3b loans more than 90 days past due. Our Stage 3b loans are comparable to our NPA for the previous period/years and our Stage 3a loans have been classified as a result of the November 12 Circular with effect from November 12, 2021. The following table sets forth our NPAs as of the period ends indicated:

(₹ in million, except percentages)

	As of				
	March 31, 2021	March 31, 2022	March 31, 2023	December 31, 2022	December 31, 2023
Gross NPA	1,430.3	2,143.5*	1,997.7	2,920.8	2,778.5
– Loan assets of not more than 90 days past due ⁽¹⁾	NA**	395.4	70.5	198.5	59.1
Gross NPA as a percentage of Retail AUM	1.1%	1.5%*	1.2%	1.8%	1.4%
– Loan assets as a percentage of Retail AUM	NA**	0.3%	0.0% ⁽²⁾	0.1%	0.0% ⁽²⁾
Own Book NPA	1,307.1	1,814.7	1,625.9	2,402.4	2,308.1
– Loan assets of not more than 90 days past due ⁽¹⁾	NA**	328.1	58.9	168.6	52.2
Own Book NPA as a percentage of Own Book ⁽³⁾	1.2%	1.5%	1.2%	1.8%	1.4%
– Loan assets as a percentage of Own	NA**	0.3%	0.0% ⁽²⁾	0.1%	0.0% ⁽²⁾