

ensure compliance with the above observations, we cannot assure that such steps will be satisfactory and the NHB will not have further/ follow-on observations in the future or will not impose any penalties for non-compliances. Further, while we take necessary actions to ensure adherence with regulatory provisions applicable to us, however, in the event that we are unable to comply with the observations made by the NHB in the past or comply with NHB's and/or RBI's directions at any time in the future, we could be subject to penalties and restrictions which may be imposed by the NHB and/or RBI. Imposition of any penalty or adverse finding by the NHB and/or RBI during any future inspection may have a material adverse effect on our reputation, business, financial condition and results of operations. For further details, see "*Key Regulations and Policies in India*" on page 179.

12. Any increase in our provisioning in the future due to the increase NPAs or the introduction of more stringent requirements in respect of loan loss provisioning, may reduce our profit after tax and adversely impact our results of operations.

The Income Recognition, Asset Classification and Provisioning Norms prescribe the provisioning required in respect of outstanding AUM. However, we follow Ind AS for provisioning in respect of our loan book as per the RBI Circular RBI/2019-20/170 DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020. In the event that the aggregate impairment provision under Ind AS 109 is lower than that required under the Income Recognition, Asset Classification and Provisioning Norms, the difference in amount shall be appropriated from the Net Profit or loss after tax to a separate reserve account i.e. "Impairment Reserve". Should the overall credit quality of our loan book or portfolio deteriorate, the current level of our provisions may not be adequate to cover further increases in the amount of our NPAs. The following table sets forth our 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
Gross NPAs (A)	1,430.3	2,143.5*	1,997.7	2,920.8	2,778.5
Less: Provision against NPA (Stage 3 Assets (Housing and Other Property Loan)) (B)	433.6	535.3	556.8	739.5	853.3
Net NPA (C = A-B)**	996.7	1,608.2	1,440.9	2,181.3	1,925.2
Retail Provision coverage ratio	30.3%	25.0%	27.9%	25.3%	30.7%

* As of March 31, 2022, Gross NPA represents our Gross Retail NPA (closing balance of the Gross NPA of our Retail AUM as of the last day of the relevant year or period). See ** under "Selected Statistical Information – Financial Ratios" on page 216 for impact of the November 12 Circular.

** Net NPA: Represents Gross NPA of our retail AUM as of the last day of the relevant year or period less provision on the same.

For reconciliation of non-GAAP measures, see "*Selected Statistical Information – Non-GAAP Reconciliations*" on page 234.

If we are required to increase our provisioning in the future due to increased NPAs or the introduction of more stringent requirements in respect of loan loss provisioning, this may reduce our profit after tax and adversely impact our results of operations. Further, there can be no assurance that we will be able to recover the outstanding amounts due under any defaulted loans. We may also face difficulties in disposing of the underlying assets relating to such loans, as a result of which we may be unable to realize any liquidity from such assets. Further, as our loan portfolio grows, our NPAs may increase and the current level of our provisions may not adequately cover any such increases. We cannot assure you that there will not be a significant increase in the portion of our loans that are classified as NPAs as our loan portfolio matures. Any material increase in NPAs may have a material adverse effect on our financial condition, results of operations and business.

The provisioning measures imposed by the RBI may also have an adverse effect on our business, cash flows, financial condition and results of operations.

13. We do not own our branches, sales offices, regional and corporate offices, including our Registered Office and Corporate Office. Any termination or failure by us to renew the lease/ leave and license agreements in a favorable and timely manner, or at all, could adversely affect our business and results of operations. Moreover, many of the lease/ leave and license agreements entered into by us may not be duly registered or adequately stamped.

Our branches, sales offices, regional and corporate offices, including our Registered Office and Corporate Office are located on leased or licensed premises. For further details, see "*Our Business – Properties*" on page 178. The lease agreements can be terminated, and any such termination could result in any of our offices being shifted or shut down. The period for leases which are entered into by our Company for our branches, sales offices, regional and corporate offices typically ranges from 11 months to nine years. While we do not have any expired or unregistered leases and leave and license agreement for any of our branches which had a material impact on our financial condition and results of operations in the last three FYs and nine months ended December 31, 2023, if any of our lease/ leave and license agreements are not renewed or not renewed on terms favorable to us in the future, we may suffer a disruption in our operations or increased costs, or both, which may affect our business and results of operations. To the extent that our lease/ leave and license agreements may not be adequately stamped or duly registered, such agreements may be rendered inadmissible as evidence in a court in India or may not be authenticated by any public officer and the same may attract penalty as prescribed under applicable law or may impact our ability to enforce these agreements legally, which may result in an adverse effect on the continuance of our operations and business in the relevant branch, sales office, regional or corporate office. Further, one of our Senior Management Personnel, R. Anil Kumar Nair, has entered into a leave and license agreement with our