

EMPOWERING ASPIRATIONS

Annual Report 2022-23



ACROSS THE PAGES

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Investor Information

CIN	U65993GJ2007PLC051028
AGM Date	June 30, 2023
Day	Friday
Time	12 noon
AGM Venue	Through Video conferencing (VC) / Other Audio Visual Means (OAVM)



Scan this QR code

to navigate investor related information

An electronic version of this report is available online at:

www.hdbfs.com

Disclaimer:

This document contains statements about expected future events and financials of HDB Financial Services Limited ('the Company'), which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions and other forward-looking statements may not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as several factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the Management Discussion and Analysis section of this Annual Report.

OUR APPROACH TO REPORTING



Basis of Reporting

This Report provides a holistic assessment of the Company's financial and non-financial performance. Furthermore, it captures the key initiatives that have been conducted towards addressing the needs of the broader community.

Our Approach to Reporting

Through this Report, the Company aspires to provide its stakeholders with an overall depiction of the organisation's value creation ability by providing insights into its strategies, operating environment, risks and opportunities, governance structure and its approach toward long-term sustainability.

Reporting Period, Scope and Boundary

The reporting period for this Annual Report is April 1, 2022 to March 31, 2023. It provides an overview of the Company's operations and business development activities. The content of this report has been reviewed by the senior management of the Company and reviewed and approved by the Board of Directors to ensure accuracy, completeness and relevance of the information presented.

Management Assurance

The Board of Directors believe that this Report presents a true and fair account of the Company's financial and non-financial matters, performance and business model. It acknowledges its responsibilities to ensure the integrity of this report.

EMPOWERING ASPIRATIONS

Over the years, Non-Banking Financial Companies(NBFCs) have emerged as crucial players in driving the socioeconomic progress of India. With the vast potential for credit expansion in the country, it is encouraging to witness the growing recognition of NBFCs role in facilitating genuine economic activity and meeting credit needs, particularly among the unbanked.





HDB Financial Services Limited (HDBFS) is well-positioned to capitalise on this opportunity and cater to the underserved segments of society. We take pride in Empowering the Aspiration of this group, offering a comprehensive range of consumer loans, enterprise loans and asset finance options. We serve as a prime example of how NBFCs are evolving to support India's development.

Our pride extends beyond providing financial support. What sets us apart is the meaningful impact we create on people's lives across India. Our Company's collaborative approach and dynamism enable us to navigate the ever-changing business landscape and deliver long-lasting value, one that meets specific expectations and fulfils dreams and goals by Empowering Aspirations.

A SNAPSHOT OF OUR BUSINESS

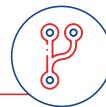
HDBFS at a Glance

Founded in 2007, HDB Financial Services Limited ('HDBFS' OR 'The Company') has established itself as one of the prominent players in the non-banking financial space. Its expertise in loan origination, underwriting and wide product offering enables it to design solutions for various customer needs. The Company's product portfolio encompasses Loans, Fee-Based Products and Business Process Outsourcing (BPO) services.

The Company prioritises its customers' needs and follows a customer-centric fulfilment model. Its strategically located branches benefit clients through local knowledge and expertise even in non-metro cities. This approach enables the Company to meet its customers' needs with precision and exceed their expectations while consistently delivering services to generate customer delight.

At HDBFS, honesty, integrity and respect for every individual are key principles defining the organisational culture. The Company places great value in diversity and individuality and fosters an inclusive work environment where all its employees can thrive and grow.

1,492
NUMBER OF BRANCHES



1,054 Cities
NATIONAL PRESENCE



**Vision**

To be India's most admired NBFC, through great execution, driving simplicity and developing humility

**Mission**

To deliver innovative products and services to cater to the growing needs of an aspirational India, serving both individual and business clients



Values

Integrity

We ensure that the highest standard of professional conduct is embedded in every corner of the organisation. It defines how we go about our business and treat our people, customers and stakeholders.

- We are transparent and ethical in the way we conduct ourselves.
- We are honest and fair and base our conclusions on facts.
- We have a strong moral code and take responsibility of our actions.

Respect

As we continue to increase our reach in every corner of the country, we value those who work with us and the contributions that they make to our business.

- We respect our people's individuality and diversity.
- We conduct ourselves in a manner that reflects the spirit of inclusion and humility.
- We treat all our customers, employees and stakeholders with respect and empathy.

Excellence

In our journey of becoming India's most admired NBFC, we want to excel and set high standards in every aspect.

- We aim to execute flawlessly and deliver the highest quality of service and value through simple, relevant solutions.



- We challenge ourselves to meet our goals and pursue excellence.

- We consistently strive to exceed the expectations of our customers, colleagues and stakeholders.

Simplicity

We keep our customers, employees and stakeholders at the heart of everything we do.

- We focus on removing complexities.
- We deliver solutions that are simple and relevant.
- Our communication, policies and processes are simple to understand and easy to follow.

Collaboration

We believe that success is achieved not by any one individual but by teams that work together.

- We operate in a spirit of collaboration and teamwork.
- We support and encourage people to use their expertise and experience to solve everyday challenges.
- We embrace a mindset of openness and trust that helps in breaking silos.

Agility

We proactively respond to the changing market environment and evolving needs of our customers.

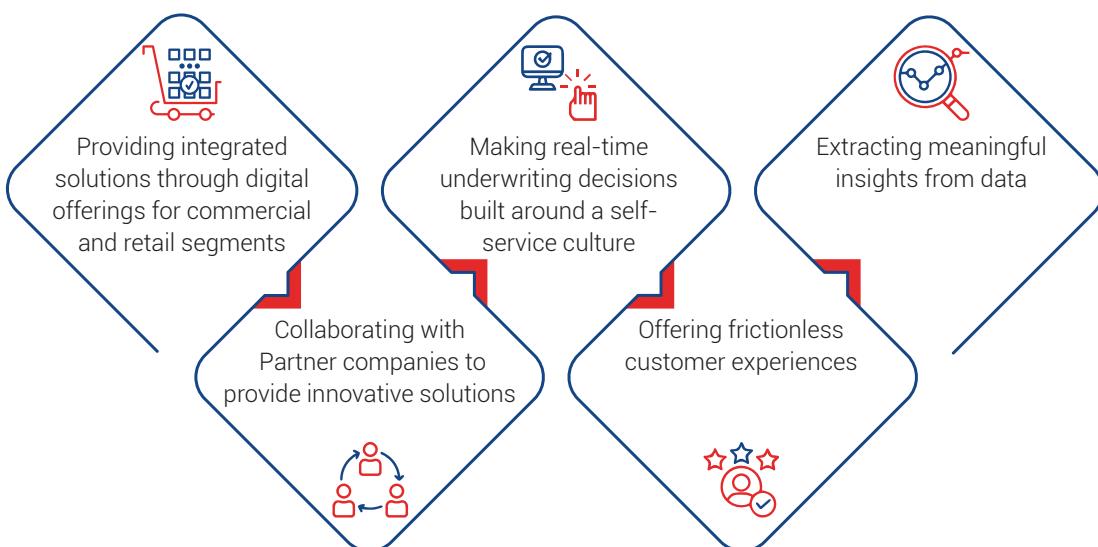
- We strive to deliver the highest sustainable standards through efficient and timely execution.
- Our speed of action reflects our readiness to continuously improve and our openness to change and discovery.
- We are flexible and constantly look for ways to enhance efficiencies.



Technology

HDBFS is deeply committed to delivering the highest standards of service to its customers. By effectively leveraging technology, the Company has designed its offerings in tune with the digital world we live in. Technology is used as a tool by the Company to gather deeper insights into the requirements of its customers and offer relevant solutions for their evolving needs.

HDBFS continues to provide innovative solutions and has leveraged technology to enhance its offerings on several fronts:



Empowering Our Partners in Progress

Our Stakeholders

HDBFS is deeply committed to ensuring that it addresses the needs of each of its stakeholders. The Company seeks to constantly align its efforts to deliver enduring value to those it serves.

Customers

- Utilising digital offerings to pave the way for further financial inclusion
- Digitising processes to lead to a swifter turnaround for borrowers
- Providing omnichannel servicing through a pan-India branch network

Employees

- Maintaining a solution-centric work culture
- Offering opportunities for development and growth
- Providing an array of engagement activities and actively encouraging the learning of new skills

Communities

- Empowering communities through a wide array of CSR interventions
- Enabling local bodies and front-line workers through capacity building in different formats
- Investing in water conservation and green projects that have the potential to mitigate the risk of climate change

AWARDS AND ACCOLADES

Best Impact Award at the CSR Summit & Awards, 2022



Best CSR Film Award at the India's Largest CSR Film Festival



**Special Jury Award for the Transport Aarogyam Kendra
Initiative at Distinguished NBFC Awards, 2022**



**AmbitionBox Best Place to Work 2022 Award in the
Financial Services - Mega Companies Category**



MAKING A DIFFERENCE BY EMPOWERING ASPIRATIONS

As a nation, we have made rapid advancements on the economic front. However, this growth would benefit society only if it trickles down through socially responsible corporate citizens.

During the year, the Company displayed its commitment to society by responsibly conducting its operations and engaging in various CSR initiatives towards building a better world.



Our programmes were implemented across 96 districts in 20 States and 1 Union Territory in collaboration with credible CSR Partners having an impeccable track record in addressing the local needs of the communities.

Each CSR programme is outcome-driven and the performance of every project is closely monitored so as to address the challenges and maximise social outcomes.

The key outcomes of the CSR programmes that made a difference in the lives of aspirational citizens are presented below.



Serving the Highway Heroes through Transport Aarogyam Kendra Initiative

The Company directed its efforts towards India's truck drivers and emphasised their well-being through the introduction of Transport Aarogyam Kendras – a physiotherapy counselling and treatment centre dedicated to the trucking community. This initiative by HDBFS is the first full-time physiotherapy programme in India specifically designed for truck drivers.

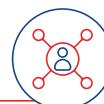
- Transport Aarogyam Kendras were established in three major transport hubs across the country namely Delhi, Namakkal (Tamil Nadu) and Kalamboli (Maharashtra). This year we launched our 4th Kendra in Ranchi (Jharkhand), on September 8, 2022 (World Physiotherapy Day) to address key issues that truck drivers face due to prolonged sitting and driving hours.
- Every Transport Aarogyam Kendra is furnished with necessary medical equipment and is managed by trained and qualified staff. It is equipped to provide truck drivers with preventative and remedial care for musculoskeletal disorders caused by prolonged periods of driving in a fixed position, repetitive twisting of the neck and back, working and sleeping in cramped spaces, insufficient rest and an inadequate diet.
- Thanks to the collaborative efforts of key stakeholder groups, we were able to conduct week-long physiotherapy camps in major transport hubs located in Tier II and Tier III cities, at zero cost to truck drivers. This initiative was made possible through the joint efforts of transporters, industry associations and NGOs who came together to serve the highway heroes.

SDGs Impacted



Good Health and Well-Being

↑ 60,000+
STAKEHOLDERS BENEFITTED



↑ 90
PHYSIO-CAMPS HELD



↑ 4
TRANSPORT AAROGYAM KENDRAS



Upgrading Medical Infrastructure

During the financial year 2022-23, the Company continued its collaboration with various healthcare organisations. This was done to reinforce the need for affordable healthcare services and support the country's endeavours to enhance capacity and infrastructure in healthcare.

- Contributed towards equipping the charitable cancer care facility established by the Tata Cancer Care Foundation in Tirupati (Andhra Pradesh).
- Collaborated with Sankara Eye Foundation to renovate the operation theatre at a charitable eye care facility in Anand (Gujarat) and for equipping the eye care facilities in Shimoga (Karnataka) and Jaipur (Rajasthan).
- Inaugurated a 44-bedded community in-patient ward at the Bhaktivedanta Hospital in Mumbai (Maharashtra), established to provide affordable medical services to indigent patients from in and around Mumbai.
- Project SNEHA was introduced to raise awareness on the diagnostic and curative measures to prevent anaemia among women in the reproductive age. The project is an extension of an ongoing child nutrition and maternal health intervention in high anaemic areas of Gujarat and Madhya Pradesh.
- Along with promoting hygiene among children and adult population, providing easy access to clean water and sanitation continued to remain the focus during the year.



**3,110
INDIVIDUALS DIAGNOSED
FOR CATARACT**



**24,860
DIALYSIS SESSIONS SUBSIDISED**



**10,900
WOMEN SCREENED FOR ANAEMIA**



**24
SANITATION BLOCKS DEVELOPED
IN SCHOOLS AND COMMUNITIES**



**23
HAND PUMPS AND WATER TANKS
REFURBISHED / DEVELOPED**



SDGs Impacted

**3 GOOD HEALTH
AND WELL-BEING**


Good
Health and
Well-Being

**6 CLEAN WATER
AND SANITATION**


Clean Water
& Sanitation



Restoring Ecological Balance

Climate change is a growing concern and its impact is garnering global attention. The Company recognises the importance of sustainability and mitigating the negative effects of climate change. It actively supports environmentally sustainable programmes that seek to bring about positive change. Some of the initiatives that the Company conducted to move one step ahead towards a more sustainable future are as follows:

- Built 133 water harvesting structures, alongside integrated watershed management activities, to encourage soil and moisture conservation practices in the area.
- Established 73 farm ponds for small and marginal farmers to secure water for both irrigation and domestic use, while about 200 hectares of land were treated through eco-friendly methods.
- Scientifically restored a total of 19 small to medium sized water bodies under the initiative, to maintain ecological balance, safeguard local flora and fauna and recharge natural aquifers within the command area.
- Ensured responsible management of e-waste, through disposal of electronic waste such as computer, printers and routers generated across offices.
- Planted over 75,000 trees as part of the Mission Million Trees initiative, in a responsible manner during the year. This was done with the aim of creating mini carbon sinks in both urban and peri-urban areas of Tier I and II cities.

19
LAKES RESTORED



133
WATER HARVESTING
STRUCTURES ESTABLISHED



73
FARM PONDS DEVELOPED



75,115
TREES PLANTED



Sustainable Development Goals (SDGs) Impacted



Clean Water & Sanitation



Responsible Consumption and Production



Climate Action

Empowering Communities with Literacy and Livelihood Interventions

The Company provides a new lease of life to school and college dropouts, unemployed youth and adults through its literacy and livelihoods initiative. The Youth Training & Development Program encourages disoriented individuals to pursue studies, provides access to employment opportunities or market linkages to sell their produce.

Through various initiatives focused on youth training and development, as well as the establishment of nano and micro enterprises, the Company aims to positively impact society.

HDB CAFÉ

- Introduced HDB CAFÉ (Community Awareness on Financial Education); a financial literacy initiative conceptualised to enable and encourage individuals across age-groups to make informed financial decisions.
- Program was implemented in a phigital model using carefully designed Information, Education & Communication (IEC) tools, for effective engagement with the targeted beneficiaries.
- Over 10,000 individuals were sensitised on the concept of credit score and more than 1,00,000 individuals were sensitised on basic concepts of savings, investments and financial discipline.

Enabling Livelihoods

HDBFS' Youth Training and Development program provided entry-level job training to 3,500 youth in various sectors including Beauty & Wellness, BFSI, FMCG, ITeS, Logistics and Retail.

Besides this, a small cohort of 100 artisans (potters and bamboo weavers) were up-skilled by introducing modern-day designs, efficiency enhancing tools, e-business platforms and local market linkages. With adequate support, the potters and weavers reported a substantial increase in their annual income.

3,500

ENTRY-LEVEL JOBS PROVIDED THROUGH THE COMPANY'S YOUTH TRAINING AND DEVELOPMENT PROGRAMME



64 %

TRAIINEES EMPLOYED IN FORMAL SECTOR



3,100

INDIVIDUALS TRAINED TO BECOME PARAMEDICS, SOLOPRENUERS



SDGs Impacted



Quality Education



Decent Work and Economic Growth



HDB CAFÉ | India's Unified Payments Interface (UPI) Explained



HDB CAFÉ | Review Your Income Tax Liability before March 31st



Saluting the Nation's Heroes

During the financial year 2022-23, HDBFS continued its tradition of celebrating Republic Day with the Soldiers of Indian Army and their families.

Pioneered and organised by the Sri Shanmukhananda Fine Arts & Sangeetha Sabha, the Wounded Warriors were graced in the presence of senior dignitaries of the Indian army and the civil society.

With immense gratitude, HDBFS contributed towards the program, honouring the martyr's families and wounded soldiers for their heroic contributions in protecting our borders in difficult terrains and harsh weather conditions.



Acts of Simple Kindness

Acts of Simple Kindness (ASK) is an employee volunteering program planned and implemented by HDBians, organisation-wide. Through this initiative, employees welcome the new year with gratitude in their hearts by voluntarily performing simple acts of kindness. It helped the employees' express gratitude towards various community segments such as frontline workers, elderly citizens, children, adults, animals and the natural environment.

HDBians generously contributed voluntarily to conduct various ASK activities, such as distributing essential items, including blankets, cooked meals and rations, masks and sanitisers, clothing, books, stationery kits, water purifiers and other necessary items of utilities to the needy.

24 STATES + 3 UNION TERRITORIES COVERED THROUGH ASK



SDGs Impacted



Good Health and Well-Being

675

BRANCHES PARTICIPATED



16,000+

HDBIANS MADE VOLUNTARY CONTRIBUTIONS



309

NGOs BENEFITED FROM ASK'23



15,000+

LIVES TOUCHED



MESSAGE FROM THE CHAIRMAN



Dear Stakeholders,

I am very excited to address all our valued stakeholders and share my thoughts on our Company's progress with you. This is my first correspondence with you through an Annual Report letter and I wish to delve into the ways we have continued to enhance our services and create exceptional value for our clients. Together, we have forged a strong partnership and I take immense pleasure in sharing insightful perspectives on our diverse offerings.

Inflation Caused Distortions in the Global Economy

The global economy encountered numerous challenges during the year, ranging from geopolitical tensions to surging inflation levels. To fight inflation, interest rates were hiked, which caused disruptions in economic activity throughout the year. Policymakers responded to the challenges by implementing multiple measures.

The Indian economy witnessed six interest rate hikes, amounting to 250 basis points since May 2022. The inflationary pressures caused the Reserve Bank of India to increase interest rates, a trend no different from other major economies such as the United States and Europe, in which the central banks also resorted to a series of rate hikes.

Indian Economy Poised for a Robust Growth

The Indian economy navigated the challenging conditions with resilience largely backed by domestic consumption. According to the World Bank India Development Update, April 2023, India is expected to continue its robust growth trajectory. The growth projections are primarily driven by the strong investment activity bolstered by the government capex, growth in private consumption and easing commodity prices.

Recovery in private consumption levels and a consequent boost to production activity, supported by higher levels of capacity utilisation, have all contributed to the accelerated growth trajectory in India. The nation presents opportunities across a variety of sectors and is expected to remain an attractive investment destination.

The NBFC Industry is Well Positioned to Contribute to Nation's Growth

The promising prospects for the Indian economy have unlocked a tremendous opportunity for financial services. NBFCs are projected to play a critical role in fulfilling the financial aspirations of various sections of the society. The NBFC industry's scope involves complementing and sometimes even substituting banks by widening the ambit and access to financial services. The increased credit availability has been a major factor driving enterprise growth in the country. We are also witnessing a steady transition of a larger population segment towards financial prosperity.

I believe that the recent RBI scale-based regulations based on the size, activity and perceived risk of NBFCs is a welcome step to improved governance. Under the revised norms, the industry is expected to attain greater operational flexibility to meet the increasing credit demand and aid India's economic growth.

Digital Empowering Aspirations

Technology has been a key enabler of efficiencies across various industries, largely enhancing our capabilities as a nation. The increasing integration of technology into our lives has given rise to newer opportunities, adding value in unimagined ways.

This year, we have emphasised implementing a digital framework throughout the value chain across origination, management and collection activities. Our digitally enabled physical

acquisition model has enabled wider reach and efficient customer engagement through the lifecycle.

We have also empowered our customers by introducing intuitive and seamless digital self-service channels across platforms, thus providing a frictionless experience to our valued customers. At HDBFS, we consistently strive to evolve with the dynamic business landscape and align our efforts with our vision of empowering aspirations.

Achievements

In the financial year 2022-23, your company performed well on both qualitative and quantitative parameters, details of which have been shared elsewhere in this report. You will be happy to note the improvement in management of stressed assets and in business growth reflected in better NPA ratios and higher profits. Your company remains committed to striving for continuous improvement and delivering value to all stakeholders.

Note of Gratitude

I would like to thank the regulator for their guidance and support throughout the year. My fellow board members played a crucial role in steering the governance of the company and I thank them for their efforts. The dedication, hard work and commitment demonstrated by our team have been instrumental in driving the evolution of our organisation and helped us continuously thrive. I would like to take this opportunity to express my heartfelt gratitude to each and every member of our team. To conclude, I would like to thank all our shareholders for their keen interest in the affairs of the company and for their unstinted support.

Warm Regards,

Arijit Basu

Chairman

MESSAGE FROM THE MD & CEO



Dear Stakeholders,

In the last few years, we have witnessed unprecedented events that have completely transformed the present global economic environment. Political, technological and economic volatility and unpredictability is on the rise. However, as always, new challenges lead to new opportunities.

To respond to these challenges, countries and multinational corporations worldwide are placing greater stress on ensuring their supply chains' resilience, diversification and security. India is filled with potential and presents huge opportunities as an export hub and investment destination in the manufacturing and services space.

Consequently, there has been a healthy rise in Foreign Direct Investment (FDI) equity flows from Japan, Singapore, the United Kingdom and the United Arab Emirates during the financial year 2022-23. Moreover, gross fixed capital investment and private consumption remained robust and grew by 10% YoY.

As an institution offering a comprehensive product suite, our Company is well positioned to be a key beneficiary of the promising growth outlook of the NBFC industry. By identifying newer avenues for catering to the growing needs of an aspirational India, HDBFS has made progress on several fronts to further our objective of 'Empowering Aspirations'.

This year, our efforts were aligned towards strengthening our digital infrastructure to grow along the trends shaping the NBFC industry. We made investments in the digitalisation of lending services to offer a unique proposition to our customers. Digital offerings aimed at simplifying the borrowing journey for our customers have been launched. We are also collaborating with various technology and fintech companies to provide innovative lending solutions.

Enhancing customer experience has consistently been among our key priorities. We have leveraged data and analytics to gather meaningful insights and develop a range of offerings that closely meet the requirements of our customers.

We aspire to enable a frictionless customer experience by continuously upgrading our digital orientation. To this end, we have adopted an omni-channel servicing model to deliver a well-integrated customer experience. Efforts to regularly engage with our customers throughout the lifecycle of their association with our Company deepens our understanding of their preferences and also enables us to provide effective credit solutions.

Rising interest rates typically present a challenge to borrowers in servicing their installments, thus posing potential default risks. However, our Company has adopted a very prudent approach, prioritising higher asset quality and stability. Moreover, we have diversified our borrowings mix to minimise impact on our interest margins.

Beyond the initiatives towards enhancing the standard of services, we also remain deeply committed to contributing to society through our CSR initiatives. This encompasses addressing key social and environmental concerns.

Our Company's collective efforts through the diverse range of offerings and an extensive network of branches that are digitally enabled across the country helps differentiate us. The untapped potential of the Indian economy has generated enthusiasm around unexplored possibilities. As India continues to progress towards a thriving financial future, HDBFS is privileged to contribute to empowering a growing nation's aspirations.

Warm Regards,

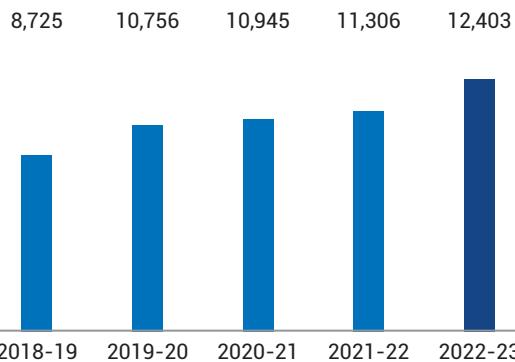
Ramesh G.

MD & CEO

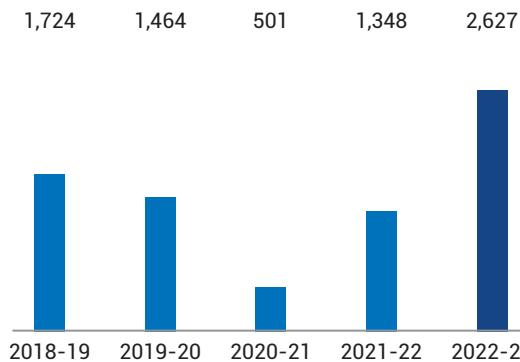
KEY METRICS AND INDICATORS THAT EMPOWER US

Total Revenue

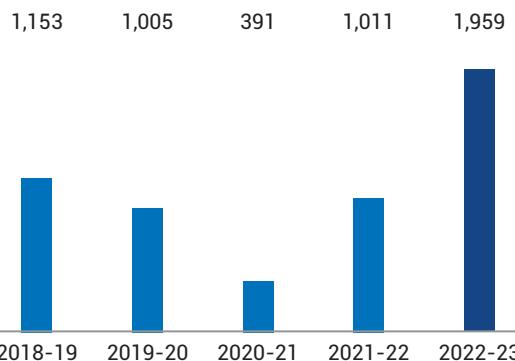
(₹ in Crore)


Profit Before Tax

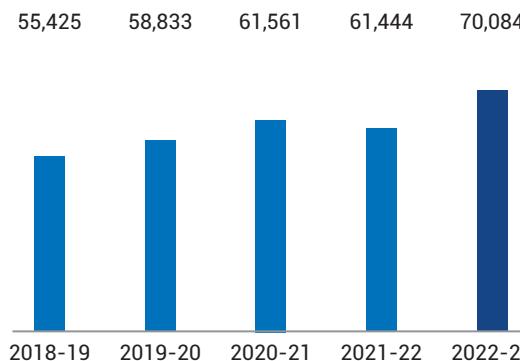
(₹ in Crore)


Profit After Tax

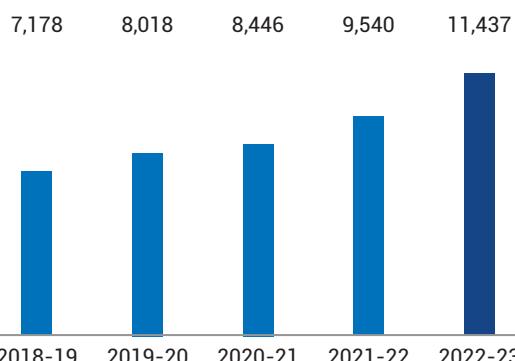
(₹ in Crore)


Assets Under Management

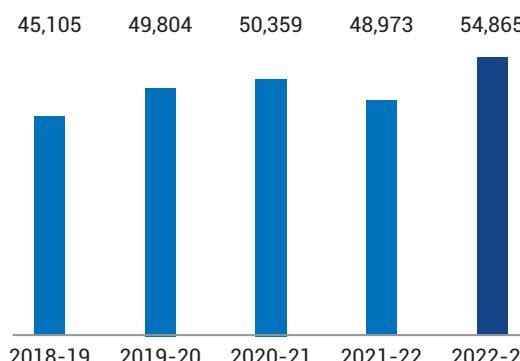
(₹ in Crore)


Shareholders' Funds

(₹ in Crore)

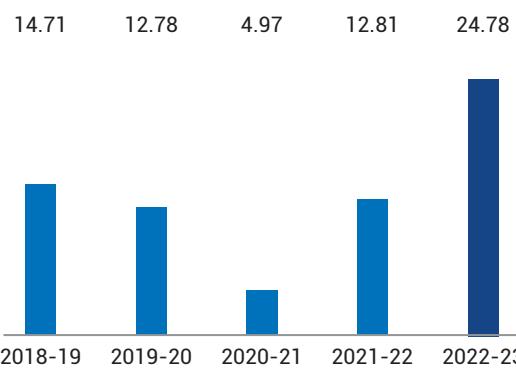

Borrowings

(₹ in Crore)

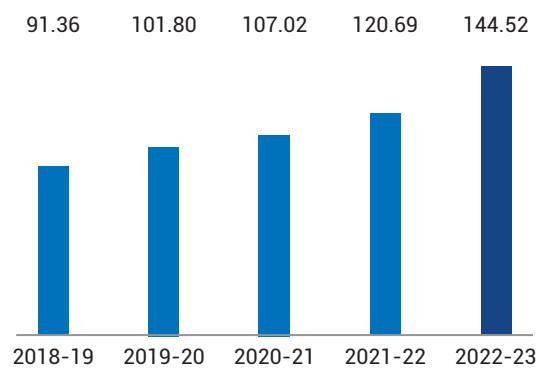


**Earnings Per Share**

(₹)

**Book Value Per Share**

(₹)



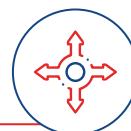
EMPOWERED THROUGH OUR COMPETITIVE EDGE

As the NBFC industry emerges as an increasingly integral component of the credit landscape, a deep understanding of customer needs and a digitally enabled branch network across the country enables HDBFS to capitalise on emerging opportunities.

Strengthened Presence in Rural Regions

HDBFS takes great pride in serving the needs of aspirational India and has made significant efforts to deepen its presence in rural areas. The Company's strong foothold in semi-urban and rural India has made it possible to understand and meet the diverse requirements of its customers. The comprehensive range of solutions it provides are designed to enable individuals and businesses to leverage finance from HDBFS to fulfil their potential. These financial solutions serve as a key factor for the underserved segment to unlock the vast opportunities that our nation has to offer.

↑ 80%
DISTRIBUTION BEYOND TOP 20 CITIES



Simplified Solutions

HDBFS excels in providing simple and efficient financial solutions tailored to meet the specific needs of their customers and other stakeholders. The Company's wide array of offerings are capable of meeting the diverse requirements of both households and enterprises in India.



Technical Prowess

The Company has automated loan application processes to make informed credit decisions at the initial stage itself. This is achieved through various tools like CRM, Rule Engine, Bureau Integration and Deviations Management. This has resulted in higher productivity, lower overhead costs and swift processes, thus enabling a seamless journey for the customer.

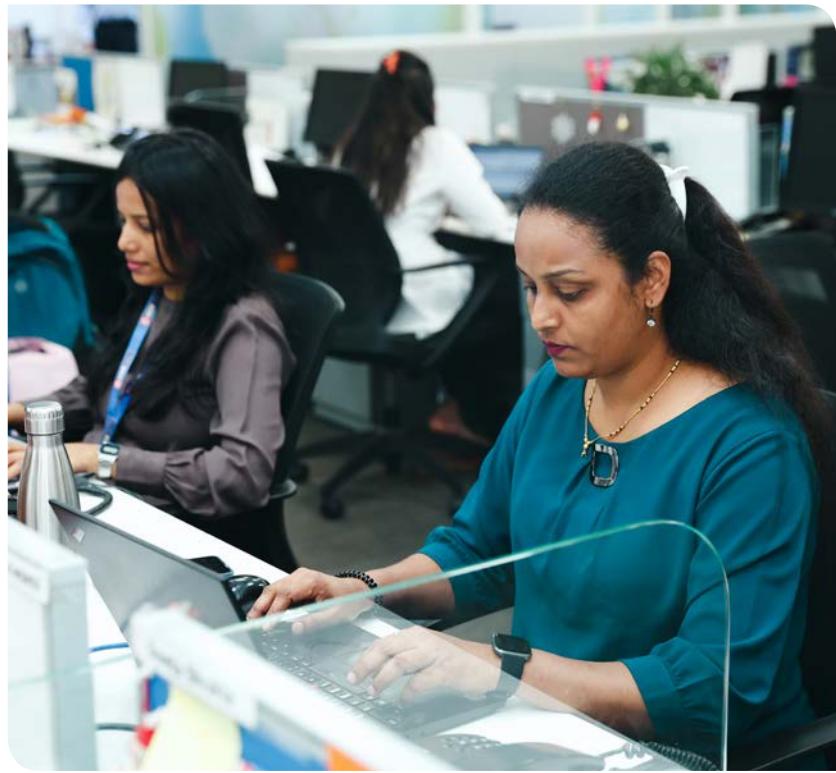


Legacy of the Parent Company: HDFC Bank

HDBFS enjoys the brand image largely cultivated by its parent company, HDFC Bank. The HDFC Bank brand has helped HDBFS reach an expansive customer base, which it values immensely.

Skilled and Dedicated Workforce

HDBFS' passionate workforce has been the driving force behind the business. The skills, dedication and hard work demonstrated by its employees have made it possible for the Company to achieve its goals and deliver exceptional services to its customers. The Company deeply values their contributions and is committed to providing them with a supportive and rewarding work environment.



BOARD OF DIRECTORS

HDBFS places great importance on adhering to strong governance practices and is committed to upholding its standards of excellence in its internal procedures. Given the highly regulated and competitive nature of the financial services industry, it is crucial to have effective governance in place to build trust and confidence among stakeholders.

The Company is ably led by a distinguished Board of Directors who provide rich guidance to help navigate a wide array of challenges and emerge stronger with every opportunity.



MR. ARIJIT BASU

Chairman



MR. RAMESH G.

Managing Director & Chief Executive Officer



MR. VENKATRAMAN SRINIVASAN

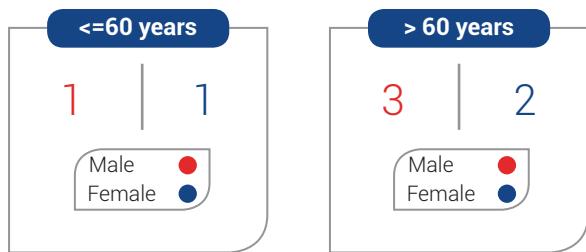
Independent Director



MS. SMITA AFFINWALLA

Independent Director

Board Diversity by Age and Gender



3
**WOMEN
DIRECTORS
ON THE
BOARD**



DR. AMLA SAMANTA
Independent Director



MR. ADAYAPALAM VISWANATHAN
Independent Director



MS. ARUNDHATI MECH
Independent Director

SENIOR MANAGEMENT TEAM



MR. RAMESH G.
Managing Director &
Chief Executive Officer



MR. KARTHIK SRINIVASAN
Chief Business Officer



MR. SARABJEET SINGH
Chief Business Officer



MR. MANISH TIWARI
Business Head –
Commercial Equipment



MR. VENKATA SWAMY
Chief Digital and
Marketing Officer



MR. JAYKUMAR P. SHAH
Chief Financial Officer



MR. ROHIT PATWARDHAN
Chief Credit Officer



MR. ASHISH GHATNEKAR
Head - Human Resources
& Operations



MR. MATHEW PANAT
Chief Technology
Officer



MR. HARISH VENUGOPAL
Chief Risk Officer



MR. ARJUN DUTTA
Chief Compliance Officer



MR. PREMAL BRAHMBHATT
Head - Internal Audit



MS. DIPTI KHANDELWAL
Company Secretary &
Head - Legal

Notice

HDB FINANCIAL SERVICES LIMITED

Corporate Identity Number: U65993GJ2007PLC051028

Registered Office: Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad - 380 009

Corporate Office: Ground Floor, Zenith House, Keshavrao Khadye Marg, Mahalaxmi, Mumbai 400 034

Tel: +91 22 49116300; **Fax:** +91 22 49116666, **Website:** www.hdbfs.com, **Email:** compliance@hdbfs.com

NOTICE OF 16th ANNUAL GENERAL MEETING

NOTICE is hereby given that the Sixteenth Annual General Meeting of HDB Financial Services Limited will be held through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") on Friday, 30th day of June, 2023 at 12 noon to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Standalone Financial Statements of the Company for the financial year ended March 31, 2023 and the Reports of the Board of Directors and Auditors thereon.
2. To receive, consider and adopt the Audited Consolidated Financial Statements of the Company for the financial year ended March 31, 2023 and the Reports of the Auditors thereon.
3. To declare final dividend @11% i.e. Re. 1.10 (Rupee One and Paise Ten Only) on each Equity Share for the financial year ended March 31, 2023.

SPECIAL BUSINESS:

4. **TO APPROVE APPOINTMENT OF MR. ARIJIT BASU AS A PART-TIME NON-EXECUTIVE CHAIRMAN AND INDEPENDENT DIRECTOR OF THE COMPANY**

To consider and if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152, 197 read with Schedule IV, Schedule V and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 any other applicable rules made thereunder and Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the Article of Association

of the Company and pursuant to the recommendation of the Nomination & Remuneration Committee and approval of the Board of Directors of the Company, Mr. Arijit Basu (DIN: 06907779), who has submitted a declaration that he meets the criteria for independence as provided under Section 149(6) of the Act and SEBI Listing Regulations, the consent of the Members of the Company be and is hereby accorded to approve appointment of Mr. Arijit Basu (DIN: 06907779) as a Part-Time Non-Executive Chairman and Independent Director of the Company for a period of three (3) years commencing from May 31, 2023 up to May 30, 2026 (both days inclusive), at a remuneration of ₹ 30,00,000 (Rupees Thirty Lakhs Only) per annum drawn on monthly basis and he shall not be liable to retire by rotation and the Board is authorised to fix the remuneration payable to Mr. Arijit Basu and subsequently vary at annual or periodic intervals as per the recommendations of the Nomination and Remuneration Committee, approval of the Board from time to time during his tenure and that he will be entitled to sitting fees for attending Board and Committee meetings of the Company;

RESOLVED FURTHER THAT in case of absence or inadequacy of profit in any financial year, the aforesaid remuneration and perquisites as approved by the Nomination and Remuneration Committee / Board of Directors shall be paid as minimum remuneration to Mr. Arijit Basu subject to restrictions, if any, set out in Schedule V to the Companies Act, 2013, from time to time;

RESOLVED FURTHER THAT the Board (which term shall include any Committee thereof) be and is hereby authorised to do all such acts, deeds, matters and things and to execute any agreements, documents, instruments and writings as may be required, with power to settle all questions, difficulties or doubts

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that may arise in regard to the said appointment as it may in its sole discretion deem fit and to delegate all or any of its powers conferred herein to any Director(s) and/ or Officer(s) of the Company to give effect to this resolution.”

5. TO APPROVE SELLING, ASSIGNMENT, SECURITISATION OF RECEIVABLES / BOOK DEBTS OF THE COMPANY UPTO ₹ 7,500 CRORE

To consider and if thought fit, to pass the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 180(1)(a), all other applicable provisions, if any, of the Companies Act, 2013, read with the Rules made thereunder (including any statutory amendment(s), modification(s) or re-enactment(s) thereof for the time being in force) and the relevant provisions of the Memorandum of Association and the Articles of Association of the Company, the consent of the Members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “Board” which term shall be deemed to include any Committee constituted/ to be constituted by the Board from time to time to exercise its powers conferred by this resolution) to sell / assign / securitise substantial assets including present and /or future receivables / book debts of the Company in favour of banks / financial institutions, other investing agencies, Asset Reconstruction Companies and trustees for the holders of Debentures /Bonds /Pass Through Certificates / Security Receipts and other instruments and also to issue covenants for negative pledges / negative liens in respect of the said assets and properties in such form and manner as the Board may deem fit and for the said purpose, to do and perform all such acts, deeds, matters and things as may be necessary, desirable or expedient and also to execute the required documents including power of attorney in favour of all or any of the persons, firms, bodies corporate, banks, financial institutions, trustees etc., from time to time, provided that the aggregate amount of such transactions shall not exceed ₹ 7,500 Crore (Rupees Seven Thousand Five Hundred Crore Only);

RESOLVED FURTHER THAT the Board of the Company be and are hereby severally authorised to negotiate,

finalise and execute with the Lender(s)/ Debenture Trustees/ Financial Institutions / Asset Reconstruction Companies such documents/ agreements/ undertakings/ indemnities/ guarantees as may be required and to propose/ accept any modifications to the terms and conditions thereto and to do all such acts, deeds and things as may be required, with power to settle all questions, difficulties or doubts that may arise in this regard, as it may in its sole and absolute discretion deem fit and to delegate all or any of their powers herein conferred to any Committee and/ or Director(s) and/ or Officer(s) of the Company, to give effect to this resolution.”

6. AUTHORITY TO ISSUE REDEEMABLE NON-CONVERTIBLE DEBENTURES AND/OR OTHER INSTRUMENTS ON PRIVATE PLACEMENT BASIS

To consider and if thought fit, to pass the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 42, 71 and all other applicable provisions, if any of the Companies Act, 2013, read with the Companies (Share Capital and Debentures) Rules, 2014, and Companies (Prospectus and Allotment of Securities) Rules, 2014, Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 01, 2016 (“RBI Master Directions”), the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021, the Securities and Exchange Board of India’s Operational Circular for Issue and Listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper dated August 10, 2021 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the relevant provisions of the Memorandum of Association and the Articles of Association of the Company, any other law, rules, guidelines, regulations for the time being in force and any other circulars, notifications and/or clarifications issued by any relevant authority (including any statutory modifications or re-enactments thereof for the time being in force) and subject to such terms, conditions and modifications as may be considered necessary and proper by the

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Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee of the Board constituted/to be constituted by the Board, from time to time, to exercise its powers conferred by this resolution), the consent of the Members be and is hereby accorded to the Board to offer and /or invite for issue of Non-Convertible Securities whether secured or unsecured, listed / unlisted, fixed rate or market /benchmark linked and /or any other hybrid Instruments (not in the nature of Equity Shares) including but not limited to Subordinated Bonds, Perpetual Debt Instruments which may or may not be classified as being additional Tier I or Tier II capital under the provisions of the RBI Master Directions, on a private placement basis (collectively "Debentures / Instruments"), in one or more tranches /series, with the consent being valid for a period of 1 (one) year from the date hereof, on such terms and conditions including the price, coupon, premium /discount, tenor etc., as may be determined by the Board (or any other person so authorised by the Board), based on the prevailing market condition;

RESOLVED FURTHER THAT the aggregate amount to be raised through the issuance of Debentures /Instruments pursuant to the authority under this Resolution aggregating up to ₹ 31,547.22 Crore (Rupees Thirty One Thousand Five Hundred Forty Seven Crore and Twenty Two Lakhs Only) under one or more shelf placement memorandums and /or in one or more letter(s) of offer as may be issued by the Company and in one or more tranches /series as the Board may decide;

RESOLVED FURTHER THAT the Board of the Company be and are hereby authorised to do all such acts, deeds, matters and things and to negotiate, finalise, amend, execute all such agreements, documents, instruments, applications etc. as may be required, with power to settle all questions, difficulties or doubts that may arise in regard to the aforesaid Resolution as it may in its sole discretion deem fit and to delegate all or any of their powers herein conferred to any Committee and/or Director(s) and/ or Officer(s) of the Company, to give effect to this Resolution."

7. TO APPROVE ALTERATION OF ARTICLES OF ASSOCIATION OF THE COMPANY

To consider and if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 14 and all other applicable provisions, if any of the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021, any other law, rules, guidelines, regulations for the time being in force and any other circulars, notifications and /or clarifications issued by any relevant authority (including any statutory modifications or re-enactments thereof for the time being in force) and subject to such terms, conditions and modifications as may be considered necessary and proper by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any committee of the Board constituted/to be constituted by the Board, from time to time, to exercise its powers conferred by this resolution), the consent of the members be and is hereby accorded to alter the existing Articles of Association of the Company, by replacing the existing Article 184 as follows:

Article 184:

"In the event of the Company borrowing any money from any financial corporation or institution or Government or any Government body or a collaborator, bank, persons, partnership firms, trust, mutual funds, alternative investment funds, any other funds, or from any other source, the lender/security trustee/debenture holder/debenture trustee concerned may, upon the occurrence of such events as provided in terms of Applicable Law or under a contract, exercise the right and power to appoint granted to it in terms of Applicable Law or under contract, from time to time, any person or persons as a Director or Directors or Nominee Directors of the Company and the Board of Directors of the Company will appoint such person or persons nominated by the lender/security trustee/debenture holder/debenture trustee within the timelines prescribed under Applicable Law, if any";

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RESOLVED FURTHER THAT any of the Director and / or Key Managerial Personnel of the Company be and are hereby jointly and severally authorised to do and perform all such acts, deeds, matters and things as may be required or deemed necessary or incidental thereto including signing and filing all the e-forms and other documents with the statutory authorities and to execute all such deeds, documents, agreements and writings as may be necessary for and on behalf of the Company

and to settle and finalise all issues that may arise in this regard at any stage without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution and to delegate all or any of the powers conferred herein as they may deem fit in the best interest of the Company and its Members."

By order of the Board
For **HDB Financial Services Limited**

Sd/-
Dipti Khandelwal
Company Secretary
Membership No.: F11340

Registered Office:
Radhika, 2nd Floor,
Law Garden Road, Navrangpura,
Ahmedabad -380009

Place: Mumbai
Date: May 31, 2023

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Notes:

1. The Explanatory Statement pursuant to the provisions of Section 102 of the Companies Act, 2013 ("Act"), as amended, read with the relevant rules made thereunder, the Secretarial Standard No. 2 ("SS-2") on General Meetings issued by the Institute of Company Secretaries of India, setting out the material facts and reasons, in respect of Item No. 4 to 7 of this Notice is annexed herewith. An Additional Information, pursuant to SS-2 issued, in respect of appointment of Director(s) at the 16th Annual General Meeting ("AGM") is also annexed herewith.
2. In accordance with the Ministry of Corporate Affairs, Government of India vide General Circular No. 20/2020 dated May 05, 2020 read with General Circular No. 21/2021 dated December 14, 2021, General Circular No. 2/2022 dated May 05, 2022 and General Circular No. 10/2022 dated December 28, 2022 ("MCA Circulars"), electronic copies of the Annual Report for Financial Year ("FY") 2022-23 and AGM Notice inter-alia indicating the process and manner of e-Voting along with instructions to attend the AGM through video-conferencing / other audio-visual means (VC/OAVM) are being sent by e-mail to those Members, trustees for the debenture-holder of any debentures issued by the Company, holders of Non-Convertible Securities and to all other persons so entitled whose e-mail IDs have been made available to the Company / Registrar and Transfer Agent ("RTA") i.e. Link Intime India Private Limited or with Depository Participants ("DP") unless the Member has specifically requested for a hard copy of the Annual Report. Members may note that the Annual Report for the FY 2022-23 and the AGM Notice will also be available on the Company's website at <https://www.hdbfs.com/investors> and on the website of BSE Limited at www.bseindia.com and National Stock Exchange of India Limited at www.nseindia.com. The Notice is also available on the website of the service provider engaged by the Company viz. National Securities Depository Limited ("NSDL") at <https://www.evoting.nsdl.com>.
3. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been

dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.

4. Corporate Members are required to send a duly certified copy of their Board Resolution authorising their representatives to attend the AGM by email to mitesh@mjsah.com with a copy marked to evoting@nsdl.co.in.
5. In case of joint holders, only such joint holder who is first in the order of names as per the Register of Members of the Company will be entitled to vote during the AGM provided the votes are not already cast by remote e-Voting by the first holder.
6. Members seeking any information with regard to the accounts or any matter to be placed at the AGM are requested to submit their questions in advance from their registered email address mentioning their name, DP ID and Client ID/folio number, PAN, mobile number via email at compliance@hdbfs.com, on or before Wednesday, June 28, 2023. The same will be replied by the Company suitably.
7. The Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum for the AGM under Section 103 of the Act.
8. The venue of the AGM shall be deemed to be the Corporate Office of the Company at Zenith House, Keshavrao Khadye Marg, Mahalaxmi, Mumbai 400034.
9. The Members desiring to inspect the documents referred to in this Notice and other statutory registers are requested to send an email to dipti.khandelwal@hdbfs.com with a copy marked to compliance@hdbfs.com mentioning their name, folio no. / client ID and DP ID, and the documents they wish to inspect, with a self-attested copy of their PAN card. An extract of such documents would be sent to the Members on their registered email address.
10. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.
11. **Dividend Related Information**

The record date for determining the names of Members eligible for dividend on Equity Shares, if declared at the AGM, is **Friday, June 23, 2023**.

The final dividend, as recommended by the Board of Directors, if approved at the AGM, will be paid on or after

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Tuesday, July 04, 2023 to the Members, after deduction of Tax Deduction at Source (TDS), as applicable. In respect of the shares held in dematerialised mode, the dividend will be paid on the basis of beneficial ownership details to be received from National Securities Depository Limited ('NSDL') and Central Depository Services (India) Limited ('CDSL') for this purpose.

Members holding shares in dematerialised form are requested to intimate any change in their address or bank account details (including 9 digit MICR no., 11 digit IFSC code and core banking account number) to their respective Depository Participants with whom they are maintaining demat accounts on or before June 23, 2023.

In case, the Company is unable to pay the dividend to any Member by the electronic mode, due to non-availability of the details of the bank account, the Company shall dispatch the dividend warrant/demand draft to such Member by post.

Members may note that as per the Income Tax Act, 1961 ("IT Act"), as amended by the Finance Act, 2020, dividends paid or distributed by the Company after April 01, 2020, shall be taxable in the hands of the Members and the Company shall be required to deduct TDS at the prescribed rates from the dividend to be paid to Members, subject to approval of dividend by the Members in the ensuing AGM. The TDS rate would vary depending on the residential status of the Member and the documents submitted by them and accepted by the Company. In order to enable the Company to determine the appropriate TDS rate as applicable, Members are requested to submit relevant documents, as specified in the below paragraphs, in accordance with the provisions of the IT Act.

- a. **For Resident Shareholders,** TDS is required to be deducted at the rate of 10% under Section 194 of the IT Act on the amount of dividend declared and paid by the Company in the FY 2023-24 provided valid PAN is registered by the Members. If the valid PAN is not registered, the TDS is required to be deducted at the rate of 20% under Section 206AA of the IT Act.

However, no tax shall be deducted on the dividend paid to resident individuals if aggregate dividend distributed or likely to be distributed during the FY 2023-24 does not exceed ₹ 5,000. Even in the cases where the members

provide valid Form 15G (for individuals, with no tax liability on total income and income not exceeding maximum amount which is not chargeable to tax) or Form 15H (for individual above the age of 60 years with no tax liability on total income), no TDS shall be deducted.

NIL / lower tax shall be deducted on the dividend payable to following resident shareholders on submission of self-declaration as listed below:

- i. **Insurance companies:** Declaration by shareholder qualifying as Insurer as per section 2(7A) of the Insurance Act, 1938 along with self-attested copy of PAN card;
- ii. **Mutual Funds:** Declaration by Mutual Fund shareholder eligible for exemption u/s 10(23D) of the IT Act along with self-attested copies of registration documents and PAN card;
- iii. **Alternative Investment Fund (AIF) established in India:** Declaration that the shareholder is eligible for exemption under section 10(23FBA) of the IT Act and they are established as Category I or Category II AIF under the SEBI regulations. Copy of self-attested registration documents and PAN card should be provided.
- iv. **New Pension System Trust:** Declaration along with self-attested copy of documentary evidence supporting the exemption and self-attested copy of PAN card.
- v. **Other shareholders:** Declaration along with self-attested copy of documentary evidence supporting the exemption and self-attested copy of PAN card.
- vi. Shareholders who have provided a valid certificate issued u/s. 197 of the IT Act for lower / nil rate of deduction or an exemption certificate issued by the income tax authorities along with Declaration.
- b. **For Non-Resident Shareholders,** (including Foreign Portfolio Investors) Tax is required to be withheld in accordance with the provisions of Section 195 and section 196D of the IT Act at applicable rates in force. As per the relevant provisions of the IT Act, the tax shall be withheld @ 20% (plus applicable surcharge and cess) on the amount of dividend payable. However, as per Section 90 of the Act, a non-resident shareholder has the option to be governed by the provisions of the Double

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Tax Avoidance Agreement ("DTAA") between India and the country of tax residence of the shareholder, if they are more beneficial to the shareholder. For this purpose, i.e. to avail the tax treaty benefits, the non-resident shareholder will have to provide the following:

- a) Self-attested copy of PAN card, if any, allotted by the Indian income tax authorities;
- b) Self-attested copy of Tax Residency Certificate ("TRC") obtained from the tax authorities of the country of which the shareholder is resident;
- c) Self-declaration in Form 10F, needs to be submitted online on the income tax portal as required in terms of Notification No 03/2022. Form 10F submitted online along with the acknowledgment generated from the income tax portal shall be submitted. Forms submitted in any other format will be considered as invalid;
- d) Self-declaration by the non-resident shareholder of meeting treaty eligibility requirement and satisfying beneficial ownership requirement (Non-resident having Permanent Establishment ("PE") in India would need to comply with provisions of section 206AB of the IT Act).
- e) In case of Foreign Institutional Investors and Foreign Portfolio Investors, self-attested copy of SEBI registration certificate.
- f) In case of shareholder being tax resident of Singapore, please furnish the letter issued by the competent authority or any other evidences demonstrating the non-applicability of Article 24 - Limitation of Relief under India-Singapore Double Taxation Avoidance Agreement (DTAA).

Please note that the Company is not obligated to apply the beneficial DTAA rates at the time of tax deduction / withholding on dividend amounts. Application of beneficial DTAA Rate shall depend upon the completeness and satisfactory review by the Company, of the documents submitted by Non- Resident shareholder.

Accordingly, in order to enable the Company to determine the appropriate TDS / withholding tax rate applicable, we request the members to provide these details and documents as mentioned above on or before June 26, 2023.

The Company shall arrange to email the soft copy of TDS certificate at the registered email ID of Members post payment of the dividend.

Section 206AB of the IT Act:

Rate of TDS @10% u/s 194 of the IT Act is subject to provisions of section 206AB of IT Act (effective from July 01, 2021) which introduces special provisions for TDS in respect of non-filers of income-tax return. As provided in section 206AB, tax is required to be deducted at higher of following rates in case of payments to specified persons:

- at twice the rate specified in the relevant provision of the Act; or
- at twice the rate or rates in force; or
- at the rate of 5%.

Where sections 206AA and 206AB are applicable i.e. the specified person has not submitted the PAN as well as not filed the return; the tax shall be deducted at the higher of the two rates prescribed in these two sections.

The term 'specified person' is defined in sub section (3) of section 206AB who satisfies the following conditions:

- A person who has not filed the income tax return for previous year immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing of return of income under section 139(1) of the IT Act has expired; and
- The aggregate of TDS and TCS in his case is ₹ 50,000 or more in previous year.

The non-resident who does not have the permanent establishment is excluded from the scope of a specified person.

Members are requested to inform us well in advance and before cut-off date if you are covered under the definition of 'specified person' as provided in section 206AB of the IT Act. The Company reserves its right to recover any demand raised subsequently on the Company for not informing the Company or providing wrong information about applicability of Section 206AB in your case.

Members are requested to upload the relevant documents on the link: <https://web.linkintime.co.in/formsreg/submission-of-form-15g-15h.html> on or before Monday, June 26, 2023 in order to enable the Company to determine and deduct TDS at applicable

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rates. Failure to do so, will attract higher TDS rates as mentioned in the above paragraphs. Incomplete and/or unsigned forms and declarations will not be considered by the Company. No communication on the tax determination/ deduction received after Monday, June 26, 2023 shall be considered for payment of dividend for FY 2022-23, if approved, at the ensuing AGM.

It may be further noted that in case the tax on said dividend is deducted at a higher rate in absence of receipt of the aforementioned details / documents from the members, there would still be an option available with members to file the return of income and claim an appropriate refund, if eligible. No claim shall lie against the Company for such taxes deducted.

12. Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended and SS-2 issued by the Institute of Company Secretaries of India, the Company is providing remote e-Voting facility to all its Members to enable them to cast their vote on the matters listed in the Notice by electronics means and business may be transacted through the e-Voting services. For this purpose, the Company has engaged services of NSDL for providing e-Voting services.

- Remote e-Voting facility will be available from 10.00 a.m. on Tuesday, June 27, 2023 and ends at 05:00 p.m. on Thursday, June 29, 2023, after which the facility will be disabled by NSDL and remote e-Voting shall not be allowed beyond the said date and time. During this period Members of the Company, holding shares in dematerialised form, as on the cut-off date i.e. Friday, June 23, 2023 may cast their vote electronically.
- Instructions for e-Voting are given at point no.15.

- The voting rights of Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date i.e. Friday, June 23, 2023.

The facility for voting, through electronic voting system shall also be made available at the AGM for Members who have not already cast their vote prior to the AGM by remote e-Voting.

13. The Members, who have cast their vote prior to the AGM by remote e-Voting may also attend the AGM but shall not be entitled to vote again at the meeting. Once a vote is cast by a Member, he shall not be allowed to alter it subsequently.
14. **Procedure for registration of email address:** The Members who have not yet registered their email address are requested to get their email addresses registered by following the procedure given below:
 - i. Members who have not registered their e-mail IDs, are requested to kindly register the same on the website of the Company's R&T agent at the link https://linkintime.co.in/emailreg/email_register.html as physical copies of AGM Notice as well as the other documents will not be sent to them in physical mode and will be sent only by e-mail, in accordance with the MCA Circulars. Post successful registration of the email, the Member would get soft copy of the AGM Notice and the procedure for e-Voting along with the User ID and Password to enable e-Voting for this AGM. In case of any queries, Member may write to rnt.helpdesk@linkintime.co.in.
 - ii. It is clarified that for permanent registration of email address, the members are requested to register their e-mail address, by contacting Depository Participants and registering e-mail ID and mobile number in demat account, as per the process advised by the Depository Participants.

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15. Instructions for Voting through electronic means ('e-Voting'):

The details of the process and manner for remote e-Voting are explained herein below:

Step 1: Access to NSDL e-Voting system

Step 2: Cast your vote electronically and join virtual meeting on NSDL e-Voting system.

Details on Step 1 are mentioned below:

A. Login method for remote e-Voting and joining virtual meeting for Individual Members holding securities in demat mode.

Type of Members	Login Method
Individual Members holding securities in demat mode with NSDL	<p>A. NSDL IDEAS facility</p> <p>If you are already registered, follow the below steps:</p> <ol style="list-style-type: none"> Visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under "IDEAS" section. That will prompt you to enter your existing User ID and Password. After successful authentication, you will be able to see e-Voting services under Value added services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL and you will be re-directed to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. <p>If you are not registered, follow the below steps:</p> <ol style="list-style-type: none"> Option to register is available at https://eservices.nsdl.com Select "Register Online for IDEAS" Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp Please follow steps given in points 1-5 above. <p>B. E-Voting website of NSDL</p> <ol style="list-style-type: none"> Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a personal computer or on a mobile phone. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider i.e. NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Shareholders/ Members can also download NSDL Mobile App "NSDL Speede" facility by scanning the QR code mentioned below for seamless voting experience. <p style="text-align: center;">NSDL Mobile App is available on</p> <div style="display: flex; justify-content: space-around;">  App Store  Google Play </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;">   </div>

Notice (Contd.)

Type of Members	Login Method
Individual Members holding securities in demat mode with CDSL	<ol style="list-style-type: none"> Existing users who have opted for CDSL Easi / Easiest facility, can login through their existing User ID and password. Option will be made available to reach e-Voting page without any further authentication. The users to login Easi /Easiest are requested to visit CDSL website www.cdsliindia.com and click on login icon and New System Myeasi Tab and then use your existing my easi username and password. After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers, so that the user can visit the e-Voting service providers' website directly. If the user is not registered for Easi/Easiest, option to register is available at CDSL website www.cdsliindia.com and click on login & New System Myeasi Tab and then click on registration option. Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdsliindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the e-Voting is in progress and also able to directly access the system of all e-Voting Service Providers.
Individual Members (holding securities in demat mode) logging through their depository participants	<ol style="list-style-type: none"> You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL /CDSL for e-Voting facility. Once logged-in, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL / CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on options available against Company name or e-Voting service provider - NSDL and you will be redirected to e-Voting website of NSDL for casting your vote during the remote e-Voting period or joining virtual meeting and voting during the meeting.

Important note: Members who are unable to retrieve User ID / Password are advised to use Forgot User ID / Forgot Password option available at respective websites.

Helpdesk for Individual Members holding securities in demat mode for any technical issues related to login through Depository i.e. NSDL and CDSL

Login type	Helpdesk details
Individual Members holding securities in demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 022 - 4886 7000 and 022 - 2499 7000
Individual Members holding securities in demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 1800 22 55 33

B. Login method for e-Voting and joining virtual meeting for Members other than Individual Members holding securities in demat mode

How to Log-in to NSDL e-Voting website?

- Visit the e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/> either on a personal computer or on a mobile.
- Once the home page of e-Voting system is launched, click on the icon "Login" which is available under "Shareholders / Member" section.

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- 3) A new screen will open. You will have to enter your User ID, your Password / OTP and a Verification Code as shown on the screen.
- 4) Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. cast your vote electronically.
- 5) Your User ID details are given below:

Manner of holding shares i.e. Demat (NSDL or CDSL)	Your User ID is:
A) For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example, if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****
B) For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example, if your Beneficiary ID is 12***** then your User ID is 12*****

- 6) Your password details are given below:
 - a. If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
 - b. If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you by NSDL. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
 - c. How to retrieve your 'initial password'?
 - i. If your email address is registered in your demat account or with the Company, your 'initial password' is communicated to you on your email address. Trace the email sent to you from NSDL in your mailbox from evoting@nsdl.com. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8-digit client ID for NSDL account, last 8 digits of client ID for CDSL account. The .pdf file contains your 'User ID' and your 'initial password'.
 - ii. In case you have not registered your email address with the Company/ Depository, please follow instructions mentioned above in this notice.
 - 7) If you are unable to retrieve or have not received the 'initial password' or have forgotten your password:
 - a) Click on "Forgot User Details/Password?" (If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
 - b) If you are still unable to get the password by aforesaid option, you can send a request at evoting@nsdl.co.in mentioning your demat account number, your PAN, your name and your registered address.
 - c) Members can also use the one-time password (OTP) based login for casting the votes on the e-Voting system of NSDL.
 - 8) After entering your password, click on Agree to "Terms and Conditions" by selecting on the check box.
 - 9) Now, you will have to click on "Login" button.
 - 10) After you click on the "Login" button, Home page of e-Voting will open.
- Details on Step 2 are mentioned below:**
- How to cast your vote electronically on NSDL e-Voting system and join Annual General Meeting on NSDL e-Voting system?**
1. After successful login at Step 1, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle and Annual General Meeting is in active status.

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2. Select the EVEN for the Company which is 124084. For joining virtual meeting, you need to click on "VC/OAVM" link placed under "Join Meeting".
3. Now you are ready for e-Voting as the Voting page opens.
4. Cast your vote by selecting appropriate options i.e. assent or dissent, verify / modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
5. Upon confirmation, the message "Vote cast successfully" will be displayed.
6. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
7. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

Process for those Members whose email address are not registered with the depositories for procuring User ID and password and registration of email address for e-Voting for the resolutions set out in this notice:

1. In case shares are held in demat mode, please provide DPID-CLID (16 digit DPID + CLID or 16-digit beneficiary ID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to compliance@hdbfs.com. If you are an Individual Members holding securities in demat mode, you are requested to refer to the login method explained at step 1 i.e. Login method for e-Voting for Individual Members holding securities in demat mode.
2. Alternatively, Members may send a request to evoting@nsdl.co.in for procuring User ID and password for e-Voting by providing above mentioned documents.

General Guidelines for shareholders

1. Institutional / Corporate Members (i.e. other than individuals, HUF, NRI, etc.) are required to upload their Board Resolution / Power of Attorney / Authority Letter by clicking on "Upload Board Resolution / Authority Letter" displayed under "e-Voting" tab or send a scanned copy (PDF/JPG Format) of the relevant Board Resolution/

Authority letter etc., with attested specimen signature of the duly authorised signatory(ies) who are authorised to vote, to the Scrutiniser by email to mitesh@mjshah.com with a copy marked to evoting@nsdl.co.in.

2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-Voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/ Password" option available on <https://www.evoting.nsdl.com> to reset the password.
3. In case of any queries relating to e-Voting you may refer to the Frequently Asked Questions ("FAQs") for Shareholders and e-Voting user manual for Shareholders available at the download section of <https://www.evoting.nsdl.com> or call on toll free no.: 022 - 4886 7000 and 022 - 2499 7000 or send a request at evoting@nsdl.co.in.
4. In case of any grievances connected with facility for e-Voting, please contact Ms. Pallavi Mhatre, Senior Manager, NSDL, 4th Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400 013. Email: evoting@nsdl.co.in 022 - 4886 7000 and 022 - 2499 7000.
5. In case of any other queries shareholder can contact: M/s. Link Intime India Private Limited, C 101, 247 Park, L B S Marg, Vikhroli (West), Mumbai - 400 083, Tel No: +91 22 49186000, Fax No: +91 22 49186060, Email: rnt.helpdesk@linkintime.co.in.
16. **Instructions for members for attending the AGM through VC / OAVM are as under:**
 1. Members will be able to attend the AGM through VC / OAVM or view the live webcast of AGM provided by NSDL at <https://www.evoting.nsdl.com> by following the steps mentioned above for **Access to NSDL e-Voting system**. After successful login, you can see link of "VC/OAVM link" placed under "**Join meeting**" tab. You are requested to click on VC/OAVM link placed under Join Meeting tab.
 2. The link for VC/ OAVM will be available in "shareholders/ members" login where the EVEN of Company will be displayed.

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3. Members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the Notice.
4. Facility of joining the AGM through VC / OAVM shall open 15 minutes before the time scheduled for the AGM and will be available for Members on first come first served basis. Further, a facility will be provided to the Members attending the meeting through VC/OAVM whereby they can pose questions concurrently, during the preceding of the meeting.
5. Please note that Members connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use stable Wi-Fi or LAN connection to mitigate any kind of aforesaid glitches. Members are also encouraged to join the meeting through Laptops for better experience.
6. Members who need assistance before or during the AGM, can contact NSDL on evoting@nsdl.co.in/ 022 - 4886 7000 and 022 - 2499 7000 or contact Mr. Amit Vishal, Assistant Vice President or Mr. Abhijeet Gunjal, Assistant Manager - NSDL at evoting@nsdl.co.in/ 022 - 4886 7000 and 022 - 2499 7000.
7. Members who would like to express their views or ask questions during the AGM may register themselves as a speaker shareholder by sending their request from their registered email address mentioning their name, DP ID and Client ID, PAN, mobile number at compliance@hdbfs.com from

June 21, 2023 (9:00 a.m. IST) to June 27, 2023 (5:00 p.m. IST). Those Members who have registered themselves as a speaker will only be allowed to express their views/ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

17. Instruction for e-Voting during the AGM

- The members present, who have not cast their vote on resolutions through remote e-Voting can cast their vote through e-Voting during the AGM by following the instruction as mentioned in point 15 above. The e-Voting facility will be enabled during the AGM on June 30, 2023 at 12 noon till the conclusion of the AGM.
18. Any person, who acquires shares of the Company and becomes a Member of the Company after sending of the Notice and holding shares as of the cut-off date i.e. June 23, 2023, may follow steps mentioned in the Notice of the AGM under "Access to NSDL e-Voting system. However, if he/she is already registered with NSDL for remote e-Voting then he/she can use his/her existing User ID and password for casting the vote.
 19. The Board of Directors of the Company has appointed Mr. Mitesh Shah, proprietor of M/s. Mitesh J. Shah & Associates, Practicing Company Secretary, Mumbai, to act as the Scrutiniser to scrutinise the e-Voting process in a fair and transparent manner.
 20. The Scrutinisers shall submit a consolidated report of the total votes cast in favour or against, if any, on each of the resolutions set out in this Notice, not later than three days from the conclusion of the AGM to the Chairman. The result of the voting will be announced within three days after the conclusion of the AGM at the Company's website at www.hdbfs.com.

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ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4

Company has received declaration from Mr. Arijit Basu to the effect that he fulfills all criteria for independence under section 149(6) of the Companies Act, 2013 and Regulation 16 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and in the opinion of the Board of Directors of the Company, Mr. Arijit Basu is independent of the management of the Company and fulfills the conditions specified in the Companies Act, 2013, the rules made thereunder and SEBI Listing Regulations for appointment as an Independent Director. Further the Board of Directors of the Company is of the opinion that Mr. Arijit Basu is a person of integrity and has relevant experience and expertise to be appointed as an Independent Director of the Company. Based on the skills, experience and knowledge of Mr. Arijit Basu the Board of Directors recommend appointment of Mr. Arijit Basu as the Part-Time Non-Executive Chairman and an Independent Director. Mr. Arijit Basu satisfies the fit and proper criteria as prescribed under the RBI Master Direction RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

It is proposed to appoint Mr. Arijit Basu as a Part-Time Non-Executive Chairman and Independent Director of the Company, not liable to retire by rotation, for a period of three (3) years with effect from May 31, 2023 to May 30, 2026 (both days inclusive) at a remuneration of Rs. 30,00,000 (Rupees Thirty Lakhs Only) per annum drawn on monthly basis accordingly Mr. Arijit Basu has resigned from the Board as a Chairman & Non-Executive Director on May 31, 2023.

He has been appointed as a Part-Time Non-Executive Chairman and Independent Director with effect from May 31, 2023 till the conclusion of the ensuing AGM pursuant

to the provisions of Sections 149, 152 and 161 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

Brief profile of Mr. Arijit Basu:

Mr. Arijit Basu has over 39 years of experience in the field of banking and financial services. He started his career with State Bank of India in 1983 as a probationary officer and was the Managing Director (Whole Time Director) in the Bank at the time of his retirement in October 2020 having been appointed MD in June 2018. He has worked in diverse roles in the bank in India and overseas in Retail Banking, Corporate Banking, International Banking, HR and Business Process Reengineering in his long career. Mr. Basu was specifically in charge of commercial and corporate banking, information technology and risk management in his role as MD of the bank.

Prior to becoming MD of SBI, he was the Managing Director and Chief Executive Officer of SBI Life Insurance Company Limited from August 2014 till March 2018 and under his leadership the company listed in October 2017.

After his retirement from SBI, Mr. Basu serves on the boards of Prudential PLC and Peerless Hospitex and Hospital Research Centre, both as an Independent Director. He is a member of the Academic Council of the College of Supervisors set up by RBI and also serves as a Senior Advisor to some firms. He was a Project Management Consultant for LIC for their IPO for a year till April 2022.

Mr. Basu holds a post graduate degree in History and is an honours graduate in Economics, both from the University of Delhi. He is also a Certified Associate of the Indian Institute of Bankers (CAIIB).

Pursuant to Regulation 17(1C) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company should ensure that the approval of the Members is obtained at the next general meeting or within a time period of three months from the date of appointment of Director, whichever is earlier.

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Other details of Director as required under Clause 1.2.5 of the Secretarial Standard on General Meetings (SS-2) are given hereunder:

Name of Director	Mr. Arijit Basu
DIN	06907779
Age	62 years
A brief resume, Qualification(s), Experience and Nature of his expertise in specific functional areas, Recognition or awards	As mentioned in explanatory statement above
Terms and conditions of appointment or reappointment	Part-Time Non-Executive Chairman and Independent Director, not liable to retire by rotation for a period of three (3) years with effect from May 31, 2023 to May 30, 2026 (both days inclusive)
Details of remuneration sought to be paid	₹ 30,00,000 (Rupees Thirty Lakhs Only) per annum drawn on monthly basis
Details of the remuneration last drawn by such person (FY 2022-23)	Remuneration: ₹ 30,00,000 Sitting Fees: ₹ 8,25,000
Date of first appointment on the Board	June 01, 2021
Shareholding in the Company	Nil
Relationship with other Directors, Manager and other Key Managerial Personnel	None
The number of Meetings of the Board attended during FY 2022-23	8
Other Directorships (excluding HDB Financial Services Limited)	<ol style="list-style-type: none"> 1. Peerless Hospitex Hospital and Research Center Limited - Independent Director 2. Prudential PLC – Non-Executive Director <ol style="list-style-type: none"> 1. Peerless Hospitex Hospital and Research Center Limited Project Finance Committee - Chairman Audit Committee - Member Risk Management Committee - Member 2. Prudential PLC Audit Committee - Member Responsibility & Sustainability Working Group - Member
Membership / Chairmanship of Committees of other Board	

The Nomination and Remuneration Committee of the Company has recommended the appointment of Mr. Arijit Basu and the Board has accepted the same.

Accordingly, the approval of the Members is being sought for the appointment of Mr. Arijit Basu as a Part-Time Non-Executive Chairman and Independent Director of the Company, not liable to retire by rotation for a period of three (3) years with effect from May 31, 2023 to May 30, 2026 (both days inclusive) pursuant to the provisions of Sections 149 and 152 of the Companies Act, 2013 and Companies (Appointment and Qualification of Directors) Rules, 2014 and shall be paid a remuneration of ₹ 30,00,000 (Rupees Thirty Lakhs Only) per annum drawn on monthly basis.

Copy of the letter of appointment of Mr. Arijit Basu containing the terms and conditions of appointment, is available for inspection.

The Board recommends the passing of the Special Resolution as set out at Item No. 4 of this Notice for the approval of the Members.

Except Mr. Arijit Basu, being an appointee and his relatives, to the extent of their shareholding interest, if any, none of the other Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise, in the said resolution.

Item No. 5

The Members of the Company at the 15th Annual General Meeting held on June 23, 2022 had granted their approval by way of Special Resolution to the Board of Directors of the Company to sell /assign /securitise substantial assets including present and /or future receivables /book debts of the Company to the holders of Debentures/Bonds/Pass

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Through Certificates and other instruments for an aggregate amount not exceeding ₹ 7,500 Crore (Rupees Seven Thousand Five Hundred Crore Only).

Members of the Company are requested to note that Company may raise funds by way of sell/ direct assignment/securitisation of the present and /or future receivables/ book debts of the Company to any Bank or Financial Institution or Asset Reconstruction Companies as per the terms approved by the Board of Directors.

The sell/ assignment/ securitisation of the present and /or future receivables /book debts of the Company may result into disposal of undertaking as defined in the explanation to Section 180(1)(a) of the Companies Act, 2013. As per the provisions of Section 180(1)(a) of the Companies Act, 2013, the Board of Directors of the Company shall not sell, assign or securitise the receivables/ book debts of the Company without the consent of the Members of the Company, accorded at the General Meeting by means of a Special Resolution.

In view of the aforesaid, the Board of Directors at its meeting held on May 31, 2023, has subject to the approval of the Members, approved to sell /assign /securitise present and / or future receivables/ book debts of the Company as approved by the Members of the Company pursuant to Section 180(1)(a) of the Act.

Accordingly, the approval of the Members is being sought by way of Special Resolution, authorising the Board of Directors to sell/assign/securitise substantial assets including present and /or future receivables /book debts of the Company, to the holders of Debentures /Bonds /Pass Through Certificates / Security Receipts and other instruments for an aggregate amount not exceeding ₹ 7,500 Crore (Rupees Seven Thousand Five Hundred Crore Only).

The Board recommends the resolution as set out at Item No. 5 of the accompanying Notice for the approval of the Members.

Save and except for the shareholding interest, if any, held by them, none of the Directors or Key Managerial Personnel of the Company or their relatives, are in any way, concerned or interested, financially or otherwise, in the said resolution.

Item No. 6

The Company has been raising funds by offer and/or invite for issuing non-convertible debentures, secured or unsecured, listed/unlisted, fixed rate or market /bench mark linked and /or any other hybrid instruments (not in the nature of Equity Shares) including but not limited to Subordinated

Bonds, Perpetual Debt Instruments which may or may not be classified as being additional Tier I or Tier II capital (hereinafter referred to as "Debt Securities") on private placement basis, from time to time.

In terms of Section 71 which deals with the issue of Debentures read with Section 42 of the Companies Act, 2013, which deals with the offer or invitation for subscription of Debt Securities of the Company on private placement basis read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, a Company can make private placement of its Debt Securities only after receipt of prior approval of its Members by way of a Special Resolution. The Companies (Prospectus and Allotment of Securities) Rules, 2014 further provides that the said Special Resolution must be passed in respect of all offers/invitations for the Debt Securities to be issued during a year and such a Special Resolution is required to be passed every year.

The Members at the 15th Annual General Meeting held on June 23, 2022 and vide postal ballot dated March 26, 2023 had accorded their approval to the Company for issuance of Debt Securities as mentioned below:

- A. Non-Convertible Debentures (NCDs) up to a limit of ₹ 20,328.90 Crore which included existing limit of ₹ 10,328.90 Crore and new limit of ₹ 10,000 Crore (₹ 5,000 Crore was approved vide postal ballot on March 26, 2023). As on March 31, 2023 the Company had raised NCDs of ₹ 9,599.18 Crore and the charge has been released for Debenture Trust Deed of ₹ 7,500 Crore of which unissued amount is ₹ 32.50 Crore. The unutilised limit of ₹ 10,697.22 Crore is available for issuance of NCDs.
- B. Subordinated Bonds (Sub Debts) up to a limit of ₹ 500 Crore. No issue of Sub Debts was done during the FY 2022-23, hence the unutilised limit of ₹ 500 Crore continues to subsist for issuance of Sub Debts.
- C. Perpetual Debt Instruments (PDIs) up to a limit of ₹ 500 Crore. As on March 31, 2023 the Company had raised PDIs of up to ₹ 150 Crore. The unutilised limit of ₹ 350 Crore is available for issuance of PDIs.

Further, the Board, at its meeting held on May 31, 2023, has approved issuance of NCDs, Sub Debts and PDIs from the above unutilised limit of Debt Securities and in addition to the above limit has also approved new limit for issuance of NCDs of ₹ 20,000 Crore, subject to the approval of the Members. Thus, the approved limit of NCDs, Sub Debts and PDIs for Issuance is ₹ 30,697.22 Crore, ₹ 500 Crore and ₹ 350 Crore respectively.

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In terms of the requirements of Resource Planning Policy of the Company and Business planning for the FY 2023-24, it is expected that the Company will issue Debt Securities which shall not exceed the aforesaid limit. The Debt Securities proposed to be issued by the Company will be issued for cash either at par or premium or at a discount to face value depending upon the prevailing market conditions.

Pursuant to the notification dated August 07, 2018, by which Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 has been amended, it is now mandated that certain disclosures are required to be made in the explanatory statement annexed to the notice for Members approval under Section 42 of the Companies Act, 2013.

The disclosures required pursuant to Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 are set out herein below:

- a) Particulars of the offer including date of passing of board resolution: This Special Resolution is being passed in terms of the third proviso to Rule 14(1) of Companies (Prospectus and Allotment of Securities) Rules, 2014 for the issuance of Debt Securities, from time to time, for the period of 1(one) year from the date hereof and accordingly this question is not applicable at present. The particulars of each offer shall be determined by the Board (including any committee duly authorised by the Board thereof), from time to time;
- b) Kinds of securities offered and price at which security is being offered: This Special Resolution is restricted to the Private Placement issuance of Debt Securities, with the terms of each issuance being determined by the Board (including any committee duly authorised by the Board thereof), from time to time, for each issuance;
- c) Basis or justification for the price (including premium, if any) at which offer or invitation is being made: Not applicable at this stage. This will be determined by the Board (including any committee duly authorised by the Board thereof), from time to time, for each issuance;
- d) Name and address of valuer who performed valuation: Not applicable at this stage. This will be determined by the Board (including any committee duly authorised by the Board thereof), from time to time, for each issuance;
- e) Amount which the Company intends to raise by way of such securities: As may be determined by the Board of Directors from time to time but subject to the limits approved under Section 42 of the Companies Act, 2013

of up to ₹ 31,547.22 Crore (Rupees Thirty One Thousand Five Hundred Forty Seven Crore and Twenty Two Lakhs Only);

- f) Material terms of raising such securities, proposed time schedule, purposes or objects of offer, contribution being made by the promoters or directors either as part of the offer or separately in furtherance of objects; principle terms of assets charged as securities: This Special Resolution is being passed in terms of the third proviso to Rule 14(1) of Companies (Prospectus and Allotment of Securities) Rules, 2014 for the issuance of Debt Securities, from time to time, for the period of 1 (one) year from the date hereof and accordingly this question is not applicable at present. The particulars of each offer shall be determined by the Board (including any committee duly authorised by the Board thereof), from time to time.

In view of the aforesaid, the Board of Directors at its meeting held on May 31, 2023, has approved issuance of Debt securities in one or more tranches, on private placement basis and within the overall borrowing limit of ₹ 80,000 Crore (Rupees Eighty Thousand Crore Only).

Accordingly, the approval of the Members is being sought by way of Special Resolution as set out at Item No. 6 of this Notice authorising the Board to issue Debt Securities and /or any other hybrid instruments (not in the nature of Equity Shares) which may or may not be classified as being Tier I or Tier II capital under the provisions of the RBI Master Directions, for an aggregate amount not exceeding ₹ 31,547.22 Crore (Rupees Thirty One Thousand Five Hundred Forty Seven Crore and Twenty Two Lakhs Only) on Private Placement basis during a period of one year from the date of this AGM.

The Board, accordingly, recommends the passing of the Special Resolution as set out at Item No. 6 of this Notice, for the approval of the Members.

None of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested, financially or otherwise in the said resolution, except to the extent of Debt Securities that may be subscribed by companies/firms in which they are interested.

Item No. 7

The existing Articles of Association ("AOA") of the Company were framed in terms of the provisions of the Companies Act, 2013. The Securities and Exchange Board of India vide notification dated February 02, 2023 had notified the

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Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2023 ("Amendment Regulation"). Pursuant to the Amendment Regulation the Company was required to amend its Articles of Association to ensure that its Articles of Association require its Board of Directors to appoint the person nominated by the Debenture Trustee(s) in terms of clause (e) of sub-regulation (1) of regulation 15 of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993 as a Director on its Board of Directors, on or before September 30, 2023.

Thus, in order to comply with the above mentioned requirements, it is proposed to alter the Article No. 184 of the Articles of Association of the Company w.r.t. the appointment of Nominee Director. The consent of the Members of the Company by way of a Special Resolution is required for alteration of Articles of Association of the Company. Accordingly, this matter has been placed before the Members for their approval.

In this regard, it is proposed to alter existing Article 184 of AOA by replacing with the below:

Article 184:

"In the event of the Company borrowing any money from any financial corporation or institution or Government or any Government body or a collaborator, bank, persons, partnership

firms, trust, mutual funds, alternative investment funds, any other funds, or from any other source, the lender/security trustee/debenture holder/debenture trustee concerned may, upon the occurrence of such events as provided in terms of Applicable Law or under a contract, exercise the right and power to appoint granted to it in terms of Applicable Law or under contract, from time to time, any person or persons as a Director or Directors or Nominee Directors of the Company and the Board of Directors of the Company will appoint such person or persons nominated by the lender/security trustee/debenture holder/debenture trustee within the timelines prescribed under Applicable Law, if any."

Accordingly, the approval of the Members is being sought by way of Special Resolution as set out at Item No. 7 of this Notice to alter the existing AOA of the Company, by replacing, existing Article 184. A copy of the altered AOA is available for inspection.

The Board recommends the resolution as set out at Item No. 7 of the accompanying Notice for the approval of the Members.

Save and except for the shareholding interest, if any, held by them, none of the Directors or Key Managerial Personnel of the Company or their relatives, are in any way, concerned or interested, financially or otherwise, in the said resolution.

By order of the Board
For HDB Financial Services Limited

Sd/-
Dipti Khandelwal
Company Secretary
FCS No.: F11340

Registered Office:

Radhika, 2nd Floor,
Law Garden Road, Navrangpura,
Ahmedabad -380009

Place: Mumbai

Date: May 31, 2023

Directors' Report

Dear Members,

Your Directors take pleasure in presenting the Sixteenth Annual Report on the business and financial operations of your Company together with the audited accounts for the Financial Year ended March 31, 2023.

SUMMARY OF FINANCIAL PERFORMANCE

(₹ in Crore)		
	FY 2022-23	FY 2021-22
Total Income	12,402.88	11,306.29
Total Expenditure (excluding depreciation)	9,663.64	9,859.79
Profit/(Loss) before Depreciation & Tax	2,739.24	1,446.50
Less: Depreciation	111.84	98.94
Profit before Tax	2,627.40	1,347.56
Tax Expense	668.05	336.16
Profit after Tax	1,959.35	1,011.40
Other Comprehensive Income (net of tax)	10.56	13.79
Total Comprehensive Income after tax	1,969.91	1,025.19
Appropriations from Profit after Tax:		
Transfer to Reserve Fund under Section 45-IC of the RBI Act, 1934	391.87	202.28
Dividend Paid	150.24	0.00
Dividend Tax thereon	0.00	0.00
Balance carried forward to Balance Sheet	1,417.24	822.91

Your Company posted total income and net profit of ₹ 12,402.88 Crore and ₹ 1,959.35 Crore, respectively, for the financial year ended March 31, 2023, as against ₹ 11,306.29 Crore and ₹ 1,011.40 Crore respectively, in the previous financial year. Your Company has transferred an amount of ₹ 391.87 Crore to Reserve Fund under Section 45-IC of the RBI Act, 1934.

DIVIDEND

The Board of Directors of the Company, at its meeting held on April 15, 2023, has recommended a dividend of ₹ 1.10 (Rupee One and Paise Ten only) per equity share i.e. 11% (Eleven percent) on each equity share of face value of ₹ 10 (Rupees Ten only) entailing a total payout of ₹ 87.05 Crore. The proposal is subject to the approval of the shareholders at the ensuing Annual General Meeting (AGM) to be held on June 30, 2023. During the year, the Company has paid Interim Dividend of Re. 0.90 (Paise Ninety Only) per equity share i.e. 9% on each equity share, aggregating to ₹ 71.20 Crore.

Material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report

There are no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this Report.

CAPITAL STRUCTURE

As at March 31, 2023, the issued, subscribed and paid-up share capital of your Company is ₹ 7,91,39,90,830 (Rupees Seven Hundred Ninety One Crore Thirty Nine Lakhs Ninety Thousand Eight Hundred Thirty Only) comprising of 79,13,99,083 (Seventy Nine Crore Thirteen Lakhs Ninety Nine Thousand Eighty Three) equity shares of ₹ 10 each as on March 31, 2023.

Directors' Report (Contd.)

During the year, your Company has issued 9,59,052 equity shares. The details of which are provided below:

No. of fully paid up equity shares	Date of allotment	Purpose
76,660	August 02, 2022	Shares were issued to employees under the Employees Stock Option Scheme
29,600	September 19, 2022	Shares were issued to employees under the Employees Stock Option Scheme
6,20,228	December 7, 2022	Shares were issued to employees under the Employees Stock Option Scheme
3,000	December 28, 2022	Shares were issued to employees under the Employees Stock Option Scheme
2,29,564	March 13, 2023	Shares were issued to employees under the Employees Stock Option Scheme

CAPITAL ADEQUACY

Capital adequacy as at March 31, 2023 under Ind-AS stood at 20.05% which is well above the minimum regulatory norms for non-deposit accepting NBFCs.

RATINGS

The CARE Ratings Limited (CARE) and CRISIL Ratings Limited (CRISIL) have reaffirmed highest ratings for the various facilities availed by the Company, details of which are given below:

Facility	CARE	Amount (₹ in Crore)	CRISIL	Amount (₹ in Crore)
Bank Facilities	CARE AAA; Stable	30,000.00	CRISIL AAA/Stable	30,000.00
Short Term Debt Program	CARE A1+	12,500.00	CRISIL A1+	12,500.00
Non-Convertible Debentures	CARE AAA; Stable	45,308.00	CRISIL AAA/Stable	38,663.82
Market Linked Debentures*	CARE PP-MLD AAA; Stable	3,000.00	CRISIL PP-MLD AAA/Stable	2,236.10
Subordinated Bonds	CARE AAA; Stable	4,000.00	CRISIL AAA/Stable	4,000.00
Perpetual Bonds	CARE AAA; Stable	1,000.00	CRISIL AAA/Stable	1,000.00

* During the year, CRISIL has removed the suffix "r" from Market Linked Debentures ratings. Earlier rating was CRISIL PP-MLD AAAr/Stable.

All of the above ratings indicate a high degree of safety with regard to timely payment of interest and principal amount.

BORROWINGS

Your Company has diversified funding sources from Public Sector, Private Sector, Foreign Banks, Mutual Funds, Insurance Companies, Pension Funds, Financial Institutions etc. Funds were raised in line with Company's Resource Planning Policy through Term Loans, Non-Convertible Debentures ("NCDs") and Commercial Papers Instruments. The details of funds raised during the year are as below:

#	Borrowings / Security type	Credit rating		Amount raised (₹ in Crore)
		CARE	CRISIL	
1	Term Loans from Banks and Financial Institutions*	CARE AAA; Stable	CRISIL AAA/Stable	14,320
2	Secured Redeemable Non-Convertible Debentures	CARE AAA; Stable	CRISIL AAA/Stable	9,899
3	Commercial Paper	CARE A1+	CRISIL A1+	200
4	Market Linked Debentures	CARE PP-MLD AAA; Stable	CRISIL PP-MLD AAA/Stable	Nil
5	Subordinated Bonds	CARE AAA; Stable	CRISIL AAA/Stable	Nil
6	Perpetual Bonds	CARE AAA; Stable	CRISIL AAA/Stable	Nil
Grand Total				24,419

*excludes WCDL

Directors' Report (Contd.)

No interest payment or principal repayment of the Term Loans was due and unpaid as on March 31, 2023. The assets of the Company which are available by way of security are sufficient to discharge the claims of the banks and financial institutions as and when they become due.

Secured Redeemable Non-Convertible Debentures, Secured Redeemable Market Linked Debentures, Unsecured Redeemable Subordinated Bonds, Unsecured Perpetual Debt Instruments are issued by your Company on private placement basis and the rating for various facilities indicates the highest degree of safety with regard to timely servicing of financial obligations.

Perpetual Debt Securities are 5.91% of Tier I capital of the Company. An amount of ₹ 650 Crore are outstanding as on March 31, 2023.

NCDs were issued with maturity period ranging from 23 to 60 months. The interest payable on all the debt securities is either annually or quarterly or on maturity. No interest was due and unpaid as on March 31, 2023. The Company has not received any grievances from the debt security holders. The assets of the Company which are available by way of security are sufficient to discharge the claims of the debt security holders as and when they become due.

The above mentioned Debt securities are listed on Wholesale Debt Market (WDM) segment of the BSE Limited and Commercial Papers were listed on National Stock Exchanges of India Limited.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company believes that CSR is a way of creating shared value and contributing to social and environmental good. Our endeavor is to mainstream economically, physically and socially challenged groups and to draw them into the cycle of growth, development and empowerment. To achieve this, your Company collaborates with development-focused NGOs, involves local communities in the development process and works with systems & frontline staff to achieve desirable social outcomes in a sustainable manner.

The Company's CSR interventions are designed to strengthen the healthcare services and infrastructure, impart skill training and basic literacy for better livelihoods and to promote environmentally sustainable initiatives. All CSR initiatives are implemented in accordance with the Schedule VII of the Companies Act, 2013 ("Act").

The Company's CSR activities are guided and monitored by its CSR Committee. The CSR Policy of the Company provides a broad set of guidelines including intervention areas.

As per Section 135 of the Act, the Company was required to spend an amount of ₹ 22.15 Crore equivalent to 2% of the 'average net profits' of the last three (3) financial years. After adjusting the excess spend of ₹1.13 Crore for FY 2021-22, the total CSR obligation of the Company was ₹ 21.02 Crore. During the FY 2022-23, the Company has spent an amount of ₹ 21.78 Crore on CSR activities as against total CSR obligation of ₹ 21.02 Crore. The Annual Report on CSR activities is annexed herewith as "**Annexure a**".

NUMBER OF BOARD MEETINGS HELD DURING THE FY 2022-23

The Board of Directors met 8 times during the year under review and the details of such meetings are disclosed in the Corporate Governance Report forming part of this Report.

DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP)

Resignation

Mr. Arijit Basu (DIN: 06907779) was appointed as the Chairman and Non-Executive Director (Non-Independent Director) of the Company with effect from June 1, 2021. He has tendered his resignation from the position of Chairman and Non-Executive Director (Non-Independent Director) of the Company with effect from May 31, 2023 and also conveyed his willingness to serve the Board of the Company as an Independent Director.

Inductions to the Board

Appointment of Mr. Arijit Basu (DIN: 06907779) as a Part-Time Non-Executive Chairman and Independent Director of the Company

On the recommendation of the Nomination and Remuneration Committee, Board of Directors of the Company at its meeting held on May 31, 2023, has appointed Mr. Arijit Basu (DIN: 06907779) as a Part-Time Non-Executive Chairman and Additional Independent Director of the Company with effect from May 31, 2023 till the conclusion of the ensuing Annual General Meeting in terms of Sections 152 and 161 of the Act. Further, the Board of Directors has recommended appointment of Mr. Arijit Basu as an Independent Director to the shareholders of the Company for a period of three years with effect from May 31, 2023 up to May 30, 2026 (both days inclusive).

Mr. Arijit Basu has confirmed that he fulfills the criteria of Independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), and has also confirmed that he is not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact his

Directors' Report (Contd.)

ability to discharge his duties with an objective independent judgment and without any external influence. In the opinion of the Board, Mr. Arijit Basu is a person of integrity and possess relevant experience and expertise to be appointed as an Independent Director of the Company.

Further, Mr. Arijit Basu has confirmed that he satisfies the fit and proper criteria as prescribed under the applicable RBI regulations and that he is not disqualified from being appointed as a director in terms of Section 164(2) of the Act.

The Company has received written notice as per Section 160 of the Act, from a member proposing his candidature for the office of Non-Executive Director as per the provisions of Section 152 of the Act.

Brief profile of Mr. Arijit Basu along with his experience and specific areas of expertise are part of the explanatory statement to the Notice convening Annual General Meeting forming part of the Annual Report.

Necessary resolution seeking approval of the Members for appointment of Mr. Arijit Basu as a Part-Time Non-Executive Chairman and Independent Director of the Company has been included in the Notice of ensuing Annual General Meeting.

KEY MANAGERIAL PERSONNEL

The Members at the Annual General Meeting held on June 23, 2022 has approved re-appointment of Mr. Ramesh G. as the Managing Director and Chief Executive Officer of the Company, not liable to retire by rotation, for the period of 5 (Five) years w.e.f. July 1, 2022 up to June 30, 2027 (both days inclusive).

DECLARATION BY INDEPENDENT DIRECTORS

The Company has received necessary declarations/disclosures from each Independent Director of the Company under Section 149(7) of the Act and Regulation 25(8) of the SEBI Listing Regulations that they fulfill the criteria of Independence as prescribed under Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations, and have also confirmed that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgment and without any external influence.

The Independent Directors have also confirmed compliance with the provisions of Rule 6 of the Companies (Appointment and Qualifications of Directors) Rules, 2014, as amended, relating to inclusion of their name in the databank of Independent Directors.

BOARD COMMITTEES

Your Company has six Board level Committees - Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Risk Management Committee and Information Technology Strategy Committee.

The details of the role and composition of these Committees, including the number of Meetings held during the financial year and attendance at these Meetings are provided in the Corporate Governance Section of the Annual Report.

PERFORMANCE EVALUATION

Pursuant to the provision of the Companies Act, 2013 and SEBI Listing Regulations, the Annual Performance Evaluation of the Board, its Committees and each Director has been carried out for the year under review. The details of evaluation process of the Board, its Committees and individual Directors have been disclosed in the Corporate Governance Report forming part of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Act:

- i. that in preparation of the annual financial statements for the year ended March 31, 2023, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii. that appropriate accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended March 31, 2023 and of the profits of the Company for the said year;
- iii. that proper and sufficient care has been taken for the 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 fraud and other irregularities;
- iv. that the annual accounts have been prepared on a going concern basis;
- v. that the Company had laid down internal financial controls to be followed and that such internal financial controls are adequate and were operating effectively; and

Directors' Report (Contd.)

- vi. that systems to ensure compliance with the provisions of all applicable laws were in place and that such systems were adequate and operating effectively.

VIGIL MECHANISM/WHISTLE BLOWER POLICY

As per the provisions of Section 177(9) of the Act and Regulation 22 of the SEBI Listing Regulations, the Company is required to establish an effective Vigil Mechanism for Directors and employees to report genuine concerns. The Company as part of the 'vigil mechanism' has in place a Board approved 'Whistle Blower Policy' to deal with instances of fraud and mismanagement, if any. The Whistle Blower Policy has been placed on the website of the Company and can be accessed at <https://www.hdbfs.com/investors>.

This vigil mechanism of the Company is overseen by the Audit Committee and provides adequate safeguard against victimisation of employees and directors and also provides direct access to the Chairman of the Audit Committee in exceptional circumstances. The whistle blower complaints were reviewed by the Audit Committee on a quarterly basis.

During the year under review, three complaints were received by the Company. All the complaints have been investigated and addressed as per the policy of the Company. There is one complaint outstanding as on March 31, 2023. None of the personnel of the Company were denied access to the Audit Committee.

DISCLOSURES PURSUANT TO THE SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

In line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 your Company has adopted a Policy on Prevention of Sexual Harassment at Workplace and Rules framed thereunder. The said policy is uploaded on the website of the Company which can be accessed at <https://www.hdbfs.com/policies>. Your Company has complied with the provisions relating to the constitution of Internal Complaints Committee under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During the year under review, the Company has received Thirty Four complaints of which Twenty-Nine complaints were investigated and addressed as per the policy and Five complaints were under investigation as on March 31, 2023. All Six open complaints during the previous year ending

March 31, 2022 were closed in the reporting year. Complaints are reviewed by the Board of Directors on quarterly basis.

STATUTORY AUDITORS AND THEIR REPORT

Pursuant to the provisions of Sections 139 and 141 of the Act and Rules made thereunder, the Shareholders in the 15th Annual General Meeting had ratified the appointment of M/s. KKC & Associates LLP (formerly Khimji Kunverji & Co. LLP) and M/s. B. K. Khare & Co, Chartered Accountants as the Joint Statutory Auditors of the Company, to hold office for a continuous period of three years until the conclusion of the 17th Annual General Meeting of the Company to be held in year 2024.

M/s. KKC & Associates LLP (formerly Khimji Kunverji & Co. LLP) and M/s. B. K. Khare & Co., Chartered Accountants have given their confirmation to the effect that they are eligible to continue with their appointment and that they have not been disqualified in any manner from continuing as Statutory Auditors of the Company.

Further, the Auditors' Report "with an unmodified opinion", given by the Statutory Auditors on the Financial Statements of the Company for FY 2022-23, is disclosed in the Financial Statements forming part of the Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Statutory Auditor in their Report for the year under review.

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

SECRETARIAL AUDITORS AND THEIR REPORT

Pursuant to the provisions of Section 204 of the Act and Rules thereunder and Regulation 24A of the SEBI Listing Regulations, M/s. Mehta & Mehta, Company Secretaries, were appointed as the Secretarial Auditor of the Company, to conduct Secretarial Audit for the year under review.

The Report of the Secretarial Auditor in Form MR-3 is annexed as '**Annexure b**'. There has been no qualification, reservation, adverse remark or disclaimer given by the Secretarial Auditor in its Report for the year under review.

MAINTENANCE OF COST RECORDS

Maintenance of cost records as specified by the Central Government under section 148(1) of the Act, is not applicable to the Company.

Directors' Report (Contd.)

NOMINATION AND REMUNERATION POLICY

Pursuant to the provisions of Section 178(3) of the Act and Regulation 19 of the SEBI Listing Regulations, the Board has formulated Nomination and Remuneration Policy of the Company which inter alia, includes the criteria for determining qualifications, positive attributes and independence of Directors, identification of persons who are qualified to become Directors, Key Managerial Personnel and Senior Management. The Nomination and Remuneration Policy also covers the Remuneration of the Directors, Key Managerial Personnel, Senior Management and other employees of the Company. The Nomination and Remuneration Policy is available on the website of the Company at <https://www.hdbfs.com/investors>.

SECRETARIAL STANDARDS

The Company has complied with the applicable provisions of Secretarial Standards issued by The Institute of Company Secretaries of India.

EMPLOYEES STOCK OPTION SCHEME (ESOS)

The information pertaining to ESOS in terms of Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 is given in '**Annexure c'**.

STATUTORY DISCLOSURES

- i. Pursuant to the provisions of Sections 134(3)(a) and 92(3) of the Act and Regulation 62(1)(k) of the SEBI Listing Regulations, the Annual Return of the Company as on March 31, 2023 in the prescribed Form MGT-7 is available on the website of the Company at <https://www.hdbfs.com/investors>.
- ii. Disclosures in terms of Section 197(12) read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in '**Annexure d'**. Further, the statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in an Annexure and forms part of this report. In terms of Section 136(1) of the Act, the annual report and the financial statements are being sent to the Members excluding the aforesaid Annexure. The Annexure is available for inspection and any Member interested in obtaining a copy of the Annexure may write to the Company Secretary of the Company.

- iii. There has been no change in the nature of business of the Company during the year under review.

RELATED PARTY TRANSACTIONS

All the related party transactions that were entered into during the financial year were on arm's length basis and in ordinary course of business. Pursuant to the provisions of Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, particulars of the contracts or arrangements with related parties referred to in section 188(1) in Form AOC-2 is annexed as '**Annexure e'**.

CORPORATE GOVERNANCE REPORT

Your Company is committed to maintain the highest standards of Corporate Governance and adheres to the Corporate Governance requirements set out by SEBI. The report on Corporate Governance of the Company forms part of the Annual Report.

All Board members and senior management personnel have affirmed compliance with the Company's code of conduct for FY 2022-23. A declaration to this effect signed by the Managing Director is included in Corporate Governance Report forming part of this Annual Report.

A certificate from Practicing Company Secretary regarding compliance of conditions of corporate governance is annexed as '**Annexure f**' to this Report.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND THE COMPANY'S OPERATIONS IN FUTURE

There are no significant and material orders passed by the regulators or courts or tribunals that would impact the going concern status of the Company and its future operations.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Pursuant to section 186(11) of the Act, the provisions related to loans made, guarantees given and securities provided do not apply to the Company.

As regards investments made by the Company, the details of the same are provided in note no. 9 to the financial statements of the Company for the year ended March 31, 2023.

DIVIDEND DISTRIBUTION POLICY

Your Company has formulated a Dividend Distribution Policy, with an objective to provide the dividend distribution

Directors' Report (Contd.)

framework to the Stakeholders of the Company. The policy sets out various internal and external factors, which shall be considered by the Board in determining the dividend pay-out. The policy is available on the website of the Company and can be accessed at <https://www.hdbfs.com/investors>.

SUBSIDIARIES, JOINT VENTURES, ASSOCIATE COMPANIES

During the year under review, your Company had no subsidiary, joint venture or associate company. Also, the Company did not become a part of any Joint Venture during the year.

Accordingly, as at the end of the year under review and also as on the date of this Report, the Company does not have any subsidiary or associate Company and your Company is not a part of any Joint Venture.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The provisions of Section 134(3)(m) of the Act, the rules made there under relating to conservation of energy, technology absorption do not apply to your Company as it is not a manufacturing Company. However, your Company has been increasingly using information technology in its operations and promotes conservation of resources. The

details of foreign exchange earnings and foreign exchange expenditures are as below:

(₹ in Crore)			
#	Particulars	FY 2022-23	FY 2021-22
1	Foreign exchange earnings	Nil	Nil
2	Foreign exchange expenditures	4.21	0.34

FIXED DEPOSITS

Your Company is a non-deposit taking Company. The Company has not accepted any fixed deposit during the year under review. The Company has passed a Board resolution for non-acceptance of deposits from public.

RBI GUIDELINES

Reserve Bank of India ("RBI") granted the Certificate of Registration to the Company in December 2007 vide Registration No. N.01.00477, to commence the business of a non-banking financial institution without accepting deposits. Your Company is a Non Deposit Taking Systemically Important Non-Banking Financial Company ("NBFC- ND-SI"). Your Company has complied with and continues to comply with all the applicable regulations and directions of the RBI.

Management Discussion and Analysis

GLOBAL ECONOMY

In Calender Year (CY) 2022, the world faced a new set of challenges, including geopolitical tensions in Europe, rising fuel and input costs and rising interest rates as central banks responded to inflationary pressures. The rising fuel and input costs led to higher production costs, which, in turn, led to higher prices for goods and services. This resulted in global inflation, which peaked at 8.80% in CY 2022, as the IMF World Economic Outlook reported. The high inflationary environment led to concerns among central banks worldwide, leading to tightening monetary policy, higher interest rates and increased volatility in financial markets.

In the US, persistently high inflation led to the Federal Reserve increasing interest rates to control it. The Bank of England and the European Central Bank had also embarked on raising interest rates, resulting in tighter financial conditions and

reduced demand in some sectors. This tightening of financial conditions further increased the challenges faced by the global economy, leading to a decrease in demand and slower economic growth.

However, it is expected that cooling fuel and commodity prices will contribute to a decrease in global inflation to 6.50% in CY 2023 and 4.10% in CY 2024, which will help mitigate some of the challenges the global economy currently faces.

Despite the macroeconomic challenges, the global economy grew by 3.40% in CY 2022, with the European Union growing at 3.60%, the United States at 2.10% and India at 7%. In CY 2023, the growth is projected to experience a slight decline, with a forecasted growth rate of 2.90%, owing to advanced economies that raised interest rates to combat inflation, particularly in the US.

Directors' Report (Contd.)

The ongoing geopolitical strife is expected to continue to impact global growth in CY 2023. Growth in advanced economies stood at 2.70% in CY 2022 and is anticipated to decline 1.20% in CY 2023, while improving at 1.40% in CY 2024. Additionally, emerging and developing markets are expected to grow at a similar rate as CY 2022, with an anticipated growth rate of 4.0% in CY 2023 and further grow by 4.20% during CY 2024.

IMF'S WORLD ECONOMIC OUTLOOK

Year	Global Economy Growth	Advanced Economies Growth	Emerging Markets and Developing Economies Growth
CY 2022	3.40%	2.70%	3.90%
CY 2023E	2.90%	1.20%	4.0%
CY 2024E	3.10%	1.40%	4.20%

(Source: *World Economic Outlook JAN 2023 - IMF*)

INDIAN ECONOMY

According to the International Monetary Fund (IMF), India is expected to maintain its position as a more favourable contributor to the global economy, contributing around 15% to global economic expansion in CY 2023. Despite recovering from the COVID-19 pandemic, the Indian economy was adversely affected by global challenges, resulting in high inflation due to rising prices of commodities, food and fuel.

The Reserve Bank of India (RBI) responded by raising interest rates to control inflation four times in CY 2022. The first hike of 40 basis points to 4.40% occurred on May 04, 2022, with subsequent hikes of 50 basis points on June 08, 2022 and August 05, 2022, bringing the repo rate to 5.40%. A subsequent hike of 50 basis points in September 2022 and the fifth hike of 35 basis points in December 2022 led to a rise in the repo rate to 6.25%. Another rate hike of 25 basis points in February 2023 saw the rate climb to 6.50%, much in line with the broader market expectations.

After six consecutive hikes, the RBI paused in April 2023, setting the benchmark policy rate at 6.50%, but with a hawkish stance given the global backdrop.

Despite the global headwinds, the economy is expected to grow close to 7% in CY 2023, making it one of the fastest-growing economy. Private consumption has been a key driver of growth, with pent-up consumer demand, along with advances in the manufacturing and financial sectors.

The Government increased spending on infrastructure projects, which helped boost economic activity. This

expansion is anticipated to be accelerated further by the Government's focus on infrastructure development and initiatives like PM Awas Yojana (PMAY), National Monetisation Pipeline (NMP) and PM Gati Shakti.

OUTLOOK

The IMF's World Economic Outlook (published in January 2023) predicts that the Indian economy will experience a growth rate of approximately 6% in FY 2023-24, which is slightly lower than the previous year's growth rate. GDP per capita is projected to rise to US\$ 2,690 in CY 2023 and US\$ 3,150 in CY 2025, indicating a substantial improvement in the business climate, among other factors expected to impact the Indian economy positively. Furthermore, an expected reduction in inflation to 5.30% in FY 2023-24 and approximately to 4% in the following financial year is expected to boost demand and consequently industrial activity, lower interest rates are likely to enable companies to expand their capacity and meet growing demand in both domestic and international markets.

The Union Budget outlined measures to increase capital spending, emphasise infrastructure development, promote sustainable and environmentally friendly activities and strengthen financial markets. These policies are expected to stimulate job creation and economic growth in India. With a strong emphasis on macroeconomic stability in recent years, the Indian economy is likely to benefit from these actions in the coming years.

INDUSTRY OVERVIEW

Non-Banking Financial Companies (NBFCs) have started to compete with traditional banks by offering an array of financial services such as loans, credit facilities and investment products. NBFCs have a crucial role in providing credit to segments of the economy that are usually underserved by mainstream banks, such as low-income households, small and medium-sized businesses and rural communities. Their lending criteria is more amenable to the segments they operate in, while being nimbler in taking credit decisions than banks.

Customers in recent years have shown an inclination towards NBFCs due to their nimbler and more adaptable services to add to their increasing geographical reach. NBFCs are increasingly making use of technology to streamline lending

Directors' Report (Contd.)

processes and provide personalised customer experiences, such as online applications, digital loan disbursements and repayments.

Over the past 15-20 years, there has been a move towards greater formalisation of credit and in a competitive environment with rising interest rates, NBFCs will need to focus on pricing power and higher-yield segments to maintain profitability. Stronger NBFCs with robust business models, capital adequacy, underwriting capabilities and a digital strategy are expected to outperform and grow in the coming years.

The Reserve Bank of India's (RBI) new regulatory framework comprises updated guidelines for the classification of Non-Performing Assets (NPAs) and provisioning requirements for standard assets, effective October 01, 2022. These guidelines aim to standardise recognition and reporting in NBFCs, given their expanding role in the financial system.

The RBI has recommended regulatory modifications under four key aspects of capital regulation and set a single credit concentration limit. The new framework is expected to strengthen the NBFC sector and reduce potential risks. While most NBFCs in the upper layer are not expected to face difficulties complying with the new norms, they will increase compliance requirements for large NBFCs.

The growth in AUM is expected to be driven by various factors, including strong pent-up demand, new product launches and increased car and utility vehicle sales. The expansion will likely be widespread across multiple retail sectors, with housing loans accounting for a major chunk of NBFC AUM, amounting to 40-45%. This is due to the improving economic activity, higher balance-sheet reserves and reduced concerns about asset quality.

(Source: Reports by RBI, credit rating agencies and economic research forecasts)

OPPORTUNITIES AND THREATS

Non-banking financial companies (NBFCs) have the potential to seize growth opportunities by catering to underserved segments of the population, such as small businesses and low-income households. Embracing technology to streamline their operations and expand their customer base, collaborating with fintech companies and government initiatives promoting financial inclusion and digital payments further create room for NBFCs to explore.

Additionally, the expansion of the economy and growing middle class increase the need for financial services, creating a favourable environment for NBFCs to grow. Regulatory support and government efforts towards financial inclusion, especially in rural and semi-urban areas, also offer an opportunity for NBFCs to expand their reach where traditional banking channels may not have reached.

However, NBFCs must also contend with several threats, such as borrower defaults, competitive pressure from traditional banks and fintech startups and regulatory changes that can impact their operations and profitability. Moreover, rising interest rates and inflation leading to an increase in the cost of funds for NBFCs poses pressure on margins.

To mitigate risks, NBFCs may consider prioritising strong underwriting practices, diversifying their portfolios and enhancing their risk management systems to minimise borrower default risks. Investment in technology can also help improve customer experiences, increase operational efficiency and enhance competitiveness. Additionally, NBFCs should keep a watchful eye on regulatory changes and adapt their operations to comply with regulations, which can help maintain their profitability and stability in the long run.

COMPANY OVERVIEW

HDB Financial Services ('HDBFS' or 'The Company') is a Non-Banking Financial Company (NBFC) in India offering various financial products and services across enterprise lending, asset financing and consumer loans.

The Company was founded in 2007 and has a strong financial foundation, with CRISIL and CARE reaffirming their highest ratings for the various facilities availed by the Company. HDBFS is dedicated to conducting itself ethically and its Code of Ethics and compliance policies promote transparency to ensure that the highest professional standards are maintained throughout the organisation.

PRODUCTS AND SERVICES

HDBFS offers a comprehensive bouquet of products and service offerings that are tailor-made to suit its customers' requirements, including first-time borrowers and the underserved segments. HDBFS is engaged in the business of Loans, Fee based products and BPO services.

Loans

HDBFS's loan offerings span Consumer Loans, Enterprise Loans, Asset Finance and Micro-Lending.

Directors' Report (Contd.)

Consumer Loans

HDBFS offers customised loan options to individuals to help meet their personal or household short to medium-term financial requirements.

The Consumer Loans portfolio consists of:

- **Consumer Durable Loans** – HDBFS provides loans to facilitate the purchase of consumer durables and household appliances like air conditioners, washing machines, televisions, refrigerators and more.
- **Digital Product Loans** – Customers can purchase basic to high-end digital products with HDBFS's Digital Product Loan offerings.
- **Lifestyle Product Loans** – Customers can upgrade and enhance their lifestyle with Lifestyle Product Loans from HDBFS with purchases of various products like high-end furniture, cooking ranges and more.
- **Personal Loans** – From weddings to an unplanned vacations to home renovations, HDBFS offers personal loans to salaried and self-employed individuals to help them meet their urgent needs.
- **Auto Loans** – With tailor made auto loans from HDBFS, customers can easily make informed decisions on buying a new or used car.
- **Two-Wheeler Loans** – HDBFS provides two-wheelers loans to help individuals looking to purchase a two-wheeler.
- **Gold Loans** – HDBFS enables customers to fulfil their loan requirements by providing quick loans against the security of gold jewellery.

Enterprise Loans

HDB provides Loans to businesses for their growth and working capital requirements. Various Loans offered to Enterprises include:

- **Unsecured Business Loan** – HDBFS provides collateral-free loans to small businesses to help them meet their financial requirements that could vary from the purchase of new machinery and inventory to procuring working capital or revamping the business.
- **Enterprise Business Loan** – Self-employed individuals and professionals, private companies and partnership firms use our Enterprise Business Loans to boost their business.

- **Loan Against Property** – Businesses can get an HDBFS multi-purpose loan against property to expand or as working capital.
- **Loan Against Lease Rental** – HDBFS customers can benefit from loans against rental income received on leased property.
- **Loan Against Securities** – Loan against securities ensures that customers can meet their immediate cash requirements by pledging their investments or securities like insurance policy, debt instruments and Bonds with the Company without having to liquidate them.

Asset Finance

HDBFS offers loans to help customers purchase new and used vehicles and equipment to boost their income generation. We provide the following offerings:

- **Commercial Vehicle Loans** – HDBFS provides loans for purchase of new and used commercial vehicles and provides refinance against existing vehicles for business working capital. HDBFS extends these offerings to fleet owners, first-time users, first-time buyers and captive-use buyers.
- **Construction Equipment Loans** – HDBFS provides loans for the procurement of new and used construction equipment. The Company also facilitates refinancing on existing equipment.
- **Tractor Loans** – HDBFS offers customised tractor loans for the purchase of tractors or tractor-related implements to meet any agricultural or commercial needs.

Micro-Lending

HDBFS offers micro-loans to borrowers through the Joint Liability Groups (JLG) framework to empower and promote financial inclusion for the sustainable development. HDBFS commenced its micro-loans in the year 2019 and is now currently operating in 7 states - Maharashtra, Bihar, Rajasthan, Gujarat, Madhya Pradesh, Uttar Pradesh & Odisha covering 67 districts.

Fee-based Products/Insurance Services

HDBFS has a license from the Insurance Regulatory & Development Authority of India (IRDAI) and is a registered Corporate Insurance Agent certified to sell both Life and General (Non-Life) insurance products. We have tie-ups with HDFC Life Insurance Co. Limited and Aditya Birla

Directors' Report (Contd.)

Sun Life Insurance for life insurance products. HDB has partnered with HDFC Ergo General Insurance Co. Limited and Tata AIG General Insurance Co. Limited for general insurance products.

BPO Services

HDBFS's BPO services offerings include running collection call centres, sales support services, back office operations and processing support services.

- **Collection Services** – HDBFS has a contract to run collection call centres for HDFC Bank. These centres provide collection services for the entire range of HDFC Bank's retail lending products. We offer comprehensive end-to-end collection services across 700 locations via on-call and field support teams. We have established 18 call centres with 5,500 seat capacity across the country.
- **Back Office and Sales Support** – HDBFS offers sales support and back-office services like forms processing, document verification, finance and accounting operations and processing support for HDFC Bank.

DIGITAL LENDING JOURNEY

To meet the new and constantly evolving financial credit needs of tech-savvy customers, HDBFS's has sought to transcend the conventional credit lending approaches. HDBFS's active investment in the digitisation of lending services and solutions has allowed it to connect and cater to the New India and tech-savvy customers in a personalised manner.

Several digital offerings have been launched for commercial and retail segments to provide integrated solutions and simplify the borrowing process. These digital offerings include:

- **Digital Loans:** To offer convenience to the customers, HDBFS has introduced a digital loan process in partnership with select channels where customers can apply online without physically visiting the store or a branch. HDBFS's customer care team efficiently guides customers with their loan processing journey via on-call and digital support.
- **Partnership with new-age Fintech Players:** HDBFS has initiated strategic partnerships with new-age Fintech players in the country to provide best in class, innovative digital solutions and services. These collaborations have been successful in demonstrating an improved customer experience in conjunction with a convenient

digital KYC process, quick application approval and disbursal of funds.

- **e-NACH & e-Sign:** The introduction and implementation of these digital tools ensure a seamless customer experience with paperless processes, fewer errors and quicker disbursals. The digital process ensures the collection of the applicant's basic information and documents upload, followed by an e-verification process. Upon completion of e-verification of details and documents submitted, the customer may digitally sign the agreement through Aadhaar-based authentication.
- **Credit Report:** Customers can check their customised credit report, for free by just providing their mobile number on HDBFS's website.

CUSTOMER SERVICE DIGITAL CHANNELS

- **HDB On-the-Go App** – HDBFS has launched an updated version of mobile app HDB On-The-Go with new and improved features and better UI & UX for android and iOS users. There is also a web version of the app hosted on the website.
- **WhatsApp Account Management** – Customers can send a 'Hi' to our WhatsApp number, 73049 26929, to get real-time information about their loan account.
- **Customer Service Bot** – Our virtual assistant and chatbot, #AskPriya, helps customers with all loan-related information and the latest offers.
- **Missed Call Service** – Customers can receive all their loan-related information via an SMS after giving us a missed call from their registered mobile number on 044 4560 2401.
- **Customer Portal** – The portal allows the customers to manage their loan account and get all loan related information quickly and efficiently.

KEY INITIATIVES

- **Digital Pre-Approved Offers** – Pre-Approved loans are offered to customers who have a demonstrated credit history and repayment ability. Customers with pre-approved loan offers can apply for a loan digitally and the loan amount is disbursed in the bank account.
- **Fintech Partner Integration** – Our collaboration with various fintech partners allows real-time lead sharing by partners, enabling us to generate customised offers for customers and quickly fulfil their requirements.

Directors' Report (Contd.)

- **Relationship Management (RM) and Virtual Relationship Management (VRM)** – HDBFS reaches out to select customers to address their financial requirements and assist them with additional HDBFS products through a relationship manager. The other customers are catered through VRM.
- **Aabhaar Card (Loyalty Card)** – Customers enjoy easy documentation, pre-approved loan eligibility and a host of other benefits with HDBFS loyalty cards – the Blue Aabhaar Card and the Platinum Aabhaar Card.
- **Jiffy loan** – Jiffy Loan is an Instant personal loan for salaried customers using an end to end digital process. The loan gets disbursed in the customers' bank account within two hours, once approved.
- **WhatsApp Loan Application:** Customers can send an "Apply" on 8010921485 to apply for an instant loan on WhatsApp.

SEGMENT WISE PERFORMANCE

Revenue from lending business of the Company grew to ₹ 9,768.95 Crore for FY 2022-23 from ₹ 8,942.88 Crore in FY 2021-22.

Revenue from the BPO services division grew to ₹ 2,633.93 Crore in FY 2022-23 from ₹ 2,363.41 Crore in FY 2021-22. The Company's net profit surged to ₹ 1959.35 Crore in FY 2022-23, from ₹ 1,011.04 Crore for FY 2021-22.

INFRASTRUCTURE

With a presence in 1,054 cities throughout India, the Company operates a total of 1,492 branches as of March 31, 2023. Our data centres are in Bengaluru and Mumbai. We have three centres for centralised operations in Hyderabad, Chennai and Noida. In an effort to enhance its internal processes,

the Company has introduced a quality management system specifically for its centralised operations.

OUTLOOK

As the market and customer expectations mature, differentiated customer acquisition and deeper customer engagement through the lifecycle assumes importance. With the economy projected to continue growing, the Company with its diversified product portfolio, broad reach through its network of 1,492 branches across the country and its digital infrastructure, the Company is cautiously optimistic in its outlook for the fiscal 2024.

RISK MANAGEMENT

The Company as a participant in the financial service industry is faced with various risks including credit, operational, liquidity, digital lending and information security risks. A robust risk management framework has been put in place to ensure effective assessment, measurement and monitoring of these risks. The Board of Directors oversees all risks and has established specific committees to provide focused oversight of identified risks.

Enhancing risk awareness at all levels of the organisation is important and the Company is constantly upgrading its security measures including cyber security measures, to avoid and mitigate various risks. The ultimate goal is to achieve an optimal balance of return for the risk assumed while remaining within acceptable risk levels.

Regular stress tests are conducted to ensure resilience and identify vulnerabilities. These tests provide valuable insights to the management team, allowing quantification of the impact of potential risks and the development of plausible business-as-usual mitigating actions.

Directors' Report (Contd.)

The Company's commitment to sound risk management practices has enabled it to weather the turbulence experienced in the markets over the past two years. As risk management continues to be prioritised, the Company remains confident in its ability to protect its financial strength, operations and reputation.

Risk	Mitigation
Credit Risk including Credit Concentration Risk	The Company has established policies, procedures and systems for managing credit risk. Credit quality is monitored and losses from defaults are minimised by setting credit parameters and monitoring exposures against approved limits. Credit concentration of exposures is also monitored to avoid unacceptable risk concentrations.
Digital Lending Risk	The Company has automated its loan application process by leveraging tools like CRM, rule engine and bureau integration to enhance productivity and deliver a seamless customer journey. Controls have been implemented and analytics and reporting systems are in place for collection and recovery to maintain a healthy asset quality.
Business/Strategic Risk	The Company pursues diversification through various products, customer segments and geographies to mitigate business and strategic risks. A balanced growth approach is maintained while adhering to a healthy asset-liability mix and prudent provisioning policies.
Reputation Risk	The Company mitigates reputation risk by implementing a code of conduct for employees, strong governance policies and a customer grievance mechanism. Stakeholders are engaged with regularly to address concerns and expectations.
Technology Risk	The Company leverages technology to enhance customer experience, improve productivity and manage risks. The Company continuously improves its processes and controls to mitigate cyber threats and has established a Cyber Resilience Framework and a next-generation Security Operations Centre with AI-ML capability. A layered technology & cyber-security architecture, Disaster Recovery and Business Continuity Plans and access control mechanisms have been implemented. This is consistently monitored through a third party assurance mechanism, on an ongoing basis. Further all employees undergo annual cybersecurity & compliance training and periodic simulation exercises to keep them abreast with the latest trends in the cybersecurity happenings, which helps our company to continuously improve on our cybersecurity posture.
Compliance Risk	Compliance risks are managed and monitored in the Company by implementing a Compliance Policy overseen by the Chief Compliance Officer and a dedicated team. The team regularly reviews products and processes for regulatory compliance and updates internal policies to minimise legal or regulatory risk.
Liquidity Risk	The Company's Asset Liability Committee (ALCO) is responsible for managing liquidity risk and ensuring adequate levels of liquidity and interest rate risk management. To manage liquidity risk, the ALCO monitors various metrics, including the Net Interest Margins (NIM), maturity profile, stock ratios and asset-liability mix. Additionally, the committee ensures sufficient unencumbered High-Quality Liquid Assets (HQLA) for short-term obligations by monitoring the Liquidity Coverage Ratio (LCR) daily. The Company has also implemented a liquidity risk framework which is monitored by the ALCO and Risk Management Committee.
Interest Rate Risk	The Company's Asset Liability Committee (ALCO) is responsible for managing balance sheet planning for risk-return and strategic management of interest rate and liquidity risks. The Company assesses its sensitivity to interest rate movements using traditional gap analysis to identify and mitigate potential risks. The Advances Book and Funding strategy are tailored to offset the repricing of borrowings by repricing loans.

Directors' Report (Contd.)

Risk	Mitigation
Operational Risk	<p>Operational Risk is the chance of financial loss due to insufficient internal processes, personnel, technology systems, or external factors. It covers legal risk but not strategic or reputational risks.</p> <p>The Company has a robust operational risk framework with monitoring by the Board of Directors, Risk Management Committee and Operational Risk Management Committee (ORMC).</p> <p>The Company has a three layered defence mechanism which includes the business units, operational risk team and internal audit, combined with established policies, procedures and robust internal controls. The ORMC also reviews the outsourcing policy and monitors outsourced activities.</p>

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements represent the financial statements of the Company and its controlled entities, which comprise the Group. The Group consolidates an entity when it has control over it, determined by its ability to affect the variable returns from its involvement with the investee. Consistent accounting policies are used for similar transactions and events when preparing consolidated financial statements. If any member of the Group uses different accounting policies for similar transactions and events, adjustments are made to their financial statements to ensure compliance with the Group's accounting policies.

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

The Company has designed a robust and comprehensive internal control system across all major processes to ensure efficient operations, compliance with laws and regulations and reliability of financial reporting. Internal Audits are conducted by an in-house Internal Audit team. The Head of Internal Audit reports to the Audit Committee of the Board. The Risk Based Internal Audit framework supports the system, which evaluates the effectiveness of internal controls, risk management and governance processes to provide independent assurance to the Board of Directors and Audit Committee of the Board. The Risk Based Internal Audit framework is appropriate for the business's size, scale and complexity and the risk based internal audit plan is developed based on the risk profile of its activities. The Audit Committee of the Board approves the risk based internal audit plan annually and regularly reviews the Internal Audit Department's observations, performance status, providing guidance as needed.

COMPLIANCE

The Company has an independent compliance function headed by a Chief Compliance Officer with direct reporting to the MD & CEO, the Company also has an approved compliance policy by its Board, ensuring effective monitoring and supervision of the compliance function in accordance with statutory requirements. The performance of the compliance function is reviewed by the Audit Committee, which assesses the effectiveness of controls to ensure compliance with regulatory guidelines. The Committee offers guidance and direction to the Management as necessary and appropriate.

HUMAN RESOURCE

At HDBFS our talent pool is one of our key success drivers. We continue to stay committed to investing in our people and driving a culture that emphasizes on our Core Values i.e. integrity, collaboration, agility, respect, excellence and simplicity. Our senior leadership team regularly communicates the Organization's strategy and vision, creating an interactive and engaging work culture. As a Company we provide an environment that facilitates superior performance and gives our employees ample opportunities for development and growth through our various Learning & Development, Skill-Building and Talent Management initiatives. We also drive various Engagement and Reward & Recognition Programs with the objective of keeping our talent engaged. Given our unwavering focus on superior employee experience and resource effectiveness, we have chalked our multiple transformational projects for FY 24 that would drive these objectives. As on March 31, 2023 the number of employees at HDBFS stands at 1,17,162.

Directors' Report (Contd.)

CSR TALES: IMPACTING LIVES

Transport Aarogyam Kendra:

Gopal, 45, lives in Ranchi. He was in the transportation industry. He had an accident one day. As a result, he was severely injured on his back and he was unable to work and was bedridden. He visited numerous medical facilities but received no pain alleviation. Due to financial difficulties, his family was unable to transport him to a higher level of care. He learned about the Transport Aarogyam Kendra and its free physiotherapy services. He underwent treatment and began walking without assistance after one month of treatment. With his self-motivation, cheerful personality and physiotherapy treatment, he is now able to walk and has begun working.

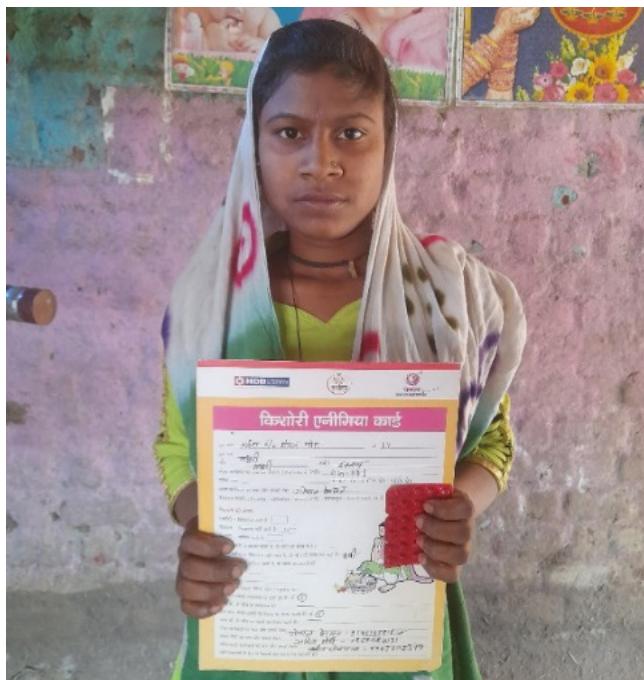


He is now a regular visitor who shares information about the facilities with other transporters and drivers.

Transport Aarogyam Kendra is a CSR initiative of HDB Financial Services Limited; a pioneering programme conceptualised to provide physiotherapy treatment to India's truck drivers. Like Gopal, several other truck drivers across Delhi, Mumbai, Namakkal and Ranchi have benefitted from physiocare services offered at HDB's Transport Aarogyam Kendras.

Project SNEHA:

Narmada is 16-year-old and lives with her family of five members in Mathuri village, Ratlam district. To supplement her household income, she dropped-out of school and started working as farm worker.



In August 2021, Narmada and her sister attended first Hb camp which was organised in the village as a part of Project SNEHA and was diagnosed as 'Severely Anaemic'. After the camp, the project team visited her home and collected information about her health issues.

Narmada and her parents were counselled for immediate treatment at a district hospital.

Narmada and her mother were also counselled about home-cooked nutritious diet that comprised of green leafy vegetables, iron rich foods and intake of medically-prescribed Iron Folic Acid (IFA) tablets.

Narmada now feels more energetic and also encourages other women to improve their consumption of locally produced, iron-rich food for a healthy living.

Project SNEHA is a collaborative effort of HDB Financial Services and CHETNA NGO to prevent anaemia among adolescent girls and women in the reproductive age and to break the intergenerational cycle of malnourishment. Several women in the urban and rural slums of Madhya Pradesh and Gujarat (high anaemic states) have benefitted from Project SNEHA.

Directors' Report (Contd.)

Lake Restoration:

Nyasargikere, a Community Lake situated in Mundagod Taluk, Uttara Kannada, Karnataka, was rejuvenated in 2019 with the CSR support of HDB Financial Services.



During a field visit in February, 2023, Gnyaneshwar Yallappa, Member of the Gram Panchayat, shared that the Lake has emerged as a true catalyst of prosperity in farming, not just for few, but for all the farmers in the village! Despite being relatively older lake in the vicinity, the Lake never underwent either partial de-siltation or a complete rejuvenation in last few decades.

Gnyaneshwar further explains, prior to rejuvenation, the lake was beneficial only for around 10-15 families and 35-40 acres of agriculture land that are adjacent to it as the water

holding capacity was limited. Post rejuvenation, around 60-70 families are benefitted and over 200 acres of land in the command area is now brought under cultivation.

Further, the Lake helps recharge aquifers naturally and aid in maintaining the ecological balance at large.

In an attempt to mitigate climate change, HDB Financial Services collaborates with grassroots organisation to restore dying waterbodies in a scientific manner. Like Nyasargikere, 135 community lakes have been restored.

CAUTIONARY STATEMENT

As per applicable laws and regulations, this Report contains some forward-looking statements. However, it should be noted that the actual results may differ from those expressed or implied due to various factors such as economic conditions, Government policies and other related factors.

ACKNOWLEDGEMENT

The Directors would like to express their gratitude towards the Reserve Bank of India, other regulatory and Government Bodies, the Company's Auditors, Customers, Bankers, Promoters, and Shareholders for their valuable support. Additionally, the Directors would like to acknowledge the efforts and dedication of the Company's employees, whose hard work and loyalty have contributed significantly to the Company's growth and success.

On behalf of the Board of Directors

Sd/-
Arijit Basu
Chairman

Place: Mumbai
Date: May 31, 2023

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. BRIEF OUTLINE ON CSR POLICY OF THE COMPANY:

The CSR Policy of the Company is the guiding document to optimally allocate, manage and supervise prescribed CSR funds of the Company. The document spells out the Company's CSR mission of contributing towards social and economic development of the community and the strategy to work towards its mission statement.

The Company has adopted seven development areas that are in line with Schedule VII, and further defines the nature of CSR initiatives to be undertaken. The policy document highlights the role of the CSR committee members too. The CSR Policy of the Company is in line with Section 135 of the Act, CSR Rules and Schedule VII of the Act.

2. COMPOSITION OF CSR COMMITTEE

Sl. No.	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Dr. Amla Samanta	Chairperson of the Committee, Independent Director	2	2
2	Ms. Smita Affinwalla	Member, Independent Director	2	2
3	Mr. Ramesh G.	Member, Managing Director & CEO	2	2

3. PROVIDE THE WEB-LINK WHERE COMPOSITION OF CSR COMMITTEE, CSR POLICY AND CSR PROJECTS APPROVED BY THE BOARD ARE DISCLOSED ON THE WEBSITE OF THE COMPANY

CSR Policy includes Composition of CSR Committee and the CSR Policy is uploaded on the Company's website and can be accessed at: <https://www.hdbfs.com/sites/default/files/policies/Corporate-Social-Responsibility-Policy-23.pdf>

List of active CSR projects approved by the Company are uploaded on the Company's website and can be accessed at: <https://www.hdbfs.com/sites/default/files/hdbfs-pdf/CSR-Partners-Projects-For-Website.pdf>

4. PROVIDE THE EXECUTIVE SUMMARY ALONG WITH THE WEB-LINK(S) OF IMPACT ASSESSMENT OF CSR PROJECTS CARRIED OUT IN PURSUANCE OF SUB-RULE (3) OF RULE 8, IF APPLICABLE.

The Company identified projects that were due for impact assessment in FY 2022-23. An independent agency was assigned to conduct impact assessment for projects with an outlay of ₹ 1 Crore and above. The assessment exercise has been conducted for 13 (Thirteen) projects and detailed assessment reports have been presented to the Board of Directors of the Company. The executive summary along with detailed assessment reports are uploaded on the Company website at <https://www.hdbfs.com/corporate-social-responsibility>

5.

- a. Average net profit of the Company as per sub-section (5) of section 135 = ₹ 1,107.64 Crore
- b. Two percent of average net profit of the Company as per sub-section (5) of section 135 = ₹ 22.15 Crore
- c. Surplus arising out of the CSR projects or programmes or activities of the previous financial years = NIL
- d. Amount required to be set off for the financial year, if any = 1.13 Crore
- e. Total CSR obligation for the Financial Year (5b+5c-5d) = ₹ 21.02 Crore

6.

- a. Amount spent on CSR projects (both Ongoing Project and other than Ongoing Project) = 20.29 Crore
- b. Amount spent in Administrative Overheads = 0.99 Crore
- c. Amount spent on Impact Assessment, if applicable = 0.50 Crore
- d. Total amount spent for Financial Year (6a+6b+6c) = 21.78 Crore

Directors' Report (Contd.)

- e. CSR amount spent or unspent for the Financial Year:

Total Amount Spent for the Financial Year (₹ in Crore)	Amount Unspent (₹ in Crore)				
	Total Amount transferred to Unspent CSR Account as per sub-section (6) of Section 135.		Amount transferred to any fund specified under Schedule VII as per second provision to sub-section (5) of section 135.		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
21.78	NIL	Not Applicable	Not Applicable	NIL	Not Applicable

- f. Excess amount for set off, if any:

Sl. No.	Particular	Amount (₹ in Crore)
(1)	(2)	(3)
(i)	Two percent of average net profit of the Company as per sub-section (5) of section 135	22.15
(ii)	Total amount spent for the Financial Year	21.78
(iii)	Excess amount spent for the Financial Year [(ii)-(i)]	0.76*
(iv)	Surplus arising out of CSR projects or programmes or activities of the previous Financial Years, if any	-
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	0.76

Note: *The Company had ₹ 1.13 Crore as amount available for set-off against prescribed CSR expenditure of ₹ 22.15 Crore for Financial Year 2022-23. During the year, the Company spent ₹ 21.78 Crore against requirement of ₹ 21.02 Crore (₹ 22.15 Crore - ₹ 1.13 Crore) leading to a excess of ₹ 0.76 Crore.

7. DETAILS OF UNSPENT CORPORATE SOCIAL RESPONSIBILITY AMOUNT FOR THE PRECEDING THREE FINANCIAL YEARS:

Sl. No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under sub- section (6) of section 135	Balance Amount in Unspent CSR Account under sub- section (6) of section 135	Amount spent in the Reporting Financial Year	6		7	8
					Amount	Date of transfer		
1.	FY 2022-23	NIL	2.28	2.28	Not Applicable	Not Applicable	0.00	0.00
2.	FY 2021-22	NIL	7.31	5.03	Not Applicable	Not Applicable	2.28	2.28
3.	FY 2020-21	7.31	7.31	NIL	Not Applicable	Not Applicable	7.31	7.31

8. WHETHER ANY CAPITAL ASSETS HAVE BEEN CREATED OR ACQUIRED THROUGH CORPORATE SOCIAL RESPONSIBILITY AMOUNT SPENT IN THE FINANCIAL YEAR: No

9. SPECIFY THE REASON(S), IF THE COMPANY HAS FAILED TO SPEND TWO PER CENT OF THE AVERAGE NET PROFIT AS PER SUB-SECTION (5) OF SECTION 135: Not Applicable

Sd/-
Amla Samanta
Chairperson, CSR Committee

Sd/-
Ramesh G.
Managing Director & CEO

FORM MR-3
SECRETARIAL AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2023

{Pursuant to Section 204(1) of the Companies Act, 2013 and rule 9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014}

To,
The Members,
HDB Financial Services Limited
Radhika, 2nd Floor, Law Garden Road,
Navrangpura, Ahmedabad GJ 380009.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **HDB Financial Services Limited** (hereinafter called "the Company"). Secretarial audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conduct / statutory compliance and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minutes books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2023, complied with the statutory provisions listed here under and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2023, according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws Framed there under (**during the period under review not applicable to the Company**);
- (iv) The Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings (**during the period under review FEMA Regulations for Foreign Direct Investment and Overseas Direct Investment were not applicable to the Company**);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011(**during the period under review not applicable to the Company**);
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**during the period under review not applicable to the Company**);
 - (d) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
 - (e) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (**during the period under review not applicable to the Company**);
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (**during the period under review not applicable to the Company**);
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 (**during the period under review not applicable to the Company**);
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 (**during the period under review not applicable to the Company**);

Directors' Report (Contd.)

- (i) The Securities and Exchange Board of India (Debenture Trustee) Regulations, 2021;
- (vi) Non-Banking Financial Company – Systemically Important Non - Deposit taking Company (Reserve Bank) Directions, 2016;
- (vii) Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016;
- (viii) Master Direction – Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016;
- (ix) Master Direction - Information Technology Framework for the NBFC Sector;
- (x) Master Direction – Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016.

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

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India;
- (ii) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

During the period under review the Company has complied with the provisions of Act, Rules, Regulations, Guidelines etc.

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of the Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notices are given to all Directors to schedule the Board / Committee Meetings, agenda and detailed notes on agenda were sent at least seven days in advance to all the Directors. Meetings held at shorter notice are in compliance with the provisions of the Act and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the Company had the following special / ordinary resolutions which are having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

- a. The members of the Company passed a resolution at its 15th Annual General Meeting to declare final dividend @ 10% i.e. ₹ 1/- on each equity share for the financial year ended March 31, 2022.
- b. To approve re-appointment of Mr. G. Ramesh as a Managing Director and Chief Executive Officer of the Company.
- c. Authority to issue secured redeemable non-convertible debentures (NCDs) on private placement basis upto ₹ 18,078.90 Crore.
- d. To approve selling, assignment, Securitisation of receivables/book debts of the Company upto ₹ 7,500 Crore.
- e. Authority to issue secured redeemable non-convertible debentures (NCDs) on private placement basis upto ₹ 5,000 Crore.
- f. To approve Material Related Party Transactions with HDFC Bank Limited for FY 2023-24.
- g. To approve Material Related Party Transactions with HDFC Life Insurance Company Limited for FY 2023-24.
- h. To approve Employee Stock Option Scheme 2022 for eligible employees of HDB Financial Services Limited.
- i. To revise Profit Related Commission payable to Independent Directors.

We further report that during the audit period the Company has transacted the following activities through the approval of the Board / Committee resolutions which are having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.

- a. The Company has under various Employee stock option scheme issued and allotted 9,59,052 (Nine Lakhs Fifty-Nine Thousand Fifty-Two) Equity Shares of ₹ 10/- each to employees of the Company.
- b. The Company has issued and allotted 3,61,778 (Three Lakhs Sixty-One Thousand Seven Hundred and Seventy-Eight) Secured Redeemable Non-Convertible Debentures of ₹ 10 Lakhs each (Rupees Ten Lakhs Only) & ₹ 1,00,000 (Rupees One Lakhs Only)

Directors' Report (Contd.)

in various tranches on private placement basis, which were duly listed on BSE Limited. Also during the reporting year, the Company has received 4th Call money of ₹ 300 Crore (i.e. 20% of the amount raised) towards partly paid up Non-Convertible Debentures issued and allotted in the FY 2019-20;

- c. The Company has issued / allotted 4,000 Commercial Papers with face value of ₹ 5,00,000 (Rupees Five Lakhs Only) each in the reporting year;
- d. The Company has redeemed 49,409 Secured Redeemable Non-Convertible Debentures in various tranches during the year.
- e. The Company has redeemed 4,000 Commercial Papers during the year.

For **Mehta & Mehta**,
Company Secretaries
(ICSI Unique Code P1996MH007500)

Sd/-

Dipti Mehta
Partner
FCS No: 3667
CP No: 23905
Place: Mumbai
Date: April 15, 2023
UDIN: F003667E000103580

Note: This report is to be read with our letter of even date which is annexed as '**ANNEXURE A**' and forms an integral part of this report.

Directors' Report (Contd.)

Annexure A

To,
 The Members,
HDB Financial Services Limited
 Radhika, 2nd Floor, Law Garden Road,
 Navrangpura, Ahmedabad GJ 380009.

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

- 1) Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- 2) We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices we followed provide a reasonable basis for our opinion.
- 3) We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
- 4) Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
- 5) The compliance of the provisions of corporate laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
- 6) As regard the books, papers, forms, reports and returns filed by the Company under the provisions referred to in points (vi) to (x) of our Secretarial Audit Report in Form MR-3 the adherence and compliance to the requirements of the said regulations is the responsibility of management. Our examination was limited to checking the execution and timeliness of the filing of various forms, reports, returns and documents that need to be filed by the Company with various authorities under the said regulations. We have not verified the correctness and coverage of the contents of such forms, reports, returns and documents.
- 7) The secretarial audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For **Mehta & Mehta**,
 Company Secretaries
 (ICSI Unique Code P1996MH007500)

Sd/-
Dipti Mehta
 Partner
 FCS No: 3667
 CP No: 23905
 Place: Mumbai
 Date: April 15, 2023
 UDIN: F003667E000103580

DETAILS OF EMPLOYEES' STOCK OPTION SCHEME PURSUANT TO THE PROVISIONS OF RULE 12(9) OF THE COMPANIES (SHARE CAPITAL AND DEBENTURES) RULES, 2014 FOR THE YEAR ENDED MARCH 31, 2023

Details	ESOS - 10	ESOS - 11	ESOS - 12	ESOS - 13	ESOS - 13A	ESOS - 14	ESOS - 15A	ESOS - 15B
Options granted during the year	-	-	-	-	-	-	11,83,140	35,81,490
Options vested	-	-	5,54,500	3,39,835	15,000	6,46,848	-	-
Options exercised	-	32,410	3,94,140	2,13,570	13,000	3,05,932	-	-
Total number of shares arising as a result of exercise of option	-	32,410	3,94,140	2,13,570	13,000	3,05,932	-	-
Options lapsed / forfeited	-	-	30,680	52,190	-	1,29,165	-	83,320
Exercise price (in ₹)	213	274	300	348	409	433	457	509
Money realised by exercise of options (in ₹)	-	88,80,340	11,82,42,000	7,43,22,360	53,17,000	13,24,68,556	-	-
Total number of options in force as at March 31, 2023	42,000	74,020	2,78,090	6,67,395	37,000	17,99,723	11,83,140	34,98,170
Options exercisable, end of year	42,000	74,020	2,78,090	2,64,275	2,000	3,40,916	-	-

Note: During the FY 2022-23, there was no variation in terms of Employees' Stock Option Scheme.

Employee wise details of options granted to Key Managerial Personnel is given below:

Sr. No.	Name	Designation	Grant during FY 2022-23
1	Ramesh G.	Managing Director & Chief Executive Officer	2,43,300
2	Jaykumar P. Shah	Chief Financial Officer	1,27,600
3	Dipti Khandelwal	Company Secretary and Head - Legal	-

DISCLOSURES IN TERMS OF SECTION 197(12) READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

1. The ratio of the remuneration of each Director to the median remuneration of employees of the Company for the financial year as below:

Name and Designation	Ratio
Mr. Arijit Basu, Chairman	21:1
Mr. Venkatraman Srinivasan, Independent Director	12:1
Ms. Smita Affinwalla, Independent Director	11:1
Dr. Amla Samanta, Independent Director	8:1
Mr. Adayapalam Viswanathan, Independent Director	12:1
Ms. Arundhati Mech, Independent Director	7:1
Mr. Ramesh G., Managing Director & Chief Executive Officer	225:1

2. Percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any in the financial year:

Designation	Percentage Increase
Managing Director & Chief Executive Officer	12%
Chief Financial Officer	15%
Company Secretary	25%

Non-Executive/ Independent Directors

The Shareholders by resolution passed through postal ballot on March 26, 2023 had approved to revise the profit related commission payable to the Independent Directors of the Company with effect from April 01, 2022 at the rate of ₹ 1,00,000 per meeting of the Board and/or Committee attended, up to maximum of ₹ 15,00,000 per Independent Director in a Financial Year, from ₹ 60,000 per meeting of the Board and/or Committee attended, up to maximum of ₹ 7,50,000 per Independent Director in a Financial Year.

3. During the year under review there was 4.66% increase in the median remuneration of the employees of your Company.
4. As on March 31, 2023 there were 1,17,162 employees on the rolls of your Company.
5. It is hereby affirmed that the remuneration paid during the year was as per the Remuneration policy of the Company.
6. Average percentage increase in the salaries of employees other than the managerial personnel in the last financial year was 2.77% whereas the increase in the managerial remuneration was 17.33%.

RELATED PARTY TRANSACTION DISCLOSURE AS PER SECTION 188 OF THE COMPANIES ACT, 2013
Form No. AOC - 2

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

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

1. Details of contracts or arrangements or transactions not at arm's length basis: **Nil**
2. Details of material contracts or arrangement or transactions at arm's length basis:

Name(s) of the related party and nature of relationship	Nature of contracts/arrangements/transactions	Duration of the contracts/arrangements/transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Justification for entering into such contracts or arrangements or transactions	Date(s) of approval by the Board, if any	Amount paid as advances, if any
HDFC Bank Limited (Holding Company)	Providing sales support services	April 2022-March 2023	The Company has a contract with the HDFC Bank for providing sales support services. Income from sales support services is ₹ 1,821.96 Crore	It is specialised service provided by the Company to HDFC Bank at cost plus mark up as per the terms agreed between parties	NA	Nil
HDFC Bank Limited (Holding Company)	Term Loans availed/repaid	April 2022-March 2023	The terms and rates are determined as per prevailing market rates. Term Loan availed is ₹ 4,034.90 Crore Repaid is ₹ 3,015.43 Crore	This is in furtherance of the fund raising activities of the Company		Nil

The details of the other related party transactions including amount has been mentioned in the notes forming part of financial statement at Note no. 37.

The above mentioned material related party transactions was entered into by the Company in the ordinary course of business and at arm's length basis duly approved by the Audit Committee of the Company. The materiality threshold is as prescribed in Rule 15 (3) the Companies (Meetings of Board and its Powers) Rules, 2014.

Sd/-
Arijit Basu
 Chairman

CERTIFICATE ON CORPORATE GOVERNANCE

To,
 The Members,
HDB Financial Services Limited

We have examined the compliance of conditions of Corporate Governance by **HDB Financial Services Limited** (hereinafter referred as "Company") for the Financial year ended March 31, 2023 as prescribed under Regulations 17 to 27 and paras C, D and E of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as "Listing Regulations").

We state that compliance of conditions of Corporate Governance is the responsibility of the management, and our examination was limited to procedures and implementation thereof adopted by the Company for ensuring compliance with conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion, and to the best of our information and according to our examination of the relevant records and the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as prescribed under Listing Regulations.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

This certificate is issued solely for the purposes of complying with Listing Regulations and may not be suitable for any other purpose.

For **Mehta & Mehta**,
 Company Secretaries
 (ICSI Unique Code P1996MH007500)

Sd/-
Dipti Mehta
 Partner

FCS No: 3667
 CP No: 23905

Place: Mumbai
 Date: April 15, 2023

UDIN: F003667E000103681

Corporate Governance Report

Report on Corporate Governance pursuant to the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and forming a part of the report of the Board of Directors

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders and is guided by a strong emphasis on transparency, accountability and integrity. The governance practices and processes ensure that the interest of all stakeholders are taken into account in a transparent manner and are firmly embedded into the culture of the organisation.

The Company has fair, transparent and ethical governance practices, essential for augmenting long-term shareholder value and retaining investor trust. This has been possible through continued efforts and commitment to the highest standards of corporate conduct.

The Company has a dynamic, experienced and well-informed Board. The Board along with its Committees, with the Corporate Governance mechanism in place, undertakes its fiduciary duties towards all its stakeholders. The Company has adopted a Board approved Corporate Governance Code which will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls, performance measurement and regulatory disclosure. The said Corporate Governance Code has been uploaded on the Company's website and can be accessed at <https://www.hdbfs.com/investors>.

BOARD OF DIRECTORS

The Board of Directors ("Board") is at the core of the corporate governance system of the Company. The Board is committed

towards compliance of sound principles of corporate governance and plays a crucial role in overseeing how the management serves the short and long term interests of the members and other stakeholders. This belief is reflected in the governance practices of the Company, under which it strives to maintain an effective, informed and independent Board.

The Company strives to maintain an appropriate balance of skills and experience within the organisation and the Board in an endeavour to introduce new perspectives while maintaining experience and continuity.

Committees of the Board handling specific responsibilities mentioned under the applicable laws viz. Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, Information Technology Strategy Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee etc. empower the functioning of the Board through flow of information amongst each other and by delivering a focused approach and expedient resolution of diverse matters.

In compliance with the provisions of the Companies Act, 2013 ("Act") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the Board of your Company has an optimum combination of Executive, Non-Executive and Independent Directors. The composition of the Board is in compliance with the provisions of the Act and Rules made thereunder and SEBI Listing Regulations as amended from time to time. As on March 31, 2023, the Board comprised of seven members, out of which one is Executive Director, one is Non-Executive Chairman and five are Non-Executive Independent Directors of which, three of the Non-Executive Independent Directors are Women.

The composition of the Board of Directors as at March 31, 2023:

Sr. no.	Category	Name of the Director	Director since
1	Executive Director	Mr. Ramesh G. (Managing Director & Chief Executive Officer)	July 01, 2012
2	Non-Executive Director	Mr. Arijit Basu (Chairman and Non-Executive Director)	June 01, 2021
3	Independent Directors	Mr. Venkatraman Srinivasan	March 12, 2015
		Ms. Smita Affinwalla	March 12, 2015
		Dr. Amla Samanta	May 01, 2019
		Mr. Adayapalam Viswanathan	July 24, 2019
		Ms. Arundhati Mech	February 11, 2022

Note:

1. Mr. Ramesh G. was re-appointed as a Managing Director & Chief Executive Officer of the Company for the period of 5 (Five) years with effect from July 1, 2022 up to June 30, 2027 not liable to retire by rotation and the same was approved by the Members of the Company at the 15th Annual General Meeting held on June 23, 2022.

Corporate Governance Report (Contd.)

2. *The Board of Directors based on the recommendation of Nomination and Remuneration Committee and declaration of independence received from Mr. Arijit Basu, has appointed Mr. Arijit Basu as a Part-Time Non-Executive Chairman and Additional Independent Director of the Company with effect from May 31, 2023 till the conclusion of the ensuing Annual General Meeting of the Company. Accordingly, Mr. Arijit Basu has tendered his resignation from the position of Chairman & Non-Executive Director (Non-Independent) of the Company with effect from May 31, 2023.*

All the Directors have made necessary disclosures regarding their directorship and committee positions occupied by them in other companies. None of the directors are related to each other.

Details of directorships, memberships and chairpersonships of the committees of other companies for the Directors of the Company as on March 31, 2023 are as follows:

Name of the Director & DIN	Category	Directorships			Number of Committee positions held**	
		In equity listed companies	In unlisted public companies*	In private limited companies	Chairperson	Member
Mr. Ramesh G. (DIN: 05291597)	Managing Director & Chief Executive Officer	0	1	0	0	1
Mr. Arijit Basu (DIN: 06907779)	Chairman and Non-Executive Director	0	2	0	0	1
Mr. Venkatraman Srinivasan (DIN: 00246012)	Independent Director	3	1	1	3	6
Ms. Smita Affinwalla (DIN: 07106628)	Independent Director	1	2	2	1	4
Dr. Amla Samanta (DIN: 00758883)	Independent Director	0	2	2	1	2
Mr. Adayapalam Viswanathan (DIN: 08518003)	Independent Director	0	1	0	0	1
Ms. Arundhati Mech (DIN: 09177619)	Independent Director	0	2	0	0	2

* Including Directorship in HDB Financial Services Limited.

** Disclosure includes Chairmanship/ Membership of Committees as required for computation of maximum number of Committees of which Director can be Chairman or Member in terms of Regulation 26(1) of SEBI Listing Regulations (i.e. Chairmanship/ Membership of Audit Committee and Stakeholders Relationship Committee in all Indian public companies including HDB Financial Services Limited).

The number of Memberships of the Directors in the Committee includes the number of posts of Chairman of the said Committee held in public companies including HDB Financial Services Limited as on March 31, 2023.

DETAILS OF THE DIRECTORSHIPS IN OTHER LISTED ENTITIES:

Name of the Director	Name of listed entity	Category
Mr. Arijit Basu	Nil	Not applicable
Mr. Venkatraman Srinivasan	Fairchem Organics Limited	Independent Director
	Tata Coffee Limited	Independent Director
	Mahanagar Gas Limited	Independent Director
Ms. Smita Affinwalla	Prime Securities Limited	Independent Director
Dr. Amla Samanta	Nil	Not applicable
Mr. Adayapalam Viswanathan	Nil	Not applicable
Ms. Arundhati Mech	Nil	Not applicable
Mr. Ramesh G.	Nil	Not applicable

Corporate Governance Report (Contd.)

In terms of Regulation 26 of SEBI Listing Regulations, none of the Directors of the Company were members of more than 10 Committees or acted as the Chairperson of more than 5 Committees across all listed companies in India, in which they are a Director. Basis the disclosures received from the Directors, it is confirmed that none of the Directors is on the Board of more than:

- i. 20 (twenty) companies
- ii. 10 (ten) public limited companies
- iii. 7 (seven) equity listed entities

BOARD MEETINGS AND DELIBERATIONS

The Board / Committee Meetings are convened by giving appropriate notice well in advance of all the meetings. The Directors / Members are provided with appropriate information in the form of agenda items in a timely manner, to enable them to deliberate on each agenda item and make informed decisions and provide appropriate directions to the Management. The Board meets at least once in every quarter to review the quarterly results and other items on the agenda and additional meetings are held to address specific needs and business requirements of your Company. In case of business exigencies, the Board's approvals are taken through circular resolutions and the same are noted at the subsequent meeting of the Board and/or Committees.

Video-conferencing facility is also provided at the Board / Committee meetings in case any director is unable to attend the meeting physically but wishes to participate through electronic mode in the meetings. The same is conducted in compliance with the applicable laws. The Business Heads and other executives attend the Board and Committee meetings upon invitation on need basis.

During the year under review, recommendations given by the various committees of the Board were considered and accepted as appropriate by the Board of Directors.

At the Board / Committee Meetings, presentations covering important areas of the Company such as annual action plans and business strategies, financial statements and performance updates, information technology and information security risks, customer grievances and customer services framework, compliance and risk assessment, Scale Based Regulation (SBR) regulatory framework, etc. were made.

During the FY 2022-23, your Board of Directors met 8 (Eight) times, the meetings were held on April 16, 2022, May 18, 2022, July 16, 2022, October 15, 2022, December 16, 2022, January 14, 2023, March 06, 2023, March 07, 2023 (adjourned meeting) and March 27, 2023. The requisite quorum was present for all the meetings. The Board met at least once in a calendar quarter and the maximum time gap between any two meetings was not more than one hundred and twenty days.

The below gives the number of Board meetings held and attended by each Director, attendance record of the last virtual Annual General Meeting held on June 23, 2022 and number of shares held by each Directors:

Name of the Director	Number of Board Meetings		Whether attended last AGM	No. of shares held in the Company
	Held during their tenure (in FY 2022-23)	Meetings attended		
Mr. Arijit Basu	8	8	Yes	Nil
Mr. Venkatraman Srinivasan	8	8	Yes	Nil
Ms. Smita Affinwalla	8	8	Yes	Nil
Dr. Amla Samanta	8	6	Yes	Nil
Mr. Adayapalam Viswanathan	8	7	Yes	Nil
Ms. Arundhati Mech	8	8	Yes	Nil
Mr. Ramesh G.	8	8	Yes	7,70,500

CHANGES IN BOARD COMPOSITION

During the FY 2022-23 there was no change in the Board Composition of the Company. However, Mr. Ramesh G. was re-appointed as a Managing Director and Chief Executive Officer of the Company for the period of 5 (Five) years with effect from July 01, 2022 up to June 30, 2027 and the same was approved by the Members of the Company at the 15th Annual General Meeting held on June 23, 2022.

Corporate Governance Report (Contd.)

Details of change in the Board composition during FY 2021-22 is as under:

#	Name of Director	Nature of change	Effective Date
1	Mr. Arijit Basu	Appointed as Chairman and Non-Executive Director	June 01, 2021
2	Ms. Arundhati Mech	Appointed as Independent Director	February 11, 2022

Appointment of Mr. Arijit Basu was approved by the shareholders in the 14th AGM held on June 25, 2021 and the appointment of Ms. Arundhati Mech was approved by the shareholders through Postal Ballot passed on March 27, 2022.

DECLARATION OF INDEPENDENCE

The Company has received necessary declaration and confirmation from each of the Independent Directors confirming that they meet the criteria of independence as prescribed under the Act and SEBI Listing Regulations. Independent Directors have confirmed that they have registered their names in the Independent Directors' Databank. In the opinion of the Board, the Independent Directors continue to fulfil the criteria prescribed for an independent director as stipulated in Regulation 16(1)(b) of the SEBI Listing Regulations and Section 149(6) of the Act and are independent of the management of the Company.

MEETINGS OF INDEPENDENT DIRECTORS

As stipulated by the Code of Independent Directors under the Act and Rules made thereunder and SEBI Listing Regulations as amended from time to time, one meeting of Independent Directors was held during the year. The meeting was conducted to enable Independent Directors, discuss matters relating to Company's affairs and put forth their views without the presence of Non-Independent Directors and members of the Management.

In this meeting, the Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole.

A separate meeting of Independent Directors was held on April 15, 2022, during the year under review.

The details of the separate meeting of Independent Directors held during FY 2022-23 and attendance of the members at the meeting is given below:

Name of the member	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Ms. Smita Affinwalla	1	1	100
Mr. Venkatraman Srinivasan	1	1	100
Dr. Amla Samanta	1	1	100
Mr. Adayapalam Viswanathan	1	1	100
Ms. Arundhati Mech	1	1	100

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

The Company conducts orientation programmes / presentations / training sessions, periodically at regular intervals, to familiarise the Independent Directors with the strategies, operations and functions of the Company.

Further, on an ongoing basis as a part of the agenda of meetings of the Board/ Committee(s), presentations are regularly made to the Independent Directors on various matters inter alia covering the Company's businesses and operations, strategies, risk management framework, industry and regulatory updates and other relevant matters. These presentations enable one-on-one interaction between the Independent Directors and the senior management of the Company/ internal auditor of the Company. Additionally, visits to branches of the Company are also arranged to apprise them of the actual operations of the Company.

The details of programmes for familiarisation of Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters along with details of number of programmes and number of hours spent by each of the Independent Directors during FY 2022-23, in terms of the requirements of SEBI Listing Regulations are available on the website of the Company and can be accessed at https://www.hdbfs.com/sites/default/files/grp_pdf/Familiarization-Program-for-Independent-Directors2023.pdf.

Corporate Governance Report (Contd.)

A CHART OR A MATRIX SETTING OUT THE SKILLS/EXPERTISE/COMPETENCE OF THE BOARD

The following is the list of core skills / expertise / competencies identified by the Board of Directors as required in the context of the Company's business and that the said skills are available with the existing composition of the Board.

Name of the Director	Skill Areas
Mr. Arijit Basu	Leadership qualities, Business and Strategic planning, Industry knowledge and experience, Engagement, Governance, Compliance and Audit purview, Information Technology, Risk management
Mr. Venkatraman Srinivasan	Leadership qualities, Business and Strategic planning, Industry knowledge and experience, Engagement, Governance, Compliance and Audit purview, Information Technology, Risk management
Ms. Smita Affinwalla	Leadership qualities, Business and Strategic planning, Industry knowledge and experience, Engagement, Governance, Compliance and Audit purview, Risk management
Mr. Adayapalam Viswanathan	Leadership qualities, Business and Strategic planning, Industry knowledge and experience, Engagement, Governance, Compliance and Audit purview, Information Technology, Risk management
Dr. Amla Samanta	Leadership qualities, Business and Strategic planning, Industry knowledge and experience, Engagement, Governance, Compliance and Audit purview, Risk management
Ms. Arundhati Mech	Leadership qualities, Business and Strategic planning, Industry knowledge and experience, Engagement, Governance, Compliance and Audit purview, Information Technology, Risk management
Mr. Ramesh G.	Leadership qualities, Business and Strategic planning, Industry knowledge and experience, Engagement, Governance, Compliance and Audit purview, Information Technology, Risk management

COMMITTEES OF THE BOARD

Your Company has 6 (Six) Board level Committees i.e. Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Corporate Social Responsibility Committee, Risk Management Committee and Information Technology Strategy Committee. All decisions pertaining to the constitution of Committees, appointment of members and terms of reference for Committee members are taken by the Board of Directors. Details pertaining to the role and composition of these Committees, including the number of meetings held during the financial year and the related attendance, are provided below:

a) Audit Committee

Your Company has an independent Audit Committee, which acts as a link between the management, the statutory and internal auditors and the Board. Its composition, quorum, powers, role and scope are in accordance with the provisions of Section 177 of the Act, Regulation 18 of the SEBI Listing Regulations and Reserve Bank of India Master Direction No. RBI/DNBR/2016-17/45 DNBR. PD.008/03.10.119/2016-17 dated September 01, 2016 on Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ("**RBI Master Directions**"). All the members of the Audit Committee are financially literate and possess high expertise in the fields of Finance, Taxation, Economics, Risk and International Finance.

Composition:

All the members of the Audit Committee are Independent Directors. The Composition of the Audit Committee as on March 31, 2023 is as under:

Name of the Member	Designation in the Committee & Category	Member of Committee since
Mr. Venkatraman Srinivasan	Chairman, Independent Director	March 12, 2015
Mr. Adayapalam Viswanathan	Member, Independent Director	July 24, 2019
Ms. Smita Affinwalla	Member, Independent Director	March 12, 2015

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Act and Rules made thereunder, SEBI Listing Regulations and RBI Master Directions as amended from time to time. The role and responsibilities of the Audit Committee inter-alia includes:

- (i) Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that its financial statements are correct, sufficient and credible;
- (ii) Recommending the appointment, remuneration and terms of appointment of the auditors of the Company;

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- (iii) Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- (iv) Approving payments to statutory auditors for any other services rendered by the statutory auditors;
- (v) Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
 - (a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act;
 - (b) Changes, if any, in accounting policies and practices and reasons for the same;
 - (c) Major accounting entries involving estimates based on the exercise of judgment by management;
 - (d) Significant adjustments made in the financial statements arising out of audit findings;
 - (e) Compliance with listing and other legal requirements relating to financial statements;
 - (f) Disclosure of any related party transactions; and
 - (g) Modified opinion(s) in the draft audit report.
- (vi) Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
- (vii) Reviewing, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency, monitoring the utilisation of proceeds of a public or rights issue, or preferential issue or qualified institutions placement and making appropriate recommendations to the Board to take up steps in this matter;
- (viii) Approval or any subsequent modifications of transactions of the Company with related parties;
- (ix) Scrutinising of inter-corporate loans and investments;
- (x) Valuation of undertakings or assets of the Company, wherever it is necessary;
- (xi) Evaluating internal financial controls and risk management systems;
- (xii) Reviewing, with the management, the performance of statutory and internal auditors, and adequacy of the internal control systems;
- (xiii) Reviewing the adequacy of internal audit function if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- (xiv) Discussing with internal auditors on any significant findings and follow up there on;
- (xv) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- (xvi) Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;
- (xvii) Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- (xviii) Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- (xix) Reviewing the functioning of the whistle blower mechanism;
- (xx) Approving the appointment of the chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- (xxi) Reviewing the utilisation of loans and/ or advances from/investment by the holding company in any subsidiary exceeding rupees 100 Crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments;
- (xxii) Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders.

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- (xxiii) Ensuring that an information system audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company;
- (xxiv) Authority to deal with or investigate into any matter in relation to the items herein or referred to it by the Board of Directors of the Company, Reserve Bank of India, Securities Exchange Board of India and recognised Stock Exchange, and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the Company; and
- (xxv) Performing such other activities as may be delegated by the Board and/or prescribed under the Companies Act, the Listing Regulations, RBI Master Directions, and any other applicable rules, regulations, guidelines, clarifications, circulars and notifications issued by the Government of India including Securities and Exchange Board of India, Reserve Bank of India any other regulatory authority.

Meetings and Attendance during the year:

The Audit Committee met 4 (Four) times during the year under review on April 15, 2022, April 16, 2022 (adjourned meeting), July 15, 2022, July 16, 2022 (adjourned meeting), October 14, 2022, October 15, 2022 (adjourned meeting) and January 13, 2023, January 14, 2023 (adjourned meeting). The gap between two meetings did not exceed one hundred and twenty days.

The details of attendance of the Members of the Committee at meeting are provided herein below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Venkatraman Srinivasan	4	4	100
Mr. Adayapalam Viswanathan	4	4*	100
Ms. Smita Affinwalla	4	4	100

*Mr. Adayapalam Viswanathan was present at the 65th Audit Committee meeting held on October 14, 2022.

However, he was absent in the 65th adjourned Audit Committee meeting held on October 15, 2022.

In addition to the members of the Audit Committee, these meetings were attended by Chief Financial Officer, Internal Auditor, representative of Statutory Auditors and other senior executives who were considered necessary for providing inputs to the Committee.

The Company Secretary acts as the Secretary to the Audit Committee.

During the FY 2022-23, the Board had accepted all recommendations of the Audit Committee.

b) Nomination and Remuneration Committee

Your Company has a Nomination and Remuneration Committee ("NRC") in compliance with the provisions of the Section 178 of the Act, Regulation 19 of SEBI Listing Regulations and RBI Master Directions.

Composition:

Two-third members of the Nomination and Remuneration Committee are Independent Directors. The Composition of the Nomination and Remuneration Committee as on March 31, 2023 is as under:

Name of the Member	Designation in the Committee & Category	Member of Committee since
Mr. Venkatraman Srinivasan	Chairman, Independent Director	March 12, 2015
Mr. Arijit Basu	Member, Non-Executive Director	August 16, 2021
Dr. Amla Samanta	Member, Independent Director	July 24, 2019

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements mandated in the Act and Rules made thereunder, SEBI Listing Regulations and RBI Master Directions as amended from time to time. The role and responsibilities of the Nomination and Remuneration Committee inter-alia includes:

- (i) Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a Policy, relating to the remuneration for the directors, key managerial personnel and other

Corporate Governance Report (Contd.)

employees. While formulating the policy, following to be ensured:

- (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully;
 - (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.
- (ii) For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:
- (a) use the services of an external agencies, if required;
 - (b) consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - (c) consider the time commitments of the candidates.
- (iii) Formulating criteria for evaluation of the performance of the independent directors and the Board;
- (iv) Devising a policy on Board diversity;
- (v) Ensuring 'fit and proper' status of the proposed and existing directors and scrutinising the declarations received by the directors in this regard;
- (vi) Identifying persons who qualify to become directors or who may be appointed in senior management in accordance with the criteria laid down,

recommending to the Board their appointment and removal;

- (vii) Determining whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
- (viii) Recommend to the Board, all remuneration, in whatever form, payable to senior management;
- (ix) To specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance;
- (x) To consider giving stock options to the employees in the form of equity shares of the Company and also consider any other compensation related issues or matters relating to the Company's employees; and
- (xi) Performing such other activities as may be delegated by the Board and/or prescribed under the Companies Act, the Listing Regulations, the RBI Master Directions, and any other applicable rules, regulations, guidelines, clarifications, circulars and notifications issued by the Government of India including Securities and Exchange Board of India, Reserve Bank of India any other regulatory authority.

Meetings and Attendance during the year:

The Nomination and Remuneration Committee met 3 (Three) times during the year under review, on May 18, 2022, October 31, 2022 and January 04, 2023. The details of attendance of the Members of the Committee at meeting, are provided herein below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Venkatraman Srinivasan	3	3	100
Dr. Amla Samanta	3	3	100
Mr. Arijit Basu	3	3	100

The Company Secretary acts as the Secretary to the Nomination and Remuneration Committee.

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During the FY 2022-23, the Board had accepted all recommendations of the Nomination and Remuneration Committee.

Mr. Venkatraman Srinivasan, Chairman of the Committee, was present at the 15th AGM which was held through video conferencing (VC) on June 23, 2022 to answer members' queries.

Performance Evaluation of Board, its Committees and Directors

The Nomination and Remuneration Committee had approved a framework for performance evaluation of the Board of Directors, its Committees and the individual Board members.

Pursuant to the provisions of the Act and Rules made thereunder and SEBI Listing Regulations as amended from time to time, the Board has carried out an annual performance evaluation of its own performance, evaluation of the working of its Committees as well as performance of all the Directors individually (including Independent Directors). Feedback was sought by well-defined and structured questionnaires covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, areas of responsibility, execution and performance of specific duties, obligations and governance, compliance, etc.

Performance evaluation framework of the Company is as follows:

- a. NRC would approve framework of performance evaluation of the Company;
- b. Board would evaluate the performance of the Independent Directors, Board as a whole and Committees of the Board;
- c. Independent Directors would evaluate the performance of the Chairman of the Company after taking views of other directors, Board as a whole and Non-Independent Directors; and
- d. Self-evaluation of individual Directors.

The evaluation involves self-evaluation by the Board Member and subsequent assessment by the Independent Directors. A member of the Board will not participate in the discussion of his/her evaluation.

The performance evaluation of the Non-Independent Directors, Chairman and the Board as a whole was carried out by the Independent Directors.

The performance evaluation of the Independent Directors was carried out by the entire Board excluding

the Director being evaluated. Performance evaluation of the Board and of its Committees was carried out by the Board. Qualitative comments and suggestions of Directors were taken into consideration by the Chairman of the Board and the Chairman of the Nomination and Remuneration Committee.

c) Stakeholders Relationship Committee

Your Company has a Stakeholders Relationship Committee in compliance with Section 178(5) of the Act and Regulation 20 of SEBI Listing Regulations.

Composition:

The composition of Stakeholders Relationship Committee of the Company as on March 31, 2023 is as under:

Name of the Member	Designation in the Committee & Category	Member of Committee since
Dr. Amla Samanta	Chairperson, Independent Director	July 17, 2019
Ms. Arundhati Mech	Member, Independent Director	April 16, 2022
Mr. Ramesh G.	Member, Managing Director & Chief Executive Officer	April 18, 2017

Note:

1. Ms. Arundhati Mech was appointed as a Member of the Stakeholder Relationship Committee consequent to reconstitution of the Committee with effect from April 16, 2022.
2. Mr. Adayapalam Viswanathan ceased to be a Member of the Stakeholder Relationship Committee consequent to reconstitution of the Committee with effect from April 16, 2022.

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with Act and SEBI Listing Regulations. The role and responsibilities of the Stakeholders Relationship Committee inter-alia includes:

- (i) Resolving the grievances of the security holders of the Company including complaints related to transfer/transmission of shares, non-receipt of annual report, non-receipt of declared dividends, issue of new/duplicate certificates, etc.;
- (ii) Review of measures taken for effective exercise of voting rights by shareholders;

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- (iii) Review of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent;
- (iv) Review of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the Company; and
- (v) Performing such other activities as may be delegated by the Board and/or prescribed under the Companies Act, the Listing Regulations, RBI Master Directions, and any other applicable rules, regulations, guidelines, clarifications, circulars and notifications issued by the Government of India including Securities and Exchange Board of India, Reserve Bank of India any other regulatory authority.

Details of the investor complaints received during the FY 2022-23 are given as below:

No. of complaints received	No. of complaints not solved to the satisfaction of the shareholders	No. of pending complaints at the end of the year
Nil	Nil	Nil

Meetings and Attendance during the year:

The Stakeholders Relationship Committee met twice during the year under review on April 15, 2022 and October 15, 2022.

The details of attendance of the Members of the Committee at meeting, are provided herein below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Dr. Amla Samanta	2	2	100
Mr. Adayapalam Viswanathan	1	1	100
Mr. Ramesh G.	2	2	100
Ms. Arundhati Mech	1	1	100

The Company Secretary acts as the Secretary to the Stakeholder Relationship Committee. Dr. Amla Samanta, Chairperson of the Committee, was present at the 15th AGM which was held through video conferencing (VC) on June 23, 2022 to answer stakeholders' queries.

d) Risk Management Committee

Your Company has Risk Management Committee in compliance with Regulation 21 of SEBI Listing Regulations and RBI Master Directions, which monitors the risk management strategy of the Company. In order to ensure best governance practices, the Company has established risk management process for each line of its business and operations. These processes have been implemented through the specific policies adopted by the Board of Directors of the Company from time to time. Nevertheless, entire processes are subjected to robust independent internal audit review to arrest any potential risks and take corrective actions.

The Risk Management Committee of the Board has been in place since the commencement of business of the Company, meets on a quarterly basis and reports to the Board of Directors. The minutes of such meetings are tabled before the Board of Directors.

Composition:

The composition of the Risk Management Committee as on March 31, 2023 is as follows:

Name of the Member	Designation in the Committee & Category	Member of Committee since
Mr. Adayapalam Viswanathan	Chairman, Independent Director	July 24, 2019
Mr. Venkatraman Srinivasan	Member, Independent Director	July 24, 2019
Ms. Arundhati Mech	Member, Independent Director	April 16, 2012
Mr. Ramesh G.	Member, Managing Director & Chief Executive Officer	July 17, 2012

Note: Ms. Arundhati Mech was appointed as a Member of the Risk Management Committee consequent to reconstitution of the Committee with effect from April 16, 2022.

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with SEBI Listing Regulations and RBI Master Directions as amended from time to time. The role and responsibilities of the Risk Management Committee inter-alia includes:

- (i) Approving and monitoring the Company's risk management policies and procedures;
- (ii) Framing, implementing, reviewing and monitoring the risk management plan including cyber security for the Company;

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- (iii) Evaluating the overall risks faced by the Company including liquidity risk;
- (iv) Formulate a detailed risk management policy which shall include:
 - (a) A framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
 - (b) Measures for risk mitigation including systems and processes for internal control of identified risks.
 - (c) Business continuity plan.
- (v) Ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- (vi) Monitoring and overseeing implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- (vii) Periodically reviewing the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- (viii) Keeping the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- (ix) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee;
- (x) Approving and reviewing the Assets Classification & Expected Credit Loss policy, Review IT Risk assessment of IT systems;
- (xi) Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;
- (xii) Laying down appropriate approval authorities for outsourcing depending on risks and materiality;
- (xiii) Setting up suitable administrative framework of senior management for the purpose of the Master Directions;
- (xiv) Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness;
- (xv) Deciding on business activities of a material nature to be outsourced, and approving such arrangements;
- (xvi) Reporting to the Board of Directors of the Company on periodical basis on the above matters; and
- (xvii) Performing such other activities as may be delegated by the Board and/or prescribed under the Companies Act, the Listing Regulations, the RBI Master Directions, and any other applicable rules, regulations, guidelines, clarifications, circulars and notifications issued by the Government of India including Securities and Exchange Board of India, Reserve Bank of India any other regulatory authority.

Meetings and Attendance during the year:

The Risk Management Committee met 4 (Four) times during the year under review on June 15, 2022, September 19, 2022, December 15, 2022 and March 10, 2023. The details of attendance of the Members of the Committee at meeting, are provided herein below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Adayapalam Viswanathan	4	4	100
Mr. Venkatraman Srinivasan	4	4	100
Ms. Arundhati Mech	4	4	100
Mr. Ramesh G.	4	4	100

The Company Secretary acts as the Secretary to the Risk Management Committee.

During the FY 2022-23, the Board accepted all recommendations of the Risk Management Committee.

e) Corporate Social Responsibility Committee

The Corporate Social Responsibility ("CSR") Committee was formed as per the provisions of Section 135 of the Act.

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Composition:

The composition of the CSR Committee as on March 31, 2023 is as under:

Name of the Member	Designation in the Committee & Category	Member of Committee since
Dr. Amla Samanta	Chairperson, Independent Director	July 17, 2019
Ms. Smita Affinwalla	Member, Independent Director	March 12, 2015
Mr. Ramesh G.	Member, Managing Director & Chief Executive Officer	March 12, 2015

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements. The role and responsibilities of the Corporate Social Responsibility Committee inter-alia includes:

- (i) To formulate the Company's CSR strategy, policy and goals and to review and update them from time to time as the Company's activities evolve further;
- (ii) To monitor the Company's CSR policy and performance;
- (iii) Recommend the amount of expenditure to be incurred on the CSR activities;
- (iv) To review the CSR project/initiatives from time to time;
- (v) To ensure legal and regulatory compliance from a CSR view point;
- (vi) To ensure reporting and communication to stakeholders on the Company's CSR projects/initiatives;
- (vii) To formulate and recommend to the Board, an annual action plan; and
- (viii) Perform all such actions as may be required under the CSR Laws.

Meetings and Attendance during the year:

The Corporate Social Responsibility Committee met 2 (Two) times during the year under review on April 11, 2022 and September 15, 2022. The details of attendance

of the Members of the Committee at meeting are provided herein below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Dr. Amla Samanta	2	2	100
Ms. Smita Affinwalla	2	2	100
Mr. Ramesh G.	2	2	100

The Company Secretary acts as the Secretary to the CSR Committee.

During the FY 2022-23, the Board accepted all recommendations of the CSR Committee.

f) Information Technology Strategy Committee

Information Technology ("IT") Strategy Committee was formed as per the provisions of RBI Master Direction No. RBI/DNBS/2016-17/53 DNBS.PPD. No.04/66.15.001/2016-17 dated June 08, 2017 pertaining to "Information Technology Framework for the NBFC Sector".

Composition:

The composition of Information Technology Strategy Committee as on March 31, 2023 is as under:

Name of the Member	Designation in the Committee & Category	Member of Committee since
Mr. Adayapalam Viswanathan	Chairman, Independent Director	July 24, 2019
Ms. Arundhati Mech	Member, Independent Director	April 16, 2022
Ms. Smita Affinwalla	Member, Independent Director	August 16, 2021
Mr. Ramesh G.	Member, Managing Director & Chief Executive Officer	January 18, 2018
*Mr. Mathew Panat	Member, Head - Information Technology	April 16, 2022

*Member of Executive Management and holds 3,000 equity shares in the Company as on March 31, 2023.

Note:

1. Ms. Arundhati Mech was appointed as a Member of the Information Technology Strategy Committee with effect from April 16, 2022 consequent to reconstitution of the Committee.

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2. Mr. Mathew Panat was appointed as a member of the Information Technology Strategy Committee with effect from April 16, 2022 consequent to reconstitution of the Committee.
3. Mr. Arijit Basu ceased to be member of the Information Technology Strategy Committee with effect from April 16, 2022 consequent to reconstitution of the Committee.
4. Mr. Sanjay Belsare ceased to be a member of the Information Technology Strategy Committee with effect from July 31, 2022 consequent to superannuation.

Brief Description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements. The role and responsibilities of the Information Technology Strategy Committee inter-alia includes:

A. GENERAL

- (i) Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- (ii) Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- (iii) Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- (iv) Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources; and
- (v) Ensuring proper balance of IT investments for sustaining Company's growth and becoming aware about exposure towards IT risks and controls.

B. FOR OUTSOURCED OPERATIONS

- (i) Instituting an appropriate governance mechanism for outsourced processes, comprising of risk based policies and procedures, to effectively identify, measure, monitor and control risks associated with outsourcing in an end to end manner;
- (ii) Defining approval authorities for outsourcing depending on nature of risks and materiality

of outsourcing;

- (iii) Developing sound and responsive outsourcing risk management policies and procedures commensurate with the nature, scope, and complexity of outsourcing arrangements;
- (iv) Undertaking a periodic review of outsourcing strategies and all existing material outsourcing arrangements;
- (v) Evaluating the risks and materiality of all prospective outsourcing based on the framework developed by the Board;
- (vi) Periodically reviewing the effectiveness of policies and procedures;
- (vii) Communicating significant risks in outsourcing to the Company's Board on a periodic basis;
- (viii) Ensuring an independent review and audit in accordance with approved policies and procedures;
- (ix) Ensuring that contingency plans have been developed and tested adequately; and
- (x) Company should ensure that their business continuity preparedness is not adversely compromised on account of outsourcing. To adopt sound business continuity management practices as issued by RBI and seek proactive assurance that the outsourced service provider maintains readiness and preparedness for business continuity on an ongoing basis.

Meetings and Attendance during the year:

The Information Technology Strategy Committee met 3 (Three) times during the year under review i.e. July 22, 2022, December 15, 2022 and March 27, 2023. The details of attendance of the Members of the Committee, are provided herein below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Adayapalam Viswanathan	3	3	100
Ms. Arundhati Mech	3	3	100
Ms. Smita Affinwalla	3	3	100

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Name of the Member	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Ramesh G.	3	3	100
Mr. Mathew Panat	3	3	100
Mr. Sanjay Belsare	1	1	100

The Company Secretary acts as the Secretary to the Information Technology Strategy Committee.

During the FY 2022-23, the Board accepted all recommendations of the Information Technology Strategy Committee.

g) Other Committees

The Board has also constituted Asset Liability Committee, Debenture Allotment Committee, Bond Allotment Committee and Share Allotment Committee. These Committees are not Board Level Committees. However, Mr. Ramesh G., Managing Director and Chief Executive Officer is a member of these Committees along with other senior executives of the Company.

i. Asset - Liability Committee

As per the RBI Master Directions, the Asset - Liability Committee was formed to oversee the risk management policy/ strategy of the Company relating to liquidity, interest rate and asset liability gap and to formulate and review Asset - Liability Management Policy of the Company.

Composition:

The Composition of Asset - Liability Committee as on March 31, 2023 is as under:

Name of the Member	Category
Mr. Ramesh G.	Chairman
*Mr. Jaykumar P. Shah	Member
*Mr. Mathew Panat	Member
*Mr. Harish Venugopal	Member

*Member of Executive Management

Note:

1. Mr. Mathew Panat was appointed as a member of the Asset - Liability Committee with effect from April 16, 2022 consequent to reconstitution of the Committee.
2. Mr. Haren Parekh ceased to be a member of the Asset - Liability Committee with effect from April

16, 2022 consequent to reconstitution of the Committee.

3. Mr. Sanjay Belsare ceased to be a member of the Asset - Liability Committee with effect from July 31, 2022 consequent to superannuation.

Brief description of Terms of Reference:

The terms of reference of this Committee are in line with the regulatory requirements. The role and responsibilities of the Asset - Liability Committee inter alia includes:

- (i) Review and management of liquidity gaps and structural liquidity of the Company;
- (ii) Review and management of interest rate sensitivity of the Company;
- (iii) To review Floating Reference Rate (FRR) statements;
- (iv) Develop a view on future direction on interest rate movements and decide on funding mixes; and
- (v) Reporting to the Board of Directors of the Company on periodical basis on the above matters.

Meetings and Attendance during the year:

During the FY 2022-23, the Asset - Liability Committee met 12 (Twelve) times on April 12, 2022, May 16, 2022, June 14, 2022, July 13, 2022, August 11, 2022, September 13, 2022, October 11, 2022, November 10, 2022, December 12, 2022, January 11, 2023, February 10, 2023 and March 13, 2023.

The details of the attendance of the members of the Asset - Liability Committee is given below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Ramesh G.	12	12	100
Mr. Haren Parekh	1	0	0
Mr. Mathew Panat	11	11	100
Mr. Sanjay Belsare	4	4	100
Mr. Jaykumar P. Shah	12	12	100
Mr. Harish Venugopal	12	12	100

The Company Secretary acts as the Secretary to the Asset - Liability Committee.

Corporate Governance Report (Contd.)

ii. Debenture Allotment Committee

During the FY 2022-23, the Debenture Allotment Committee met 15 (Fifteen) times. The details of the meetings held during the FY 2022-23 and attendance of the members of the Debenture Allotment Committee is given below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Ramesh G.	15	14	93
*Mr. Rohit Patwardhan	15	13	87
*Mr. Jaykumar P. Shah	15	11	73
*Mr. Ashish Ghatnekar	15	13	87

*Member of Executive Management

iii. Share Allotment Committee

During the FY 2022-23, the Share Allotment Committee met 5 (Five) times. The details of the meetings held during the FY 2022-23 and attendance of the members of the Share Allotment Committee is given below:

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
Mr. Ramesh G.	5	5	100
*Mr. Rohit Patwardhan	5	4	80

Name of the Member	Number of meetings held during their tenure	Number of meetings Attended	% of attendance
*Mr. Jaykumar P. Shah	5	5	100
*Mr. Ashish Ghatnekar	5	4	80

*Member of Executive Management

iv. Bond Allotment Committee

No meeting of the Bond Allotment Committee was held during the FY 2022-23. As on March 31, 2023, Mr. Ramesh G., Mr. Jaykumar P. Shah, Mr. Rohit Patwardhan and Mr. Ashish Ghatnekar were members of the Bond Allotment Committee.

Note:

1. Mr. Rohit Patwardhan was appointed as a member of the Debenture Allotment Committee, Bond Allotment Committee and Share Allotment Committee with effect from April 16, 2022 consequent to reconstitution of the Committee.
2. Mr. Haren Parekh was ceased to be a member of the Debenture Allotment Committee, Bond Allotment Committee and Share Allotment Committee with effect from April 16, 2022 consequent to reconstitution of the Committee.

GENERAL BODY MEETINGS

Following are the information on General Body meetings and details of special resolution(s) passed.

a. Annual General Meeting:

Details of last three Annual General Meetings and Special Resolutions passed:

Details of AGM	Date and Time	Venue	Special resolutions passed
15 th AGM	June 23, 2022 at 12 noon	Held through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM")	<ul style="list-style-type: none"> • Re-appointment of Mr. Ramesh G. as a Managing Director and Chief Executive Officer of the Company. • Approve Selling, Assignment, Securitisation of Receivables / Book Debts of the Company up to ₹ 7,500 Crore. • Authority to issue Redeemable Non-Convertible Debentures and/or other Instruments on Private Placement basis.
14 th AGM	June 25, 2021 at 12 noon	Held through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM")	<ul style="list-style-type: none"> • To approve Selling, Assignment of its receivables/book debts up to ₹ 7,500 Crore. • Authority to issue redeemable non-convertible debentures and/or other hybrid instruments on private placement basis.

Corporate Governance Report (Contd.)

Details of AGM	Date and Time	Venue	Special resolutions passed
13 th AGM	June 30, 2020 at 12 noon	Held through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM")	<ul style="list-style-type: none"> • Reappointment of Mr. Venkatraman Srinivasan as an Independent Director of the Company. • Reappointment of Ms. Smita Affinwalla as an Independent Director of the Company. • To approve increase in borrowing limits of the Company from ₹ 70,000 Crore to ₹ 80,000 Crore. • To approve increase in limits for creation of charge on the assets of the Company up to an amount of ₹ 80,000 Crore to secure its borrowings. • Authority to issue Redeemable Non-Convertible Debentures and/or other Hybrid Instruments on private placement basis. • Authority to issue Foreign Currency/ Rupee Denominated Bonds.

EXTRA-ORDINARY GENERAL MEETING:

During FY 2022-23, no Extra-Ordinary General meeting of the Company was held.

Postal Ballot:

For matters which are urgent and require shareholders' approval in the period between the AGMs, the Company seeks the approval of shareholders through postal ballot. During the FY 2022-23, the Company had sought approval of the members through postal ballot, the details of the same are given below:

Date of Notice	Date of Scrutiniser's report	Date of passing the resolution	Special Resolution(s) passed
January 14, 2023	March 27, 2023	March 26, 2023	<ol style="list-style-type: none"> 1. Authority to issue redeemable non-convertible debentures on private placement basis 2. To approve Employee Stock Option Scheme 2022 for eligible employees of HDB Financial Services Limited 3. To revise profit related commission payable to Independent Directors

VOTING RESULTS OF SPECIAL RESOLUTION PASSED THROUGH POSTAL BALLOT NOTICE DATED JANUARY 14, 2023:

Special Resolution(s)	% of Votes in favour of the Resolution	% of Votes against the Resolution	% of Invalid Votes
Resolution No. 1	99.9981	0.0019	-
Resolution No. 2	99.9976	0.0024	-
Resolution No. 3	99.9958	0.0042	-

Mr. Mitesh Shah, proprietor of M/s. Mitesh J. Shah & Associates, Practicing Company Secretary, was appointed as the Scrutiniser for scrutinising the Postal Ballot process, in a fair and transparent manner.

There is no immediate proposal for passing any special resolution through Postal Ballot.

PROCEDURE FOR POSTAL BALLOT:

In compliance with Sections 108 and 110 and other applicable provisions of the Companies Act, 2013, read with the related Rules, the Company also provides electronic voting (e-voting) facility to all its members.

The Company also publishes notice in the newspapers for the information of the members. Voting rights are reckoned on

the equity shares held by the members as on the cut-off date. Pursuant to the provisions of the Act, the Company appoints a scrutiniser for scrutinising the postal ballot process in a fair and transparent manner. The scrutiniser submits his consolidated report to the Chairman and the voting results are announced by the Chairman by placing the same along with the scrutiniser's report on the Company's website,

Corporate Governance Report (Contd.)

besides being communicated to the stock exchanges. The resolution, if passed by requisite majority, is deemed to have been passed on the last date specified by the Company for receipt of duly completed remote e-voting.

Pursuant to the provisions of Sections 108 and 110 of the Act read with the rules framed thereunder and the MCA Circulars, the manner of voting on the proposed resolutions is restricted only to remote e-voting i.e., by casting votes electronically instead of submitting postal ballot forms. In compliance with the MCA Circulars, postal ballot notice was sent through e-mail only, to all those members who had registered their e-mail ids with the Company/Depositories. Arrangements were also made for other members to register their e-mail id to receive the postal ballot notice and cast their vote online.

DETAILS OF REMUNERATION TO DIRECTORS

a. Pecuniary relationship/ transaction with Non-Executive Directors

During the FY 2022-23, there were no pecuniary relationship/transactions of any non-executive directors with the Company, apart from receiving remuneration as directors. During the FY 2022-23, the Company did not advance any loans to any of its directors and to firms / companies in which Directors are interested.

b. Remuneration paid to Executive Director

The details of the remuneration paid and stock options granted to Mr. Ramesh G., Managing Director and CEO during the FY 2022-23 is as under:

Particulars of Remuneration	Amount in ₹
Gross salary	4,06,53,320
a) Salary as per provisions of section 17(1) of the Income-tax Act, 1961	-
b) Value of perquisites under section 17(2) Income-tax Act, 1961	14,613
c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-
Perquisite value of stock options exercised	36,60,000
Bonus	1,29,85,000
Sweat Equity	-
Commission	-
Company Car	-
Total	5,73,12,933
Number of Stock Options granted	2,43,300

The employee stock options have not been issued at discount and the same have been granted at the fair market value of the equity shares of the Company as certified by the practising chartered accountant or Category 1 Merchant Bank registered with SEBI. The vesting schedule for the stock options is:

- a. 30% of options after expiry of twelve months from date of grant;
- b. 30% options after expiry of twenty-four months from the date of grant; and
- c. 40% of options after expiry of thirty-six months from the date of grant.

The options so vested are to be exercised within 4 years from the respective dates of vesting.

The criteria for evaluation of performance of Managing Director include Business Performance, Stakeholder Relationship, Audit and Compliance, Digital Transformation and Organization Excellence.

The Company provides for gratuity in the form of lump-sum payment, without any upper limit, equivalent to 15 (fifteen) days basic salary payable for each completed year of service on resignation, retirement, death while in employment or on termination of employment.

The Company makes contributions to a recognised Gratuity Trust administered by trustees and whose funds are managed by insurance companies. The Company accounts for the liability for future gratuity benefits based on an independent external actuarial valuation carried out annually.

Perquisites (evaluated as per Income Tax Rules, 1962 wherever applicable and at actual cost to the Company otherwise) such as insurance policies, use of car and telephone at residence, medical reimbursement, leave and leave travel concession and other benefits like Provident Fund and Gratuity are provided in accordance with the rules of the Company in this regard.

Service Contracts and the notice period are as per the terms of agreement entered into by the Company with Managing Director & Chief Executive Director. No severance fee is payable by the Company on termination of these contracts.

No sitting fees is paid to Mr. Ramesh G. for attending meetings of the Board and / or its Committees.

Corporate Governance Report (Contd.)

c. Criteria for sitting fees / commission / remuneration paid to Non-Executive Directors

All the non-executive directors including the independent directors and the Chairman receive sitting fees and reimbursement of out of pocket expenses for attending each meeting of the Board and its various Committees. No stock options are granted to any of the non-executive directors.

SITTING FEES

Sitting fees was paid to all the Independent Directors and Non-Executive Directors of the Company.

The sitting fees for attending meetings of Board of Directors, Audit Committee, Nomination and Remuneration Committee, Information Technology Strategy Committee and Risk Management Committee is ₹ 75,000 per meeting. Sitting fees for attending meetings of the Corporate Social Responsibility Committee, Stakeholders Relationship Committee and Separate meeting of Independent Directors meetings is ₹ 25,000/- per meeting.

PROFIT RELATED COMMISSION

The Shareholders in its 12th Annual General Meeting held on June 21, 2019 had approved payment of profit related commission to Independent Directors at the rate of ₹ 60,000 per meeting of the Board and/ or Committee attended subject to maximum of ₹ 7,50,000 per Independent Director. Further, the Shareholders via Postal Ballot notice dated January 14, 2023 had approved revision in payment of profit related commission to Independent Directors with effect from April 01, 2022 at the rate of ₹ 1,00,000 per meeting of the Board and/ or Committee attended subject to maximum of ₹ 15,00,000 per Independent Director in a Financial Year, not exceeding in aggregate 1% of the net profit of the Company of the relevant financial year.

The details of sitting fees, commission and remuneration paid to non-executive directors during FY 2022-23 is as under:

(Amount in ₹)

Name of Director	Sitting Fees	Commission	Remuneration
Mr. Arijit Basu	8,25,000	NIL	30,00,000
Mr. Venkatraman Srinivasan	14,50,000	7,50,000	NIL
Ms. Smita Affinwalla	12,00,000	7,50,000	NIL
Mr. Adayapalam Viswanathan	14,00,000	7,50,000	NIL

(Amount in ₹)

Name of Director	Sitting Fees	Commission	Remuneration
Dr. Amla Samanta	8,00,000	7,50,000	NIL
Ms. Arundhati Mech	11,75,000	60,000	NIL

Note: The Shareholders in its Annual General Meeting held on June 25, 2021 had approved remuneration of ₹ 30,00,000 per annum drawn on monthly basis payable to Mr. Arijit Basu, Chairman and Non-Executive Director.

DISCLOSURES

SELECTION PLANNING

Succession planning is a process of ascertaining the need for filling position at the Board and Senior Management positions. It involves identification for the said roles, assessment of their potential and developing next generation of leaders as potential successors for key leadership roles in an organisation. The process of development primarily concentrates on coaching, mentoring and training the identified employees to assume higher responsibilities when the need arises. The Company has always endeavoured to nurture, train and increase the skill sets of employees at all levels, with the key objective of ensuring smooth succession without impacting the performance in current role.

The Company has in place Succession Planning Policy for appointments to the Board and to the Senior Management.

RELATED PARTY TRANSACTIONS

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict with the interest of the Company. Pursuant to the provisions of the Act and SEBI Listing Regulations, the Board has, on recommendation of its Audit Committee, adopted a policy for dealing with related party transactions and the said policy is available on the website of the Company at <https://www.hdbfs.com/investors>.

All related party transactions are placed before the Audit Committee and the Board for their approvals on quarterly basis. Transactions with related parties, as per the requirements of Ind-AS and Regulation 53(1)(f) of SEBI Listing Regulations, are disclosed in, Note no. 37 and 93 forming part of the notes to accounts annexed to the financial statements. All the related party transactions that were entered into during the financial year were on arm's length basis and in ordinary course of business.

Corporate Governance Report (Contd.)

The Shareholders of the Company have approved the material related party transactions to be entered into by the Company in the FY 2023-24 with HDFC Bank Limited and HDFC Life Insurance Company Limited, being a related party of the Company through Postal Ballot on March 26, 2023 as per SEBI Listing Regulations.

Pursuant to the provisions of Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, particulars of the contracts or arrangements with related parties referred to in section 188(1) in Form AOC-2 is annexed to the Directors' Report.

In addition, as per the SEBI Listing Regulations, your Company has also submitted along with its standalone and consolidated financial results for the half year, disclosures of related party transactions with stock exchange and also published it on the website of the Company.

STRICTURES AND PENALTIES

During the last three financial years, no penalties or strictures were imposed on the Company by any stock exchange, SEBI or other statutory authority on matters relating to the capital markets.

Further, during FY 2022-23, no penalties or strictures were imposed on the Company by the Reserve Bank of India or any other statutory authority.

VIGIL MECHANISM/ WHISTLE BLOWER POLICY

The details of establishment of whistle blower policy / vigil mechanism are furnished in the Directors' Report forming part of the Annual Report. None of the Company's personnel have been denied access to the Audit Committee.

SUBSIDIARY COMPANY

The Company does not have any Subsidiary Company, hence formulation of Policy for determining Material Subsidiaries as per Regulation 16 of the SEBI Listing Regulations is not applicable for the Company.

COMMODITY PRICE RISK OR FOREIGN EXCHANGE RISK AND HEDGING ACTIVITIES

The Company does not deal in any commodity and hence is not directly exposed to any commodity price risk. In the past, the Company has entered into derivative transactions with various counter parties to hedge its foreign exchange risks and interest rate risks associated with External Commercial Borrowings (ECBs). The ECBs are fully hedged and possess no foreign exchange risk.

CERTIFICATE FROM PRACTICING COMPANY SECRETARY REGARDING NON-DEBARMENT AND NON DISQUALIFICATION OF DIRECTORS

The Company has received a certificate from M/s. Mehta & Mehta, Company Secretaries, to the effect that none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as director of the Company by SEBI/ Ministry of Corporate Affairs or such other statutory authority. The said certificate has been enclosed as **Annexure - I**.

DETAILS OF RECOMMENDATION OF ANY COMMITTEE OF THE BOARD NOT ACCEPTED BY THE BOARD AND REASONS THEREOF

During the year under review, the Board of your Company has accepted all the recommendations made by its Committee(s), from time to time.

FEES PAID TO STATUTORY AUDITORS

Total fees paid by the Company during the FY 2022-23 to the Statutory Auditors including all entities in their network firm/entity of which they are a part, is given below:

Sr. No.	Particulars	Amount (₹ in Crore)
	M/s. KKC & Associates LLP (formerly Khimji Kunverji & Co. LLP) & their network firm/entity of which they are a part	
1	Fees as Statutory Auditors	0.71
2	Fees for other services	-
	M/s. B. K. Khare & Co. & their network firm/entity of which they are a part	
1	Fees as Statutory Auditors	0.71
2	Fees for other services	-

COMPLAINTS PERTAINING TO SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The details of complaints filed, disposed of and pending during every quarter pertaining to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 are reported to the Board and are included in the Directors' Report forming part of this Annual Report.

CEO/CFO CERTIFICATION

The Managing Director & Chief Executive Officer and Chief Financial Officer have certified to the Board with regard to the financial statements and internal controls relating

Corporate Governance Report (Contd.)

to financial reporting for the year ended March 31, 2023 as required under the SEBI Listing Regulations. The said Certificate is attached as **Annexure - II** and forms part of this Report.

REPORT ON CORPORATE GOVERNANCE

The Company is a High Value Debt Listed Entity ("HVDLE") pursuant to SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2021 dated September 07, 2021. Accordingly, the Company has been submitting the quarterly corporate governance compliance report to the stock exchange as required under regulation 27(2) of the SEBI Listing Regulations.

The Company has obtained a certificate from Mehta & Mehta, Company Secretaries regarding compliance with the provisions relating to corporate governance laid down under the SEBI Listing Regulations. This certificate is annexed to the Directors' Report.

CODE OF CONDUCT

The SEBI Listing Regulations requires listed companies to lay down a code of conduct for its directors and senior management, incorporating duties of directors prescribed in the Act. Accordingly, the Company has a Board approved code of conduct for Board members and senior management of the Company. This code has been placed on the Company's website and can be accessed at <https://www.hdbfs.com/investors>.

All the Board members and senior management personnel have affirmed compliance with the code for the year ended March 31, 2023. A declaration to this effect signed by the Managing Director and CEO forms part of Annual Report as **Annexure – III**.

DETAILED REASONS FOR THE RESIGNATION OF AN INDEPENDENT DIRECTOR WHO RESIGNS BEFORE THE EXPIRY OF HIS TENURE

None of the Independent Director of the Company has resigned before the expiry of his/her respective tenure(s) during the FY 2022-23.

COMPLIANCE OF MANDATORY AND DISCRETIONARY REQUIREMENTS

The Company has complied with all the mandatory requirements of the SEBI Listing Regulations applicable to the Company being a High Value Debt Listed Company.

The Company has also complied with the discretionary requirements as under:

a) The Board

A Chairman's office has been made available for the non-executive Chairman. He is allowed reimbursement of expenses incurred in performance of his duties.

b) Modified opinion(s) in audit report

The Company confirms that its financial statements have unmodified audit opinion.

c) Separate posts of Chairperson and Managing Director or the Chief Executive Officer

Mr. Arijit Basu is the Non-Executive Chairman and Mr. Ramesh G. is the Managing Director & Chief Executive Officer of the Company.

d) Reporting of internal auditor

The internal auditor reports directly to the Audit Committee.

ADHERENCE TO ACCOUNTING STANDARDS

The Company has complied with the applicable Indian Accounting Standards (Ind-AS) notified by the Ministry of Corporate Affairs under Section 133 of the Companies Act, 2013. The financial statements for the year have been prepared in accordance with Schedule III to the Companies Act, 2013.

RISK MANAGEMENT AND INTERNAL CONTROL POLICIES ADOPTED BY THE COMPANY

The Company has a well-defined Risk Management Framework in place. The Company has procedures to periodically place before the Audit Committee, Risk Management Committee and the Board, the risk assessment and mitigation plans being followed by the Company.

SECRETARIAL STANDARDS

The Company has complied with the applicable provisions of secretarial standards issued by The Institute of Company Secretaries of India.

MEANS OF COMMUNICATION

A separate dedicated section 'Investors' is maintained on the website of the Company for ease of the shareholders. The information/documents required to be disseminated by the Company pursuant to the Act and SEBI Listing Regulations are uploaded on the website of the Company.

Corporate Governance Report (Contd.)

The quarterly, half-yearly and annual financial results are submitted to the BSE Limited and National Stock Exchanges of India Limited and published in Free Press Journal (Mumbai edition).

The Annual Report of the Company, the quarterly, half-yearly and annual financial results are displayed on the Company's website at <https://www.hdbfs.com/investors>, BSE Limited's website at www.bseindia.com and on National Stock Exchanges of India Limited's website at www.nseindia.com.

GENERAL SHAREHOLDER INFORMATION

16th Annual General Meeting

Day and Date	: Friday, June 30, 2023
Time	: 12 noon
Venue/Mode of AGM	: Through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM")
Financial Year	: April 01, 2022 to March 31, 2023
Dividend Payment date	: on or after July 04, 2023

LISTING ON STOCK EXCHANGES

The non-convertible securities of the Company are listed on the debt market segment of BSE Limited. Commercial Papers of the Company are listed on the debt market segment of National Stock Exchanges of India Limited, however as on March 31, 2023 there are no outstanding Commercial Papers of the Company.

Name of Stock Exchange	Address
BSE Limited (BSE)	Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001
National Stock Exchanges of India Limited (NSE)	Exchange Plaza, Plot No. C/1, 'G' Block, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051

Annual listing fees, as prescribed, have been paid to the said stock exchange up to March 31, 2023.

STOCK CODE

The equity shares of the Company are not listed on any Stock Exchange, hence the stock code is not applicable.

MARKET PRICE DATA AND PERFORMANCE IN COMPARISON TO BROAD-BASED INDICES SUCH AS BSE SENSEX, CRISIL INDEX ETC.

Not Applicable, as the Equity shares of the Company are not listed.

SUSPENSION OF SECURITIES FROM TRADING

During the FY 2022-23, none of the securities of the Company were suspended from trading.

REGISTRAR AND SHARE TRANSFER AGENT AND SHARE TRANSFER SYSTEM

In terms of Regulation 7 of the SEBI Listing Regulations, Link Intime India Private Limited continues to be the Registrar and Share Transfer Agent and handles all relevant share registry services. All the securities of the Company are in dematerialised form, hence there are no physical transfer of securities.

DISTRIBUTION OF SHAREHOLDING

Shareholding pattern of the Company as at March 31, 2023:

Name of Shareholder	No. of equity shares held	Percentage
HDFC Bank Limited	75,05,96,670	94.84
Others	4,08,02,413	5.16
Total (Issued & Paid-up Shares)	79,13,99,083	100.00

DEMATERIALISATION OF SHARES AND LIQUIDITY

As on March 31, 2023, the total equity capital of the Company was held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited. As the equity shares of the Company are not listed on the Stock Exchange, the shares were not traded on the Stock Exchange.

OUTSTANDING GLOBAL DEPOSITORY RECEIPTS ("GDRS")/AMERICAN DEPOSITORY RECEIPTS ("ADRS")/ WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY

As on March 31, 2023, the Company did not have any outstanding GDRs/ ADRs/ Warrants or any Convertible Instruments.

ADDRESS FOR CORRESPONDENCE

Investors and shareholders can correspond with the share transfer agent of the Company or the Company at the following addresses:

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Private Limited

Address: C 101, 247 Park, L B S Marg, Vikhroli (West), Mumbai 400083

Website: <https://linkintime.co.in/>

Corporate Governance Report (Contd.)

Contact person for Equity Shares:

Ms. Sayali Borcharte
Tel.: 91 8108116767
Email: rnt.helpdesk@linkintime.co.in

Contact person for Commercial Papers & Non-Convertible Securities:

Mr. Rohan Jadhav
Tel.: 91 022 4918 6000 / 2463
Email: rohan.jadhav@linkintime.co.in,
team.bonds@linkintime.co.in

COMPANY'S CORRESPONDENCE DETAILS:

HDB Financial Services Limited
Ms. Dipti Khandelwal,
Company Secretary & Head - Legal
Address: Ground Floor, Zenith House, Keshavrao Khadye Marg, Mahalaxmi, Mumbai - 400034.
Email : compliance@hdbfs.com
Tel : +91 22 49116368
Fax : +91 22 49116666

PLANT LOCATIONS/BRANCHES:

As of March 31, 2023, the Company has 1,492 branches in 1,054 cities in India.

CREDIT RATINGS

The credit rating details are disclosed in the Directors' Report forming part of this Annual Report.

UNCLAIMED DIVIDEND

Pursuant to Sections 124 and 125 of the Act, read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), including amendment thereto, dividend, if not claimed within seven years from the date of transfer to Unpaid Dividend Account of the Company, is liable to be transferred to the Investor Education and Protection Fund ("IEPF"). The list of the unclaimed dividend along with the name of the shareholders, dividend amount and proposed date of transfer to IEFP account has been uploaded on the website of the Company at <https://www.hdbfs.com/investors>.

COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

The Company has complied with all the applicable mandatory requirements of the Corporate Governance as prescribed under the SEBI Listing Regulations

Regulation	Particulars	Status of compliance
17	Requirements pertaining to the Board of Directors	Compliant
17A	Maximum number of Directorships	Compliant
18	Requirements pertaining to the Audit Committee	Compliant
19	Requirements pertaining to Nomination and Remuneration Committee	Compliant
20	Requirements pertaining to Stakeholders Relationship Committee	Compliant
21	Requirements pertaining to Risk Management Committee	Compliant
22	Requirements pertaining to Vigil Mechanism	Compliant
23	Requirements pertaining to Related Party Transactions	Compliant
24	Corporate governance requirements with respect to subsidiary of listed entity	Not Applicable
24A	Requirements pertaining to Secretarial Audit and Secretarial Compliance Report	Compliant
25	Obligations with respect to Independent Directors	Compliant
26	Obligations with respect to employees including senior management, key managerial persons, directors and promoters	Compliant
27	Other corporate governance requirements	Compliant
46	Requirements pertaining to the dissemination of certain information under a separate section on the website	Not Applicable

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

[Pursuant to BSE Limited's Notice dated January 07, 2022 read with Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,

HDB Financial Services Limited

Radhika, 2nd Floor, Law Garden Road,
Navrangpura, Ahmedabad GJ 380009.

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **HDB Financial Services Limited** having CIN U65993GJ2007PLC051028 and having registered office at Radhika, 2nd Floor, Law Garden Road, Navrangpura, Ahmedabad GJ 380009 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me / us by the Company & its officers, We hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on March 31, 2023 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sr. No	Name of Director	DIN	Date of Appointment in the Company
1	Mr. Arijit Basu	06907779	June 01, 2021
2	Mr. Venkatraman Srinivasan	00246012	March 12, 2015
3	Ms. Smita Cawas Affinwalla	07106628	March 12, 2015
4	Dr. Amla Ashim Samanta	00758883	May 01, 2019
5	Mr. Adayapalam Kumaraswamy Viswanathan	08518003	July 24, 2019
6	Ms. Arundhati Mech	09177619	February 11, 2022
7	Mr. Ramesh Ganesan	05291597	July 01, 2012

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Mehta & Mehta,**
Company Secretaries
(ICSI Unique Code P1996MH007500)

Sd/-
Dipti Mehta
Partner

FCS No: 3667
CP No: 23905
Place: Mumbai
Date: April 15, 2023
UDIN: F003667E000103668

COMPLIANCE CERTIFICATE

(Pursuant to Regulation 17(8) read with Part B of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Board of Directors of
HDB Financial Services Limited

We, the undersigned, in our respective capacities as Managing Director & Chief Executive Officer and Chief Financial Officer of the Company, to the best of our knowledge and belief certify that:

- a) We have reviewed the financial statements and the cash flow statement for the financial year ended March 31, 2023 and that to the best of our knowledge and belief:
 - (i) these statements do not contain any materially untrue statement or omit any material fact nor do they contain statements that might be misleading;
 - (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee that:
 - (i) there have been no significant changes in internal control over financial reporting during this year;
 - (ii) there have been no significant changes in accounting policies during this year; and
 - (iii) there have been no instances of significant fraud of which we have become aware and the involvement therein of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Sd/-
Ramesh G.
Managing Director & Chief Executive Officer

Sd/-
Jaykumar P. Shah
Chief Financial Officer

Place: Mumbai
Date: April 15, 2023

Declaration by Managing Director and Chief Executive Officer

[Schedule V (Part D) of the SEBI (Listing Obligations and Disclosure Requirements)
Regulations, 2015]

To,
The Board of Directors,
HDB Financial Services Limited

I, Mr. Ramesh G., Managing Director & Chief Executive Officer of HDB Financial Services Limited hereby declare that, all the Board Members and Senior Managerial Personnel have affirmed compliance with the code of conduct of the Company laid down for them for the year ended March 31, 2023.

Sd/-
Ramesh G.
Managing Director & Chief Executive Officer

Place: Mumbai
Date: April 15, 2023

Independent Auditors' Report

To
The Members of
HDB Financial Services Limited

Report on the audit of the Standalone Financial Statements

OPINION

1. We have audited the accompanying standalone Ind AS financial statements of HDB Financial Services Limited ('the Company'), which comprise the standalone balance sheet as at 31 March 2023, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information ('the Standalone Financial Statements').
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone 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 2023, and its profit and other comprehensive income, changes in equity and its cash flows for the year then ended.

BASIS FOR OPINION

3. We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditors' Responsibilities for the Audit of the Standalone 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 Standalone Financial Statements under the provisions of the Act, and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Standalone Financial Statements.

KEY AUDIT MATTERS

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Financial Statements of the current year. These matters were addressed in the context of our audit of the Standalone Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
1	Assessment of impairment loss provision on loans based on Expected Credit Loss model (ECL) under IND AS 109 Refer to the accounting policies in ' Note 3(B) to the Standalone Ind AS Financial Statements: Expected Credit Loss', 'Note 2.11 to the Standalone Ind AS Financial Statements: Revenue Recognition' and 'Note 2.2(G) to the Standalone Ind AS Financial Statements: Impairment of Financial Assets and 'Note 45 to the Standalone Ind AS Financial Statements: Risk Management'. Under Ind AS 109, "Financial Instruments", allowance for loan losses are determined using expected credit loss ('ECL') estimation model. The estimation of ECL on financial instruments involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus are: <ul style="list-style-type: none"> • Data inputs - The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model. 	Our audit procedures were focussed on assessing the appropriateness of management's judgement and estimates used in the impairment analysis that included, but were not limited to, the following: <ul style="list-style-type: none"> • Reviewed the Board approved Policy and approach concerning the management of credit and other risks. • Obtained an understanding of the modelling techniques adopted by the Company including the key inputs and assumptions.

Independent Auditors' Report (Contd.)

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
	<ul style="list-style-type: none"> Model estimations - Inherently judgmental models are used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD and the LGD are the key drivers of estimation complexity in the ECL and as a result are considered the most significant judgmental aspect of the Company's modelling approach. Economic scenarios - Ind AS 109 requires the Company to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the economic scenarios used and the probability weights applied to them. <p>The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Standalone Ind AS Financial Statements as a whole and hence we have identified the same as a Key Audit Matter.</p> <p>Disclosures:</p> <p>The disclosures (including disclosures prescribed by RBI) regarding the Company's application of Ind AS 109 are key to explaining the key judgements and material inputs to the Ind AS 109 ECL results.</p>	<ul style="list-style-type: none"> Assessed the design, implementation and operating effectiveness of key internal financial controls including monitoring process of overdue loans, measurement of provision, stage-wise classification of loans, identification of NPA accounts, assessing the reliability of management information, which included overdue reports. Evaluated the appropriateness of the Company's determination of Significant Increase in Credit Risk ("SICR") in accordance with the applicable accounting standard and the basis for classification of various exposures into various stages. Reviewed the critical assumptions and input data used in the estimation of expected credit loss for specific key credit risk parameters, such as the movement between stages, Exposure at default, (EAD), probability of default (PD) or loss given default (LGD); Tested key controls relating to selection and implementation of material macro-economic variables and the controls over the scenario selection and computation of probability of default and loss given default percentages. Verified the manner of preparation of information w.r.t. to provisions and disclosures in the Standalone Ind AS Financial Statements. Involved Information system resource to obtain comfort over data integrity and process of report generation through interface of various information systems. Tested controls placed over key inputs, data and assumptions impacting ECL calculations to assess the completeness, accuracy and relevance of data and reasonableness of economic forecasts, weights, and model assumptions applied. Performed test of details over model calculations testing through re-performance, where possible. Assessed whether the disclosures on key judgements, assumptions and quantitative data with respect to impairment of loans (including restructuring related disclosures) in the Standalone Ind AS Financial Statements are appropriate and sufficient.

Independent Auditors' Report (Contd.)

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
		<ul style="list-style-type: none"> Obtained written representations from management and those charged with governance on whether they believe significant assumptions used in calculation of expected credit losses are reasonable including the report on review of ECL model of the Company for the year, as performed by an independent expert, whose report is placed before the Board of Directors of the Company.
2	<p style="text-align: center;">Information Technology system used for the financial reporting process</p> <p>IT systems and controls</p> <p>The Company's financial reporting processes are dependent on technology considering significant number of transactions that are processed daily across multiple and discrete Information Technology ('IT') systems. The Financial accounting system of the Company is interfaced with several other IT systems including Loan Management & Originating systems and several other systemic workflows.</p> <p>IT general and application controls are critical to ensure that changes to applications and underlying data are made in an appropriate manner. Adequate controls contribute to mitigating the risk of potential fraud or errors as a result of changes to the applications and data.</p> <p>These include implementation of preventive and detective controls across critical applications and infrastructure.</p> <p>Due to the pervasive nature of role of information technology systems in financial reporting, the testing of the general computer controls of these systems was considered a Key Audit Matter.</p>	<p>With the assistance of our IT specialist, our key audit procedures for assessment of the IT systems and controls over financial reporting covered following broad aspects:</p> <ul style="list-style-type: none"> Obtained an understanding of the Company's key IT systems, IT General Controls which covered access controls, program/ system changes, program development and computer operations i.e. job processing, data/ system backup and incident management and application controls relevant to our audit Tested the design, implementation and operating effectiveness of the general IT controls over the key IT systems that are critical to financial reporting. Reviewed user access management, change management, segregation of duties, system reconciliation controls and system application controls over key financial accounting and reporting systems and related application controls. Reviewed of the report of IS Audit carried in earlier year(s) by an independent firm of Chartered Accountants pertaining to IT systems general controls including access rights over applications, operating systems and databases relied upon for financial reporting. Evaluated the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission Tested compensating controls or performed alternate audit procedures to assess whether there were any unaddressed IT risks that would impact the controls or completeness and/or accuracy of data.

Independent Auditors' Report (Contd.)

OTHER INFORMATION

5. The Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the Standalone Ind AS Financial Statements and our auditors' report thereon. The Other Information is expected to be made available to us after the date of this auditors' report.
6. Our opinion on the Standalone Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.
7. In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained in the 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.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE STANDALONE IND AS FINANCIAL STATEMENTS

8. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act, with respect to the preparation of these Standalone Financial Statements that give a true and fair view of the state of affairs, profit and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian accounting standards ('Ind AS') specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 Standalone Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

9. In preparing the Standalone Financial Statements, the Board of Directors are 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 the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
10. The Board of Directors are also responsible for overseeing the Company's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

11. Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Standalone Financial Statements.
12. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - 12.1. Identify and assess the risks of material misstatement of the Standalone 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.
 - 12.2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal

Independent Auditors' Report (Contd.)

- financial controls with reference to Standalone Financial Statements in place and the operating effectiveness of such controls.
- 12.3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- 12.4. Conclude on the appropriateness of the 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 auditors' report to the related disclosures in the Standalone 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 12.5. Evaluate the overall presentation, structure and content of the Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
13. 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.
14. 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.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' 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

16. As required by the Companies (Auditor's Report) Order, 2020 ('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 and 4 of the Order, to the extent applicable.
17. As required by Section 143(3) of the Act, we report that:
- 17.1. 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.
 - 17.2. 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.
 - 17.3. The standalone balance sheet, the standalone statement of profit and loss including other comprehensive income, the statement of changes in equity and the standalone cash flow statement dealt with by this Report are in agreement with the books of account.
 - 17.4. In our opinion, the aforesaid Standalone Financial Statements comply with the Ind AS specified under Section 133 of the Act.
 - 17.5. On the basis of the written representations received from the directors as on 31 March 2023 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2023 from being appointed as a director in terms of Section 164(2) of the Act.
 - 17.6. With respect to the adequacy of the internal financial controls with reference to Standalone Financial Statements of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure B'.
 - 17.7. In our opinion and according to the information and explanations given to us, the remuneration

Independent Auditors' Report (Contd.)

paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act.

18. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - 18.1. The Company has disclosed the impact of pending litigations as at 31 March 2023 on its financial position in its Standalone Financial Statements – Refer Note 39.2 to the Standalone Financial Statements;
 - 18.2. The Company has made provision, as required under the applicable law or Ind AS, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 39.3 to the Standalone Financial Statements;
 - 18.3. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
 - 18.4. The Management has represented, to best of their knowledge and belief, that no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified

in any manner whatsoever by or on behalf of the Company ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

- 18.5. The Management has represented, to best of their knowledge and belief, that no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ('Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- 18.6. Based on such audit procedures, that have been considered reasonable and appropriate in the circumstances, performed by us, nothing has come to our notice that has caused us to believe that the representation under paragraphs 18.4 and 18.5 contain any material misstatement.
- 18.7. In our opinion and according to the information and explanations given to us,
 - a) The final dividend paid by the Company during the year, in respect of the same declared for the previous year, is in accordance with Section 123 of the Act to the extent it applies to payment of dividend.
 - b) The interim dividend declared and paid by the Company during the year and until the date of this report is in compliance with Section 123 of the Act.

Independent Auditors' Report (Contd.)

c) As stated in Note 100 to the standalone financial statements, the Board of Directors of the Company have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in accordance with Section 123 of the Act to the extent it applies to declaration of dividend.

18.8. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 (as amended), provides for the feature of recording of audit trail (edit log) facility in the accounting software used by the Company for maintenance of books of account, which is applicable to the Company from financial year beginning 1 April 2023. The reporting under clause (g) of Rule 11 of Companies (Audit and Auditors) Rules, 2014 would be done from financial year 2023-2024 onwards.

For B. K. Khare & Co.
Chartered Accountants
Firm Registration Number: 105102W

Sd/-
Padmini Khare Kaicker
Partner
ICAI Membership No: 044784
UDIN: 23044784BGXWNB2222

Place: Mumbai
Date: 15 April 2023

For KKC & Associates LLP
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firm Registration Number: 105146W/W-100621

Sd/-
Hasmukh B Dedhia
Partner
ICAI Membership No: 033494
UDIN: 23033494BGWSPS9533

Place: Mumbai
Date: 15 April 2023

Annexure 'A' to the Independent Auditors' Report on the Standalone Financial Statements of HDB Financial Services Limited for the year ended 31 March 2023

(Referred to in paragraph 16 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Property, Plant and Equipment ('PPE').

The Company is maintaining proper records showing full particulars of intangible assets.

- (b) The Company has a regular programme of physical verification of its PPE by which all PPE are verified in a phased manner. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain PPE were physically verified by the Management during the year. In our opinion, and according to the information and explanations given to us, no material discrepancies were noticed on such verification.

- (c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of all the immovable properties (other than properties where the Company is the lessee and the lease agreements are duly executed in favour of the lessee) disclosed in the financial statements are held in the name of the Company.

- (d) In our opinion and according to the information and explanations given to us, the Company has not revalued its PPE (including Right of Use assets) or intangible assets or both during the year.

- (e) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, no proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

- ii. (a) The Company is in the business of providing loans and does not have any physical inventories. Accordingly, the provision of clause 3(ii)(a) of the Order is not applicable to it.

- (b) In our opinion and according to the information and explanations given to us, the Company has been sanctioned working capital limits in excess of rupees five crore, in aggregate, from banks which are secured on the basis of security of current assets. Based on our examination of the

records of the Company, the quarterly returns/statements filed by the Company with said banks are in agreement with the books of account of the Company.

- iii. (a) Since the Company's principal business is to give loans, the provision of clause 3(iii)(a) of the Order are not applicable it.

- (b) In our opinion and according to the information and explanations given to us, the investments made, guarantees provided, security given and the terms and conditions of the grant of all loans and advances in the nature of loans and guarantees provided are not prejudicial to the Company's interest.

(c&d) The Company, being a Non-Banking Financial Company ('NBFC'), registered under provisions of RBI Act, 1934 and rules made thereunder, in pursuance of its compliance with provisions of the said Act/Rules, particularly, the Income Recognition, Asset Classification and Provisioning Norms, monitors repayments of principal and payment of interest by its borrowers as stipulated. In cases where repayment of principal and payment of interest is not received as stipulated, the cognizance thereof is taken by the Company in course of its periodic regulatory reporting. Refer note 58, note 59 and note 60 to the Standalone Financial Statements for summarised details of such loans/advances which are not repaid by borrowers as per stipulations as also details of reasonable steps taken by the Company for recovery thereof.

- (e) Since the Company's principal business is to give loans, the provision of clause 3(iii)(e) of the order are not applicable to it.

- (f) The Company has not granted any loans or advances in the nature of loans to Promoters/Related Parties as defined in section 2(76) of the Act which are either repayable on demand or without specifying any terms or period of repayment.

- iv. In our opinion and according to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees in contravention of the provisions of sections 185 and 186(1) of the Act, the other provision of the section 186 of the Act are not applicable to the Company.

Annexure 'A' to the Independent Auditors' Report on the Standalone Financial Statements of HDB Financial Services Limited for the year ended 31 March 2023 (Contd.)

- v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits or amounts which are deemed to be deposits from the public during the year in terms of directives issued by the Reserve Bank of India or the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, provisions of clause 3(v) of the Order is not applicable to the Company.
- vi. The Central Government has not prescribed the maintenance of cost records under the sub-section (1) of Section 148 of the Act for any of the services rendered by the Company. Accordingly, the provision of clause 3(vi) of the Order is not applicable to the Company.
- vii. (a) In our opinion and according to the information and explanations given to us, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Goods and Services Tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues have generally been regularly deposited by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, Goods and Services Tax, duty of customs, cess and other material statutory dues were in arrears as at 31 March 2023 for a period of more than six months from the date they became payable.
- (b) We confirm that there are no dues of Goods and Services Tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues, which have not been deposited to/with the appropriate authority as on 31 March 2023, on account of any dispute.
- viii. In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, we confirm that we have not come across any transactions not recorded in the books of account which have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961.
- ix. (a) In our opinion, the Company has not defaulted in repayment of loans or other borrowings to financial institutions, banks, government and dues to debenture holders or in the payment of interest thereon to any lender.
 (b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority or any other lender.
 (c) In our opinion and according to the information and explanations given to us, the Company has utilized the money obtained by way of term loans during the year for the purposes for which they were obtained, other than temporary parking in Liquid Mutual Funds for a few days during the year, pending utilization towards purpose for which the same are obtained.
 (d) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the financial statements of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.
 (e&f) The Company does not have any subsidiaries, associates or joint ventures. Accordingly, the provisions of the clauses (ix)(e) & (f) of the Order are not applicable to the Company.
- x. (a) The Company did not raise money by way of initial public offer or further public offer (including debt instruments) during the year.
 (b) According to the information and explanations given to us, the Company has not made any preferential allotment / private placement of shares / fully / partly / optionally convertible debentures during the year.
- xi. (a) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, no material fraud by the Company or on the Company has been noticed or reported during the year, other than the instances of fraud noticed and reported by the management in terms of the regulatory provisions

Annexure 'A' to the Independent Auditors' Report on the Standalone Financial Statements of HDB Financial Services Limited for the year ended 31 March 2023 (Contd.)

- applicable to the Company amounting to Rs. 0.58 Crore comprising of 6 instances.
- (b) No report under sub-section (12) of section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.
- (c) Our review of the whistle blower complaints received during the year by the Company did not reveal any material observations.
- xii. (a) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, provisions of clause 3(xii) of the Order is not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standard.
- xiv. (a) In our opinion and based on our examination, the Company has an internal audit system commensurate with the size and nature of its business.
- (b) We have considered the internal audit reports of the Company issued till date, for the period under audit.
- xv. According to the information and explanations given to us, in our opinion during the year the Company has not entered into any non-cash transactions with its directors or persons connected with its directors. Accordingly, paragraph 3(xv) of the Order is not applicable to the Company. and hence provisions of section 192 of the Act are not applicable to the Company.
- xvi. (a) The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and the Company has obtained the required registration.
- (b) The Company has not conducted any Non-Banking Financial or Housing Finance activities without obtaining a valid CoR from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.
- (c) The Company is not a CIC as defined in the regulations made by Reserve Bank of India.
- (d) As per information provided in course of our audit, the Group to which Company belongs, does not have CIC.
- xvii. The Company has not incurred any cash losses in the financial year and in the immediately preceding financial year.
- xviii. There has been no resignation of the statutory auditors during the year and accordingly, provisions of clause 3(xviii) of the Order is not applicable.
- xix. According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and Management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up

Annexure 'A' to the Independent Auditors' Report on the Standalone Financial Statements of HDB Financial Services Limited for the year ended 31 March 2023 (Contd.)

to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

- xx. (a) According to the information and explanations given to us and based on our examination of the records of the Company, it is not required to transfer any unspent amount pertaining to the year under report to a Fund specified in Schedule

VII to the Companies Act, 2013 in compliance with second proviso to sub-section (5) of section 135 of the said Act.

- (b) According to the information and explanations given to us and based on our examination of the records of the Company, there is no amount which is remaining unspent under sub-section (5) of Section 135 of the Act pursuant to any ongoing projects.

For B. K. Khare & Co.
Chartered Accountants
Firm Registration Number: 105102W

Sd/-
Padmini Khare Kaicker
Partner
ICAI Membership No: 044784
UDIN: 23044784BGXWNB2222

Place: Mumbai
Date: 15 April 2023

For KKC & Associates LLP
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firm Registration Number: 105146W/W-100621

Sd/-
Hasmukh B Dedhia
Partner
ICAI Membership No: 033494
UDIN: 23033494BGWSPS9533

Place: Mumbai
Date: 15 April 2023

Annexure 'B' to the Independent Auditors' report on the Standalone Financial Statements of HDB Financial Services limited for the year ended 31 March 2023

(Referred to in paragraph '17.6' under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls with reference to the aforesaid Standalone Financial Statements under Clause (i) of sub-section (3) of Section 143 of the Companies Act, 2013 ('the Act').

OPINION

1. We have audited the internal financial controls with reference to the Standalone Financial Statements of HDB Financial Services limited ('the Company') as at 31 March 2023 in conjunction with our audit of the Standalone Financial Statements of the Company for the year ended on that date.
2. In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to the Standalone Financial Statements and such internal financial controls were operating effectively as at 31 March 2023, based on the internal controls 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 ('the Guidance Note').

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

3. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 the 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 Act.

AUDITORS' RESPONSIBILITY

4. Our responsibility is to express an opinion on the Company's internal financial controls with reference to the Standalone Financial Statements based on our

audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing ('SA'), prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to the Standalone Financial Statements. Those SAs and the Guidance Note require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to the Standalone Financial Statements were established and maintained and whether such controls operated effectively in all material respects.

5. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to the Standalone Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to the Standalone Financial Statements included obtaining an understanding of internal financial controls with reference to the Standalone Financial Statements, 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 judgement, including the assessment of the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error.
6. 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 with reference to the Standalone Financial Statements.

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE STANDALONE FINANCIAL STATEMENTS

7. A Company's internal financial controls with reference to the Standalone Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone Financial Statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial controls with reference to the Standalone Financial Statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable

Annexure 'B' to the Independent Auditors' Report on the Standalone Financial Statements of HDB Financial Services Limited for the year ended 31 March 2023 (Contd.)

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 Standalone 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 Standalone Financial Statements.

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE STANDALONE FINANCIAL STATEMENTS

8. Because of the inherent limitations of internal financial controls with reference to the Standalone Financial Statements, 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 with reference to the Standalone Financial Statements to future periods are subject to the risk that the internal financial controls with reference to the Standalone Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For B. K. Khare & Co.

Chartered Accountants

Firm Registration Number: 105102W

Sd/-

Padmini Khare Kaicker

Partner

ICAI Membership No: 044784

UDIN: 23044784BGXWNB2222

Place: Mumbai

Date: 15 April 2023

For KKC & Associates LLP

Chartered Accountants

(formerly Khimji Kunverji & Co LLP)

Firm Registration Number: 105146W/W-100621

Sd/-

Hasmukh B Dedhia

Partner

ICAI Membership No: 033494

UDIN: 23033494BGWSPS9533

Place: Mumbai

Date: 15 April 2023

Standalone Balance Sheet

as at March 31, 2023

(Currency : Indian Rupees in Crore)

Particulars	Note No.	As at March 31, 2023	As at March 31, 2022
ASSETS:			
1 Financial Assets			
(a) Cash and cash equivalents	4	395.90	477.20
(b) Bank balances other than (a) above	5	257.92	206.77
(c) Derivative financial instruments	6	165.34	132.44
(d) Trade receivables	7	65.76	141.82
(e) Loans	8	66,382.67	57,162.45
(f) Investments	9	1,243.25	2,233.51
(g) Other financial assets	10	34.87	32.91
		68,545.71	60,387.10
2 Non-Financial Assets			
(a) Current tax assets (Net)	11	25.11	13.34
(b) Deferred tax assets (Net)	12	1,000.87	1,051.17
(c) Property, plant and equipment	13	122.37	78.14
(d) Capital work-in-progress		-	-
(e) Other intangible assets		20.41	12.01
(f) Right of use Assets	14	244.27	202.49
(g) Other non-financial assets	15	91.65	281.69
		1,504.68	1,638.84
TOTAL ASSETS		70,050.39	62,025.94
LIABILITIES AND EQUITY:			
Liabilities			
3 Financial Liabilities			
(a) Trade payables	16	-	-
(i) Total outstanding dues of micro enterprises and small enterprises		-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		291.84	246.91
(b) Debt securities	17	27,096.41	25,332.31
(c) Borrowings (other than debt securities)	18	24,227.80	19,501.72
(d) Subordinated liabilities	19	3,541.10	4,139.05
(e) Other financial liabilities	20	2,778.43	2,708.72
		57,935.58	51,928.71
4 Non-Financial Liabilities			
(a) Current tax liabilities (net)	21	41.97	59.73
(b) Provisions	22	368.96	314.75
(c) Other non-financial liabilities	23	266.91	183.02
		677.84	557.50
5 Equity			
(a) Equity share capital	24	791.40	790.44
(b) Other equity	25	10,645.57	8,749.29
		11,436.97	9,539.73
TOTAL LIABILITIES AND EQUITY		70,050.39	62,025.94

Significant accounting policies and notes to the Standalone Financial Statements.

2 - 101

The notes referred to above form an integral part of the Standalone Financial Statements.

As per our report of even date attached

For **B. K. Khare & Co.**
Chartered Accountants
Firms' Registration No: 105102W

For **KKC & Associates LLP**
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firms' Registration No:
105146W/W-100621

For and on behalf of the Board of Directors of
HDB Financial Services Limited

Sd/-
Padmini Khare Kaicker
Partner
Membership No: 044784

Sd/-
Hasmukh B. Dedhia
Partner
Membership No: 033494

Sd/-
Arijit Basu
Chairman and Non-Executive Director
DIN: 06907779

Sd/-
G. Ramesh
Managing Director & CEO
DIN: 05291597

Place: Mumbai
Date: April 15, 2023

Sd/-
Dipti Khandelwal
Company Secretary
Membership No: F11340

Sd/-
Jaykumar P. Shah
Chief Financial Officer
Membership No: 106353

Standalone Statement of Profit and Loss

for the year ended March 31, 2023

(Currency : Indian Rupees in Crore)

Particulars	Note No.	For the year ended March 31, 2023	For the year ended March 31, 2022
1 Revenue from operations			
(a) Interest income	26	8,927.78	8,362.97
(b) Sale of services		2,633.93	2,363.41
(c) Other financial charges		756.41	569.01
(d) Net gain on fair value changes	27	85.07	16.48
(e) Net gain / (loss) on derecognition of financial instruments under amortised cost category		(0.31)	(5.58)
Total Revenue from operations		12,402.88	11,306.29
2 Expenses			
(a) Finance Costs	28	3,511.92	3,325.50
(b) Impairment on financial instruments	29	1,330.40	2,465.73
(c) Employee Benefits Expenses	30	4,057.57	3,500.41
(d) Depreciation, amortisation and impairment	13,14	111.84	98.94
(e) Others expenses	31	763.75	568.15
Total Expenses		9,775.48	9,958.73
3 Profit/(loss) before tax		2,627.40	1,347.56
4 Tax Expense:	11,12		
(a) Current tax		621.30	663.40
(b) Deferred tax (credit)		46.75	(327.24)
Total Tax expense		668.05	336.16
5 Profit for the year		1,959.35	1,011.40
6 Other Comprehensive Income			
(a) Items that will not be reclassified to profit or loss			
- Remeasurement loss on defined benefit plan		(5.48)	(13.15)
- Income tax relating to items that will not be reclassified to profit or loss		1.38	2.25
Sub total (a)		(4.10)	(10.90)
(b) Items that will be reclassified to profit or loss			
- Movement in cash flow hedge reserve		19.59	33.00
- Income tax relating to items that will be reclassified to profit or loss		(4.93)	(8.31)
Sub total (b)		14.66	24.69
Other Comprehensive Income		10.56	13.79
7 Total Comprehensive Income for the year		1,969.91	1,025.19
8 Earnings per equity share (for continuing operations)	32		
Basic (₹)		24.78	12.81
Diluted (₹)		24.76	12.80
Significant accounting policies and notes to the Standalone Financial Statements.	2 - 101		

The notes referred to above form an integral part of the Standalone Financial Statements.

As per our report of even date attached

For B. K. Khare & Co.
Chartered Accountants
Firms' Registration No: 105102W

For KKC & Associates LLP
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firms' Registration No:
105146W/W-100621

For and on behalf of the Board of Directors of
HDB Financial Services Limited

Sd/-
Padmini Khare Kaicker
Partner
Membership No: 044784

Sd/-
Hasmukh B. Dedhia
Partner
Membership No: 033494

Sd/-
Arijit Basu
Chairman and Non-Executive Director
DIN: 06907779

Sd/-
G. Ramesh
Managing Director & CEO
DIN: 05291597

Place: Mumbai
Date: April 15, 2023

Sd/-
Dipti Khandelwal
Company Secretary
Membership No: F11340

Sd/-
Jaykumar P. Shah
Chief Financial Officer
Membership No: 106353

Standalone Statement of Changes in Equity

as at March 31, 2023

(Currency : Indian Rupees in Crore)

A EQUITY SHARE CAPITAL

Particulars	As at March 31, 2023	As at March 31, 2022
Balance at the beginning of the period	790.44	789.19
- Changes in Equity Share Capital due to prior period errors	-	-
- Restated balance at the beginning of the current reporting period	-	-
- Changes in Equity Share Capital during the year	0.96	1.25
Balance at the end of the reporting period	791.40	790.44

B OTHER EQUITY

Particulars	Reserves and Surplus					Other Comprehensive Income (OCI)	Total
	Securities Premium Account	Employee stock Options Outstanding Account	Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	Retained Earnings- Other than Remeasurement of Post Employment Benefit Obligations	Retained Earnings- Remeasurement of Post Employment Benefit Obligations		
Balance as at April 01, 2022	3,055.19	35.53	1,293.22	4,427.10	(53.55)	(8.20)	8,749.29
Profit for the year	-	-	-	1,959.35	-	-	1,959.35
Other Comprehensive Income	-	-	-	-	(4.10)	14.66	10.56
Total Comprehensive Income for the year	-	-	-	1,959.35	(4.10)	14.66	1,969.91
Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	-	-	391.87	(391.87)	-	-	-
Premium on issue of shares	32.96	-	-	-	-	-	32.96
Share based payment	-	43.64	-	-	-	-	43.64
Transfer on allotment of shares pursuant to ESOP scheme	39.56	(39.56)	-	-	-	-	-
Dividends	-	-	-	(79.04)	-	-	(79.04)
Interim Dividend	-	-	-	(71.20)	-	-	(71.20)
Balance as at March 31, 2023	3,127.72	39.61	1,685.09	5,844.33	(57.65)	6.46	10,645.57

**Standalone Statement of Changes in Equity
as at March 31, 2023 (Contd.)**
(Currency : Indian Rupees in Crore)

Particulars	Reserves and Surplus					Other Comprehensive Income (OCI)	Total
	Securities Premium Account	Employee stock Options Outstanding Account	Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	Retained Earnings- Other than Remeasurement of Post Employment Benefit Obligations	Retained Earnings- Remeasurement of Post Employment Benefit Obligations		
Balance as at April 01, 2021	2,960.70	62.97	1,090.94	3,617.98	(42.65)	(32.89)	7,657.05
Profit for the year	-	-	-	1,011.40	-	-	1,011.40
Other Comprehensive Income	-	-	-	-	(10.90)	24.69	13.79
Total Comprehensive Income for the year	-	-	-	1,011.40	(10.90)	24.69	1,025.19
Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	-	-	202.28	(202.28)	-	-	-
Premium on issue of shares	36.63	-	-	-	-	-	36.63
Share based payment	-	30.42	-	-	-	-	30.42
Transfer on allotment of shares pursuant to ESOP scheme	57.86	(57.86)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Dividend Distribution Tax	-	-	-	-	-	-	-
Balance As At March 31, 2022	3,055.19	35.53	1,293.22	4,427.10	(53.55)	(8.20)	8,749.29

As required by section 45-IC of the RBI Act 1934, the Company maintains a reserve fund and transfers there in a sum not less than twenty per cent of its net profit every year as disclosed in the statement of profit and loss and before any dividend is declared. The Company cannot appropriate any sum from the reserve fund except for the purpose specified by Reserve Bank of India from time to time. Till date RBI has not specified any purpose for appropriation of Reserve fund maintained under section 45-IC of RBI Act, 1984.

Significant accounting policies and notes to the Standalone Financial Statements. Note 2 - 101

The notes referred to above form an integral part of the Standalone Financial Statements.

As per our report of even date attached

For B. K. Khare & Co.
Chartered Accountants
Firms' Registration No: 105102W

For KKC & Associates LLP
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firms' Registration No:
105146W/W-100621

For and on behalf of the Board of Directors of
HDB Financial Services Limited

Sd/-
Padmini Khare Kaicker
Partner
Membership No: 044784

Sd/-
Hasmukh B. Dedhia
Partner
Membership No: 033494

Sd/-
Arijit Basu
Chairman and Non-Executive Director
DIN: 06907779

Sd/-
G. Ramesh
Managing Director & CEO
DIN: 05291597

Place: Mumbai
Date: April 15, 2023

Sd/-
Dipti Khandelwal
Company Secretary
Membership No: F11340

Sd/-
Jaykumar P. Shah
Chief Financial Officer
Membership No: 106353

Standalone Cash Flow Statement

for the year ended March 31, 2023

(Currency : Indian Rupees in Crore)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	2,627.40	1,347.56
Adjustments for		
Interest Income	(8,927.78)	(8,362.97)
Interest Expenses	3,502.92	3,316.64
(Profit)/loss on sale of asset	(1.01)	(0.06)
Realised net loss/ (gain) on FVTPL investments	(90.67)	39.29
Unrealised gain on FVTPL investments	5.60	(22.81)
Discount on commercial paper	9.00	8.86
Provision for compensated absence and gratuity	6.59	3.52
Employee share based payment expenses	43.64	30.42
Depreciation, amortisation and impairment	111.84	98.94
Impairment on financial instruments	1,330.40	2,465.73
Operating cash flow before working capital changes	(1,382.07)	(1,074.88)
Adjustments for working capital changes:		
(Increase)/ decrease in Loans	(10,462.68)	(1,016.51)
(Increase)/ decrease in trade receivables	76.06	(24.50)
(Increase)/ decrease in other financial assets and others	(0.19)	(17.69)
Increase/(decrease) in other financial and non financial liabilities & provisions	(758.28)	(960.09)
Increase/(decrease) in trade payables	44.93	(87.34)
Cash generated from/(Used in) operations before adjustments for interest received and interest paid	(12,482.23)	(3,181.01)
Interest Paid	(3,842.14)	(3,699.47)
Interest Received	8,841.36	8,353.15
Cash generated from/(Used in) operations	(7,483.01)	1,472.67
Direct taxes paid (net of refunds)	632.41	514.43
Net cash flow generated from/(used in) operating activities (A)	(6,850.60)	1,987.10
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(49,267.66)	(24,583.62)
Sale of investments	50,350.80	23,920.20
Purchase of fixed assets	(111.32)	(41.13)
Sale of fixed assets	1.50	1.27
Net cash generated (used in)/ from investing activities (B)	973.32	(703.28)
C CASH FLOW FROM FINANCING ACTIVITIES		
Debt securities issued	10,099.18	8,876.00
Debt securities repaid	(8,210.60)	(7,274.50)
Borrowings other than debt securities issued	17,207.75	8,800.35
Borrowings other than debt securities repaid	(12,507.21)	(12,026.41)
Subordinated debt issued	-	150.00
Subordinated debt repaid	(600.00)	-
Proceeds from issue of shares and security premium	33.93	37.89
Repayment of lease liabilities	(76.81)	(62.87)
Dividend paid	(150.25)	-
Net cash generated (used in)/ from financing activities (C)	5,795.99	(1,499.54)

**Standalone Cash Flow Statement
for the year ended March 31, 2023 (Contd.)**
(Currency : Indian Rupees in Crore)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(81.30)	(215.72)
Add : Cash and cash equivalents as at the beginning of the year	477.20	692.92
Cash and cash equivalents as at the end of the year *	395.90	477.20
* Components of cash and cash equivalents		
Balances with banks	358.51	430.81
Demand drafts on hand	8.87	11.32
Cash on hand	28.52	35.07
	395.90	477.20

Significant accounting policies and notes to the Standalone Financial Statements. Note 2 - 101

The notes referred to above form an integral part of the Standalone Financial Statements.

The above Standalone Statement of cash flow has been prepared under the indirect method set out in Ind AS 7 - Statement of Cash Flow.

As per our report of even date attached

For **B. K. Khare & Co.**
Chartered Accountants
Firms' Registration No: 105102W

For **KKC & Associates LLP**
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firms' Registration No:
105146W/W-100621

For and on behalf of the Board of Directors of
HDB Financial Services Limited

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Membership No: 044784

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Chairman and Non-Executive Director
DIN: 06907779

Sd/-
G. Ramesh
Managing Director & CEO
DIN: 05291597

Place: Mumbai
Date: April 15, 2023

Sd/-
Dipti Khandelwal
Company Secretary
Membership No: F11340

Sd/-
Jaykumar P. Shah
Chief Financial Officer
Membership No: 106353

Notes to the Standalone Financial Statements

for the year ended March 31, 2023

1 COMPANY OVERVIEW

HDB Financial Services Limited ('the Company') (Corporate Identity Number CIN U65993GJ2007PLC051028), incorporated in Ahmedabad, India, is a Systemically Important Non Deposit taking Non-Banking Financial Company ('NBFC') as defined under Section 45-IA of the Reserve Bank of India ('RBI') Act, 1934. The Company is registered with the Reserve Bank of India (RBI) with registration no. N.01.00477.

The Company provides lending services and business process outsourcing services. The Company also provides services related to the marketing and promotion of various financial products.

The Company's registered office is situated at Radhika, 2nd floor, Law Garden Road, Navrangpura, Ahmedabad - 380009, India, while its corporate office is located in Mumbai, India. The Company is a subsidiary of HDFC Bank Limited.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance, Basis of Preparation and Presentation of Financial Statements

(A) Compliance with Ind AS

The financial statements of the Company comply in all material aspects with 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 relevant provisions of the Act. Any directions issued by the RBI or other regulators are implemented as and when they become applicable. Further the Company has complied with all the directions related to Implementation of Indian Accounting Standards prescribed for Non-Banking Financial Companies (NBFCs) in accordance with the RBI notification no. RBI/2019-20/170 DOR NBFC). CC.PD. No.109/22.10.106/2019-20 dated March 13, 2020,in addition to the Regulatory disclosure as required by Master Direction - Non Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Direction, 2016.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the

existing accounting standard requires a change in the accounting policy hitherto in use. These standalone financial statements subjected to audit by the Statutory Auditors of the Company have been reviewed by the Audit Committee and approved by the Board of Directors and authorised for issue on April 15, 2023.

(B) Presentation of financial statements

The Balance Sheet, the Statement of Changes in Equity and the Statement of Profit and Loss are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non-Banking Financial Companies ('NBFCs') that are required to comply with Ind AS. The Statement of Cash Flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

(C) Basis of preparation

The financial statements have been prepared under the historical cost convention on the accrual basis except for certain financial instruments and plan assets of defined benefit plans, which are measured at fair values at the end of each reporting period as explained in the accounting policies below. All amounts disclosed in the financial statements and notes have been rounded off to the nearest INR Crore in compliance with Schedule III of the Act, unless otherwise stated.

(D) Functional and presentation currency

These financial statements are presented in Indian Rupees ('INR' or 'Rs') which is also the Company's functional currency. All amounts are rounded-off to the nearest Crore, unless otherwise indicated.

(E) Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities (including contingent liabilities) and disclosures as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and could change from period to period. Appropriate changes in estimates

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)

are recognised in the periods in which the Company becomes aware of the changes in circumstances surrounding the estimates. Any revisions to accounting estimates are recognised prospectively in the period in which the estimate is revised and future periods. The estimates and judgements that have significant impact on the carrying amount of assets and liabilities at each balance sheet date are discussed at Note 3.

2.2 Financial Instruments

(A) Date of recognition

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

(B) Initial measurement

Recognised financial instruments are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in statement of profit and loss.

Trade receivable are initially measured at transaction price.

(C) Classification and subsequent measurement

(i) Financial assets

Based on the business model, the contractual characteristics of the financial assets and specific elections where appropriate, the Company classifies and measures financial assets in the following categories:

- Amortised cost
- Fair value through other comprehensive income ('FVOCI')
- Fair value through profit and loss ('FVTPL')

(a) Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows ('Asset held to collect contractual cash flows'); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

After initial measurement and based on the assessment of the business model as asset held to collect contractual cash flows and SPPI, such financial assets are subsequently measured at amortised cost using effective interest rate ('EIR') method. Interest income and impairment expenses are recognised in statement of profit and loss. Interest income from these financial assets is included in finance income using the EIR method. Any gain and loss on derecognition is also recognised in statement of profit and loss.

The EIR method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company records loans at amortised cost.

(b) Financial assets at fair value through other comprehensive income

Financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the assets, ('Contractual cash flows of assets collected through hold and sell model') and contractual cash flows that are SPPI, are subsequently measured at FVOCI. Movements in the carrying amount of such financial assets are recognised in Other Comprehensive Income ('OCI'),

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)

except dividend income which is recognised in statement of profit and loss. Amounts recorded in OCI are not subsequently transferred to the statement of profit and loss. Equity instruments at FVOCI are not subject to an impairment assessment.

(c) Financial assets at fair value through profit and loss

Financial assets, which do not meet the criteria for categorisation as at amortised cost or as FVOCI, are measured at FVTPL. Subsequent changes in fair value are recognised in statement of profit and loss.

The Company records investments in equity instruments, mutual funds and Treasury bills at FVTPL.

(ii) Financial liabilities and equity instrument

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(a) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company is recognised at the proceeds received, net of directly attributable transaction costs.

(b) Financial liabilities

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in statement of profit and loss.

Any gain or loss on de-recognition of financial liabilities is also recognised in statement of profit and loss.

Undrawn loan commitments are not recorded in the balance sheet. However, these financial instruments are in the scope of expected credit loss ('ECL') calculation.

(D) Reclassification

Financial assets are not reclassified subsequent to their initial recognition, apart from the exceptional

circumstances in which the Company acquires, disposes of, or terminates a business line or in the period the Company changes its business model for managing financial assets. Financial liabilities are not reclassified.

(E) Offsetting

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, the Company has a legally enforceable right to offset the recognised amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(F) Derecognition

(i) Financial assets

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 contractual rights to receive cash flows from the financial asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset and the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Company neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for the amount it may have to pay.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not de-recognised and the proceeds received are recognised as a collateralised borrowing.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the

Notes to the Standalone Financial Statements
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portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in statement of profit and loss.

(ii) Financial liabilities

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 a derecognition of the original liability and the recognition of a new liability. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying value of the original financial liability and the new financial liability with modified terms is recognised in statement of profit and loss.

(G) Impairment of financial assets

The Company applies the expected credit loss ('ECL') model in accordance with Ind AS 109 for recognising impairment loss on financial assets. The ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial asset ('lifetime ECL'), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date. ECL is calculated on a collective basis, considering the retail nature of the underlying portfolio of financial assets.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. When determining whether the risk of default on a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based

on a provision matrix which takes into account the Company's historical credit loss experience, current economic conditions, forward looking information and scenario analysis.

The expected credit loss is a product of exposure at default ('EAD'), probability of default ('PD') and loss given default ('LGD'). The Company has devised an internal model to evaluate the PD and LGD based on the parameters set out in Ind AS 109. Accordingly, the financial assets have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial asset. The Company categorises financial assets at the reporting date into stages based on the days past due ('DPD') status as under:

- Stage 1: 0 to 30 days past due
- Stage 2: 31 to 90 days past due
- Stage 3: more than 90 days past due

Loan accounts where principal and/or interest are past due for more than 90 days continue to be classified as stage 3 till overdues across all loans are cleared.

LGD is an estimate of loss from a transaction given that a default occurs. PD is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12-month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD. EAD represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Company.

The Company incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of external actual and forecast information, the Company forms a 'base case' view of the future direction of relevant economic variables. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

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The measurement of impairment losses across all categories of financial assets requires judgement, in particular, 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 a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. The Company regularly reviews its models in the context of actual loss experience and makes adjustments when such differences are significantly material. Adjustments including reversal of ECL is recognised through statement of profit and loss.

After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Company follows the simplified approach required by Ind AS 109 for recognition of impairment loss allowance on trade receivables, which requires lifetime ECL to be recognised at each reporting date, right from initial recognition of the receivables.

(H) Write offs

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no reasonable expectation of recovering the asset in its entirety or a portion thereof. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in statement of profit and loss.

2.3 Impairment of non-financial assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be

impaired due to events or changes in circumstances indicating that their carrying amounts may not be realised. If any such indication exists, the Company estimates the recoverable amount of the asset or the cash generating unit ('CGU'). If such recoverable amount of the asset or the recoverable amount of the CGU to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the revised recoverable amount, subject to maximum of the depreciated historical cost.

2.4 Foreign exchange transactions and translations

(A) Initial recognition

Transactions in foreign currencies are recognised at prevailing exchange rates between reporting currency and foreign currency on transaction date.

(B) Conversion

Transactions in foreign currencies are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in Statement of profit and loss. Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the Statement of profit and loss on a net basis.

2.5 Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps and cross currency interest rate swaps.

Derivatives are initially recognised at fair value at the date of a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised

Notes to the Standalone Financial Statements for the year ended March 31, 2023 (Contd.)

in the statement of profit and loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the statement of profit and loss depends on the nature of the hedge relationship. The Company designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting policy

The Company makes use of derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Company applies hedge accounting for transactions that meet specific criteria. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging / economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Company would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash Flow Hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit and loss. For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging

instrument is recognised immediately in Finance Cost in the statement of profit and loss. When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss. When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the statement of profit and loss.

The Company's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind-AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

2.6 Cash and cash equivalents

Cash and cash equivalents includes cash at banks and on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

The Company follows the policy of crediting the customer's account only on receipt of amount in the bank and as such no cheques in hand are taken into consideration.

2.7 Upfront servicer fees booked on direct assignment

Servicer fees receivable for servicing loan contracts under direct assignment are discounted at the applicable rate entered into with the assignee and recognised

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)

upfront in the balance sheet and amortised on a straight line basis over the remaining contractual maturity of the underlying loans.

2.8 Property, plant and equipment

(A) Recognition and measurement

Tangible property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. The cost of property, plant and equipment comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Advances paid towards acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-financial assets and cost of assets not put to use before such date are disclosed under Capital work-in-progress.

(B) Subsequent expenditure

Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future economic benefits / functioning capability from / of such assets.

(C) Depreciation, estimated useful lives and residual value

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives in the manner prescribed in Schedule II of the Act. The estimated lives used and differences from the lives prescribed under Schedule II are noted in the table below:-

Type of Assets	Estimated useful life as assessed by the Company	Estimated useful life under Schedule II of the Act
Computers	2-5 years	3 years
Software and system development	3 years	3 years
Office equipment	3-5 years	5 years
Motor cars	4 years	8 years
Furniture and fixtures	3-7 years	10 years
Building	60 years	60 years
Leasehold improvements	Tenure of lease agreements	Tenure of lease agreements

The Company uniformly estimates a zero residual value for all these assets. Items costing

less than ₹ 5,000 are fully depreciated in the year of purchase. Depreciation is pro-rated in the year of acquisition as well as in the year of disposal.

The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. Consequently, the useful life of certain computer-related assets, furniture and fixtures, office equipment and motor cars differ from the life prescribed in Schedule II of the Act.

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.

Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in accounting estimates.

Property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition 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 de-recognised.

2.9 Other intangible assets

Software and system development expenditure are capitalised at cost of acquisition including cost attributable to readying the asset for use. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. The useful life of these intangible assets is estimated at 3 years with zero residual value. Any expenses on such software for support and maintenance payable annually are charged to the statement of profit and loss.

2.10 Dividends

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed at the end of the reporting period, being appropriately authorised and no longer at the discretion of the Company. The final dividend on shares is recorded as a liability on the date of approval by the shareholders, and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

Notes to the Standalone Financial Statements for the year ended March 31, 2023 (Contd.)

2.11 Revenue recognition

Revenue (other than for those items to which Ind AS 109 Financial Instruments is applicable) is measured at transaction price based on fair value of the consideration received or receivable. Amounts disclosed as revenue are net of goods and services tax ('GST') and amounts collected on behalf of third parties. Ind AS 115 Revenue from Contracts with Customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

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

Specific policies for the Company's different sources of revenue are explained below:

(A) Income from lending business

Interest income

Interest income on a financial asset at amortised cost is recognised on a time proportion basis taking into account the amount outstanding and

the effective interest rate ('EIR'). The EIR is the rate that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. The internal rate of return on financial asset after netting off the fees received and cost incurred approximates the effective interest rate method of return for the financial asset. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs).

Other financial charges

Cheque bouncing charges, late payment charges, foreclosure charges and application money are recognised on a point-in-time basis, and are recorded when realised since the probability of collecting such monies is established when the customer pays.

(B) Income from BPO services and other financial charges

Income from BPO services comprise of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers. Performance obligations are satisfied over time and revenue is recorded on a monthly basis.

(C) Income from direct assignment

Gains arising out of direct assignment transactions comprise the difference between the interest on the loan portfolio and the applicable rate at which the direct assignment is entered into with the assignee, also known as the right of excess interest spread (EIS). The future EIS basis the scheduled cash flows on execution of the transaction, discounted at the applicable rate entered into with the assignee is recorded upfront

Notes to the Standalone Financial Statements for the year ended March 31, 2023 (Contd.)

in the statement of profit and loss. EIS evaluated and adjusted for ECL and expected prepayment.

2.12 Finance costs

Finance costs include interest expense computed by applying the effective interest rate on respective financial instruments measured at amortised cost. Financial instruments include bank term loans, non-convertible debentures, commercial papers, subordinated debts and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Finance costs are charged to the Statement of profit and loss.

2.13 Employee benefits

(A) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(B) Provident fund

Retirement benefit in the form of provident fund, is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognises contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

(C) ESIC and Labour welfare fund

The Company's contribution paid/payable during the year to ESIC and Labour welfare fund are recognised in the statement of profit and loss.

(D) Gratuity

The Company operates a defined benefit gratuity plan that provides for gratuity benefit to all employees. The Company makes annual contributions to a fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of

employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised 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 statement of profit and loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non- routine settlements; and
- Net interest expense or income

(E) Share-based payments

The Company recognises compensation expense relating to share-based payments in net profit using fair value in accordance with Ind AS 102 - Share-based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding amount.

2.14 Provisions and contingencies

The Company recognises a provision when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of

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(Currency : Indian Rupees in Crore)

the reporting period, taking into account the risks and uncertainties surrounding the obligation.

In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that may arises from past events but probably will not require an outflow of resources to settle the obligation.

When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resource is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

2.15 Leases

Effective April 01, 2019, the Company has adopted Ind AS 116 - Leases and applied it to all lease contracts existing on April 01, 2019 using the modified retrospective method. Based on the same and as permitted under the specific transitional provisions in the standard, the Company is not required to restate the comparative figures.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

The following policies apply subsequent to the date of initial application, April 01, 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable,

in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease , it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised

Notes to the Standalone Financial Statements for the year ended March 31, 2023 (Contd.)

carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in statement of profit and loss.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

2.16 Goods and services tax paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the goods and services tax paid, except when the tax incurred on a purchase of assets or services is not recoverable from the tax 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.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables, respectively, in the balance sheet.

2.17 Income tax

(A) Current tax

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 in respect of taxable income for the year and any adjustment to the tax payable or receivable in respect of previous years.

(B) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry

forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit and loss is recognised outside profit and loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.18 Earnings per share

The Company reports basic and diluted earnings per equity share. Basic earnings per equity share have been computed by dividing net profit / loss attributable

Notes to the Standalone Financial Statements for the year ended March 31, 2023 (Contd.)

to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share have been computed by dividing the net profit attributable to the equity share holders after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Company has been identified as the CODM as defined by Ind AS 108 Operating Segments, who assesses the financial performance and position of the Company and makes strategic decisions.

Operating segments identified by the Company comprises as under:

- Lending services
- BPO services

The accounting policies consistently used in the preparation of the financial statements are also applied to item of revenue and expenditure in individual segments. Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprises as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'. Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

2.20 Repossession and Collateral

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.

To the extent possible, the Company uses active market data and external valuers for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued

using models or through external valuers. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

The Company physically repossess and take into custody properties or other assets and also engages external agents to recover funds, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. The Company does not use the assets repossessed for the internal operations. Assets held under legal repossession processes are not recorded on the balance sheet as it does not meet the recognition criteria in other standards. Value of the repossessed asset is not netted off from the exposure at default for calculation of expected credit loss.

2.21 Statement of cash flows

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Company's accounting policies, management has made the following estimates and judgements, which have a significant impact on the carrying amounts of assets and liabilities at each balance sheet date.

(A) Fair value of financial instruments

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. 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 regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value measurements under Ind AS are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to

Notes to the Standalone Financial Statements for the year ended March 31, 2023 (Contd.)

the fair value measurement in its entirety, which are described as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at measurement date
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs for the asset or liability that are not based on observable market data (unobservable inputs) that the Company can access at measurement date

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 43.

(B) Expected credit loss

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and credit assessment and including forward looking information.

The component used by the Company in determining the ECL have been depicted in Note 45.

(C) Effective interest rate

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

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, 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) as well expected changes to the base rate and other transaction costs and fees paid or received that are integral parts of the instrument.

(D) Business model assessment

Classification and measurement of financial assets depends on the results of 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 particular 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. 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.

(E) Useful life and expected residual value of assets

Depreciation and amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

(F) Leases

- The determination of lease term for some lease contracts in which the Company is a lessee, including whether the Company is reasonably certain to exercise lessee options.
- The determination of the incremental borrowing rate used to measure lease liabilities.

(G) Deferred Tax

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences become deductible. The Company considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

(H) Defined benefit plans

The cost of the defined benefit plans and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. 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.

(I) Provisions and contingencies

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in statutory litigation in the ordinary course of the Company's business. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

4 CASH AND CASH EQUIVALENTS

	As at March 31, 2023	As at March 31, 2022
Cash on hand	28.52	35.07
Balances with banks	358.51	430.81
Demand drafts on hand	8.87	11.32
Total	395.90	477.20

5 BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

	As at March 31, 2023	As at March 31, 2022
Deposits with bank	101.92	1.89
Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments.	93.63	172.96
Collateral with Banks for Derivative	61.71	30.58
Interest accrued but not due on fixed deposits	0.66	1.34
Total	257.92	206.77

Notes to the Standalone Financial Statements
as at March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

6 DERIVATIVE FINANCIAL INSTRUMENTS

	As at March 31, 2023			As at March 31, 2022		
	Notional amounts	Fair Value-Assets	Fair Value-Liabilities	Notional amounts	Fair Value-Assets	Fair Value-Liabilities
Part I						
(i) Currency derivatives:						
Currency swaps	1,889.91	166.17	-	4,017.00	132.44	-
Subtotal (i)	1,889.91	166.17	-	4,017.00	132.44	-
(ii) Interest rate derivatives						
Forward Rate Agreements and Interest Rate swaps	-	-	-	-	-	-
Subtotal (ii)	-	-	-	-	-	-
Less : Provision on derivative financial instruments		0.83				
Total Derivative Financial Instruments (i)+(ii)	1,889.91	165.34	-	4,017.00	132.44	-
Part II						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging:						
Currency derivatives	-	-	-	-	-	-
Interest Rate derivatives	-	-	-	-	-	-
Subtotal (i)	-	-	-	-	-	-
(ii) Cash flow hedging:						
Currency derivatives	1,889.91	166.17	-	4,017.00	132.44	-
Interest rate derivatives	-	-	-	-	-	-
Subtotal (ii)	1,889.91	166.17	-	4,017.00	132.44	-
(iii) Undesignated Derivatives						
Currency Swaps	-	-	-	-	-	-
Subtotal (iii)	-	-	-	-	-	-
Less : Provision on derivative financial instruments	-	0.83	-	-	-	-
Total Derivative Financial Instruments (i)+(ii)+(iii)	1,889.91	165.34	-	4,017.00	132.44	-

The Company enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges. The table above shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

7 TRADE RECEIVABLES

	As at March 31, 2023	As at March 31, 2022
Receivables Considered good - Secured	-	-
Receivables Considered good - Unsecured	59.10	124.20
Receivables which have significant increase in the credit risk	12.22	20.79
Receivables credit impaired	1.34	0.13
Unbilled Trade Receivables	-	-
	72.66	145.12
Less: Impairment loss allowance	6.90	3.30
Total	65.76	141.82

No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person, or from firms or private companies respectively in which any director is a partner, a director or a member.

Notes to the Standalone Financial Statements
as at March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Reconciliation of impairment Loss allowance on trade receivables:

	As at March 31, 2023	As at March 31, 2022
Balance as at beginning of the year	3.30	4.56
Increase during the year	5.98	2.11
Decrease during the year	(2.38)	(3.37)
Balance at end of the year	6.90	3.30

Trade receivables ageing schedule :

Previous Year figures are in (brackets)

Particulars	Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years	More than 3 years	Total
(i) Undisputed Trade Receivables - Considered good	58.53 (123.55)	0.60 (0.41)	(0.03) 0.05	(0.00) (0.10)	(0.00) (0.20)	59.10 (124.21)
(ii) Undisputed Trade Receivables - which have significant increase in credit risk	11.21 (19.50)	0.94 (0.79)	0.01 (0.39)	0.00 (0.02)	0.06 (0.09)	12.22 (20.79)
(iii) Undisputed Trade Receivables- credit impaired	0.78	0.56	0.00	0.00	(0.00)	1.34
(iv) Disputed Trade Receivables- considered good	-	-	-	-	-	-
(v) Disputed Trade Receivables- which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade receivables - credit impaired	-	-	-	-	-	-
(v) Unbilled Trade Receivables	-	-	-	-	-	-
TOTAL	70.52 (143.05)	2.10 (1.20)	(0.02) (0.41)	0.00 (0.18)	0.06 (0.29)	72.66 (145.12)

8 LOANS (AT AMORTISED COST)

	As at March 31, 2023	As at March 31, 2022
A Term Loans in India	70,030.70	61,326.32
B Public sector	-	-
Others	70,030.70	61,326.32
Total	70,030.70	61,326.32
C Secured (Secured by tangible assets)	53,053.24	46,644.29
Unsecured	16,977.46	14,682.03
Total	70,030.70	61,326.32
Less: Impairment loss allowance	3,648.03	4,163.87
Total	66,382.67	57,162.45
D Term Loans in India - at amortised cost	-	-
- Public sector	-	-
- Others	-	-
Secured (Secured by tangible assets)	53,053.24	46,644.29
Unsecured	16,977.46	14,682.03
Total Gross Loans	70,030.70	61,326.32
Less: Impairment loss allowance	3,648.03	4,163.87
Total	66,382.67	57,162.45

Notes to the Standalone Financial Statements
as at March 31, 2023 (Contd.)
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Credit quality of assets

The table below shows the credit quality and the maximum exposure to credit risk based on year-end stage classification. The amounts presented are gross of Impairment loss allowance.

Stage	As at March 31, 2023	As at March 31, 2022
Stage 1	66,793.02	56,142.18
Stage 2	1,322.83	2,125.38
Stage 3	1,914.85	3,058.76
Total	70,030.70	61,326.32

Loans or advances in the nature of loans are granted to promoters, directors, KMPs, and the related parties, either severally or jointly with any other person.

Particulars	As at March 31, 2023	% to the total Loans and Advances in the nature of loans	As at March 31, 2022	% to the total Loans and Advances in the nature of loans
Promoter	Nil	Nil	Nil	Nil
Directors	Nil	Nil	Nil	Nil
KMPs	Nil	Nil	Nil	Nil
Related parties	Nil	Nil	Nil	Nil

9 INVESTMENTS

	As at March 31, 2023	As at March 31, 2022
Recorded at Fair value through statement of profit and loss		
Outside India	-	-
In India		
Mutual fund units	411.65	946.45
Treasury bills / G-Sec	773.66	1,197.57
Securities receipt of ARC	55.99	88.04
Unquoted equity shares	1.95	1.45
Total	1,243.25	2,233.51

10 OTHER FINANCIAL ASSETS

	As at March 31, 2023	As at March 31, 2022
Security deposits at amortised cost (Unsecured, considered good)	24.54	21.64
Prepaid rent (Security deposits, Unsecured, considered good)	7.14	7.19
Retained interest on assigned loan	2.81	3.12
Servicing assets on assigned loan	0.38	0.96
Total	34.87	32.91

Notes to the Standalone Financial Statements
as at March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

11 CURRENT TAX ASSETS (NET)

		As at March 31, 2023	As at March 31, 2022
Current tax assets			
Advance tax and tax deducted at source(Net of provision for tax ₹ 621.30 Crore)(Previous Year: ₹ 663.40 Crore)		25.11	13.34
Total		25.11	13.34

12 DEFERRED TAX ASSETS (NET)

	Balance as at April 01, 2021	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at March 31, 2022	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at March 31, 2023
Deferred Tax Asset							
Depreciation and amortisation	20.82	14.78	-	35.60	13.82	-	49.42
Provision for employee benefits	10.00	2.04	2.25	14.30	5.68	1.38	21.35
Loans - Impairment	696.46	349.57	-	1,046.03	(93.91)	-	952.12
Loans - DSA	28.45	(15.45)	-	13.00	(11.44)	-	1.56
Lease	7.42	(10.87)	-	(3.45)	(13.99)	-	(17.44)
Cash Flow Hedges Reserve	11.07	-	(8.31)	2.76	-	(4.93)	(2.17)
Deferred Tax Asset	774.22	340.07	(6.06)	1,108.24	(99.84)	(3.55)	1,004.85
Deferred Tax Liabilities							
Borrowings	(11.47)	4.32	-	(7.15)	3.86	-	(3.29)
Investments - MTM and others	(2.00)	(16.84)	-	(18.84)	1.41	-	(17.43)
Securitisation and others	(30.76)	(0.32)	-	(31.08)	47.82	-	16.74
Deferred Tax Liabilities	(44.23)	(12.84)	-	(57.07)	53.09	-	(3.98)
Net Deferred Tax Assets	729.99	327.24	(6.06)	1,051.17	(46.75)	(3.55)	1,000.87
Movement in Net deferred tax Asset during the year						(50.30)	

The components of income tax expense for the years ended March 31, 2023 and 2022 are:

	As at March 31, 2023	As at March 31, 2022
Current tax:		
In respect of current year	621.30	663.40
In respect of prior years	-	-
Deferred Tax:		
Deferred tax relating to origination and reversal of temporary differences	46.75	(327.24)
In respect of prior years	-	-
Total Income Tax recognised in statement of profit or loss	668.05	336.16
Current tax	621.30	663.40
Deferred tax (Debit)	46.75	(327.24)

Notes to the Standalone Financial Statements
as at March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Income Tax recognised in Other comprehensive income

	As at March 31, 2023	As at March 31, 2022
Deferred tax related to items recognised in Other comprehensive income during the year:		
Income tax relating to items that will not be reclassified to profit or loss	1.38	2.25
Income tax relating to items that will be reclassified to profit or loss	(4.93)	(8.31)
Total Income tax recognised in Other comprehensive income (Debit)	(3.55)	(6.06)

The reconciliation of estimated income tax expense at tax rate to income tax expense reported in profit or loss is as follows:

	As at March 31, 2023	As at March 31, 2022
Profit before tax	2,627.40	1,347.56
Applicable income tax rate (%)	25.17	25.17
Income tax expense calculated at applicable income tax rate	661.26	339.15
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:		
Effect of income exempt from tax	-	-
Effect of expenses/provisions not deductible in determining taxable profit	16.46	14.16
Effect of tax incentives (net)	(9.67)	(17.14)
Effects of income not considered as taxable on compliance of condition	-	-
Income tax for earlier year	-	-
Income tax expense recognised in profit and loss	668.05	336.16

13 PROPERTY, PLANT AND EQUIPMENT (PPE) AND OTHER INTANGIBLE ASSETS

Notes to the Standalone Financial Statements
as at March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

	Office equipment	Furniture and fixtures	Leasehold improvements	Computers	Building	Motor cars	Total PPE Tangibles	Software and System development	Total Other Intangibles	Total
Balance as at April 01, 2022	63.13	95.15	80.72	158.76	0.15	8.85	406.76	50.81	50.81	457.57
Additions during the year	9.81	4.03	11.69	62.66	-	4.53	92.72	18.59	18.59	111.31
Disposals/Adjustments during the year	1.93	1.46	3.83	11.18	-	4.33	22.72	0.01	0.01	22.73
Balance as at March 31, 2023	71.01	97.72	88.58	210.24	0.15	9.05	476.76	69.39	69.39	546.15
Accumulated Depreciation / impairment as at April 01, 2022	51.86	80.51	51.96	138.71	0.03	5.56	328.63	38.80	38.80	367.43
Depreciation charge during the year	6.29	5.68	11.28	23.02	0.00	1.73	48.01	10.19	10.19	58.20
Disposals/Adjustments during the year	1.93	1.45	3.75	11.18	-	3.93	22.23	0.01	0.01	22.24
Accumulated Depreciation / impairment as at March 31, 2023	56.22	84.74	59.49	150.55	0.03	3.36	354.41	48.98	48.98	403.39
Net carrying amount as at March 31, 2023	14.79	12.98	29.09	59.69	0.12	5.69	122.35	20.41	20.41	142.76
Balance as at April 01, 2021	61.62	93.46	79.06	142.88	0.15	8.03	385.21	39.23	39.23	424.43
Additions during the year	2.85	3.04	4.70	16.49	-	2.47	29.55	11.58	11.58	41.13
Disposals/Adjustments during the year	1.34	1.35	3.05	0.62	-	1.65	8.00	-	-	8.00
Balance as at March 31, 2022	63.13	95.15	80.72	158.76	0.15	8.85	406.76	50.81	50.81	457.57
Accumulated Depreciation / impairment as at April 01, 2021	47.23	73.50	45.36	122.45	0.02	5.13	293.69	31.25	31.25	324.93
Depreciation charge for the year	5.93	8.29	9.03	16.87	0.02	1.58	41.72	7.56	7.56	49.28
Disposals/Adjustments during the year	1.30	1.28	2.43	0.61	0.02	1.15	6.79	-	-	6.79
Accumulated Depreciation / impairment as at March 31, 2022	51.86	80.51	51.96	138.71	0.03	5.56	328.63	38.80	38.80	367.43
Net carrying amount as at March 31, 2022	11.27	14.64	28.76	20.05	0.12	3.29	78.13	12.01	12.01	90.14

Note: No revaluation of any class of asset is carried out during the year.

Notes to the Standalone Financial Statements
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(Currency : Indian Rupees in Crore)

14 RIGHT OF USE ASSETS

	As at March 31, 2023	As at March 31, 2022
Right of Use Assets (ROU) (Refer note 34)	244.27	202.49
Total	244.27	202.49

15 OTHER NON-FINANCIAL ASSETS

	As at March 31, 2023	As at March 31, 2022
Capital advances	9.02	0.43
Advances recoverable in cash or in kind (Unsecured, considered good)	82.63	281.26
Total	91.65	281.69

16 TRADE PAYABLES

	As at March 31, 2023	As at March 31, 2022
Trade payables		
i) total outstanding dues to micro and small enterprises	-	-
ii) total outstanding dues of creditors other than micro and small enterprises	291.84	246.91
Total	291.84	246.91

16.1 Trade Payables includes ₹ 0 Crore (Previous Years: ₹ 0 Crore) payable to "Suppliers" registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / is payable by the Company during the year to "Suppliers" registered under this act. The above is based on the information available with the Company which has been relied upon by the auditors.

16.2 Trade payables ageing schedule :

Particulars	Previous Year figures are in (brackets)				
	Less than 1 months	1 - 2 years	2 - 3 years	More than 3 years	Total
i) MSME	-	-	-	-	-
	-	-	-	-	-
ii) Others	288.23	1.59	0.36	1.66	291.84
	(239.47)	(1.45)	(2.78)	(3.21)	(246.91)
iii) Disputed dues - MSME	-	-	-	-	-
	-	-	-	-	-
iv) Disputed dues - Others	-	-	-	-	-
	-	-	-	-	-
v) Unbilled Trade payables	-	-	-	-	-
	-	-	-	-	-
Total	288.23	1.59	0.36	1.66	291.84
	(239.47)	(1.45)	(2.78)	(3.21)	(246.91)

Notes to the Standalone Financial Statements
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17 DEBT SECURITIES

	As at March 31, 2023	As at March 31, 2022
At Amortised Cost		
Secured		
Privately placed redeemable Non Convertible Debenture	27,246.28	25,357.70
Secured by pari passu charge by mortgage of Company's Office no.130, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and receivables under financing activity.		
Total	27,246.28	25,357.70
Less: Unamortised borrowing cost	149.87	25.39
Debt Securities (Net of unamortised cost)	27,096.41	25,332.31
Debt securities in India	27,246.28	25,357.70
Debt securities outside India	-	-
Total	27,246.28	25,357.70
Less: Unamortised borrowing cost	149.87	25.39
Debt Securities (Net of unamortised cost)	27,096.41	25,332.31

17.1 - No non convertible debentures, non convertible perpetual debentures and any other borrowing is guaranteed by directors and/or others.

17.2 - Terms of repayment of privately placed redeemable non convertible debenture.

Previous Year figures are in (brackets)

Rate of interest (%)	0-1 years	1-3 years	3-5 years	>5 years	Total
4.5-5.5	2,423.00 (1,380.00)	1,593.00 (2,616.00)	-	-	4,016.00 (3,996.00)
5.5-6.5	1,910.00 (1,510.00)	5,203.00 (6,470.00)	1,060.00 (1,390.00)	-	8,173.00 (9,370.00)
6.5-7.5	5,341.10 -	1,286.00 (5,691.10)	130.00 -	-	6,757.10 (5,691.10)
7.5-8.5	-	4,368.00 (3,189.00)	1,364.00 (280.00)	1,200.00 (900.00)	6,932.00 (4,369.00)
8.5-9.5	-	1,045.00 (1,931.60)	-	-	1,045.00 (1,931.60)
9.5-10.5	-	-	323.18 -	-	323.18 -
Total	9,674.10 (8,010.60)	13,495.00 (15,057.10)	2,877.18 (1,390.00)	1,200.00 (900.00)	27,246.28 (25,357.70)

17.3 - All the above non convertible debentures are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year(Refer Note 94).

Notes to the Standalone Financial Statements
as at March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

18 BORROWINGS (OTHER THAN DEBT SECURITIES)

	As at March 31, 2023	As at March 31, 2022
At Amortised Cost		
Borrowings (other than debt securities)		
Secured		
(a) External commercial borrowings (ECB)	1,889.91	4,017.00
(b) Term loan against hypothecation of Receivables under financing activity	21,968.00	14,291.45
(c) Borrowing under Securitisation	370.86	1,205.64
Total	24,228.77	19,514.09
Less: Unamortised borrowing cost	0.97	12.37
Borrowings (Other than Debt Securities) net of unamortised cost	24,227.80	19,501.72
Borrowings in India	22,338.86	15,497.09
Borrowings outside India	1,889.91	4,017.00
Total	24,228.77	19,514.09
Less: Unamortised borrowing cost	0.97	12.37
Borrowings (Other than Debt Securities) net of unamortised cost	24,227.80	19,501.72

18.1 - No term loans, external commercial borrowings , commercial paper and any other borrowing is guaranteed by directors and / or others.

18.2 - During the period presented there were no defaults in the repayment of principal and interest.

18.3 - Terms of repayment of External commercial borrowings in foreign currency

Previous Year figures are in (brackets)

Rate of interest (%)	0-3 years	3-5 years	>5 years	Total
6-9	1,889.91	-	-	1,889.91
	(4,017.00)	-	-	(4,017.00)

The Company had availed total External Commercial Borrowing (ECBs) of US\$ 530 Mn for financing prospective borrower as per the ECB guidelines issued by Reserve Bank of India ("RBI") from time to time. Out of same US\$ 230 Mn was raised in FY 2020-21. The borrowing had a maturity of three years. In terms of the RBI guidelines, borrowings have been swapped into rupees and fully hedged for the entire maturity by way of cross currency swaps. The charges for raising of the aforesaid ECB has been amortised over the tenure of the ECB.

18.4 - Terms of repayment of Term loans from Banks.

Previous Year figures are in (brackets)

Marginal Cost of Funds Based Lending Rate (MCLR) (a)	0-1 years	1-3 years	3-5 years	>5 years	Total
Overnight MCLR + (0.00% to 0.75%)	200.00	200.00	200.00	-	600.00
	-	(100.00)	-	-	(100.00)
1 Month MCLR + (0.00% to 0.75%)	41.67	-	-	-	41.67
	(41.67)	(41.67)	-	-	(83.33)
3 Month MCLR + (0.00% to 1.5%)	998.39	2,088.81	526.13	20.00	3,633.33
	(75.00)	(75.00)	-	-	(150.00)
6 Month MCLR + (0.00% to 0.75%)	200.00	400.00	400.00	-	1,000.00
	-	-	-	-	-
Total (a)	1,440.06	2,688.81	1,126.13	20.00	5,275.00
	(116.67)	(216.67)	-	-	(333.33)

Notes to the Standalone Financial Statements
as at March 31, 2023 (Contd.)
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Marginal Cost of Funds Based Lending Rate (MCLR) (a)	Previous Year figures are in (brackets)				
	0-1 years	1-3 years	3-5 years	>5 years	Total
Rate linked to T-Bills rates (b)					
7 Days T-Bills rates (0.00% to 4.00%)	80.00	80.00	-	-	160.00
-	-	-	-	-	-
1 Month T-Bills rates (0.00% to 4.00%)	566.66	1,291.67	452.08	-	2,310.41
-	-	-	-	-	-
3 Month T-Bills rates (0.00% to 4.00%)	875.83	1,618.33	73.97	-	2,568.13
(1,579.53)	(1,562.28)	(136.67)	-	(3,278.47)	
6 Month T-Bills rates (0.00% to 3.50%)	-	-	-	-	-
(109.09)	-	-	-	(109.09)	
12 Month T-Bills rates (0.00% to 3.50%)	-	-	-	-	-
(431.67)	(772.50)	-	-	(1,204.17)	
Repo Rate (0.00% to 3.50%)	2,820.88	4,463.22	390.62	-	7,674.72
(1,061.46)	(2,286.39)	(1,473.21)	-	(4,821.06)	
Mumbai Interbank Offer rate (MIBOR) (0.00% to 3.50%)	30.00	37.50	-	-	67.50
(725.00)	(252.08)	-	-	(977.08)	
Total (b)	4,373.37	7,490.72	916.67	-	12,780.76
(3,906.75)	(4,873.25)	(1,609.88)	-	(10,389.88)	
Fixed Interest rate (c)					
4.50% - 8.35%	1,725.21	1,903.21	283.82	-	3,912.24
(1,018.70)	(2,187.40)	(362.14)	-	(3,568.24)	
Total (a)+(b)+(c)	7,538.64	12,082.74	2,326.62	20.00	21,968.00
(5,042.12)	(7,277.32)	(1,972.01)	-	(14,291.45)	

18.4.1-Term loans includes ₹ 7,082.45 Crore (Previous year ₹ 6,067.14 Crore) from related parties.

18.5 - All the above Term loans are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year.

18.6 - Terms of repayment of Borrowing under Securitisation.

Rate of interest (%)	Previous Year figures are in (brackets)			
	0-1 years	1-3 years	3-5 years	Total
3.50% to 6.00%	285.09	85.77	-	370.86
	(763.50)	(429.25)	(12.89)	(1,205.64)

18.7 - Term Loans were used fully for the purpose for which the same were obtained.

18.8 - Periodic Statements of securities filed with lending banks are as per book of accounts.

Notes to the Standalone Financial Statements
as at March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

19 SUBORDINATED LIABILITIES

	As at March 31, 2023	As at March 31, 2022
At Amortised Cost		
Unsecured		
(a) Privately placed subordinated (Tier II) redeemable bonds	2,900.00	3,500.00
(b) Redeemable non convertible perpetual bonds	650.00	650.00
Total	3,550.00	4,150.00
Less: Unamortised borrowing cost	8.90	10.95
Subordinated Liabilities net of unamortised cost	3,541.10	4,139.05
Subordinated Liabilities in India	3,550.00	4,150.00
Subordinated Liabilities outside India	-	-
Total	3,550.00	4,150.00
Less: Unamortised borrowing cost	8.90	10.95
Subordinated Liabilities net of unamortised cost	3,541.10	4139.05

19.1 - No subordinate debts and any other borrowing is guaranteed by directors and / or others.

19.2 - Terms of repayment of Privately placed unsecured subordinated (Tier II) redeemable bonds and redeemable non convertible perpetual bonds

Previous Year figures are in (brackets)

Rate of interest (%)	<5 years	>5 years	Total
7.35-10.50	1,400.00	2,150.00	3,550.00
	(4,000.00)	(150.00)	(4,150.00)

20 OTHER FINANCIAL LIABILITIES

	As at March 31, 2023	As at March 31, 2022
Interest accrued	1,172.43	1,511.65
Overdrawn balances in current account with banks	1,220.95	850.59
Deposits (not as defined in Section 2(31) of Companies Act, 2013)	10.19	10.22
Creditors for other expenses	14.09	18.31
Statutory liabilities	81.80	78.82
Unclaimed Dividend	0.01	-
Lease Liability (ROU)	278.96	239.13
Total	2,778.43	2,708.72

21 CURRENT TAX LIABILITIES (NET)

	As at March 31, 2023	As at March 31, 2022
Provisions for tax (Net of advance tax ₹405.00 Crore, Previous Year ₹ 440.00 Crore)	41.97	59.73
Total	41.97	59.73

Notes to the Standalone Financial Statements
as at March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

22 PROVISIONS

	As at March 31, 2023	As at March 31, 2022
Provision for employee benefits		
Gratuity (funded)	78.03	71.44
Salary, bonus and reimbursements	255.07	208.10
Contribution to provident fund	35.86	35.21
Total	368.96	314.75

23 OTHER NON-FINANCIAL LIABILITIES

	As at March 31, 2023	As at March 31, 2022
Provision for expenses	266.91	183.02
Total	266.91	183.02

24 EQUITY SHARE CAPITAL

	Face Value ₹ each	As at March 31, 2023		As at March 31, 2022		As at March 31, 2023	As at March 31, 2022
		Number of shares	Number of shares	Number of shares	Number of shares		
Authorised equity shares	10	1,00,15,50,000	1,00,15,50,000	1,001.55	1,001.55		
Issued, Subscribed & Paid up equity shares fully paid up	10	79,13,99,083	79,04,40,031	791.40	790.44		
Total				791.40	790.44		

24.1 Reconciliation of the number of shares

	As at March 31, 2023		As at March 31, 2022	
	Number	Amount	Number	Amount
Equity shares of ₹10 fully paid up				
Shares outstanding at the beginning of the year	79,04,40,031	790.44	78,91,85,216	789.19
Shares issued - exercised for ESOP scheme	9,59,052	0.96	12,54,815	1.25
Shares outstanding at the end of the year	79,13,99,083	791.40	79,04,40,031	790.44

24.2 Terms/rights attached to equity shares.

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. 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. The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by shareholders at the Annual General Meeting.

24.3 Details of shareholders holding more than 5% of the aggregate shares in the Company

Particulars	As at March 31, 2023			As at March 31, 2022		
	No. of Shares held	% of Holding	% Change during the year	No. of Shares held	% of Holding	% Change during the year
Equity shares of ₹10 fully paid up						
HDFC Bank Limited (Holding Company and promoter)	75,05,96,670	94.84	0.00%	75,05,96,670	94.96	0.00%

Notes to the Standalone Financial Statements
as at March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

24.4 Number of shares reserved for ESOPs

Particulars	As at March 31, 2023	As at March 31, 2022
Equity shares of ₹10 fully paid up		
Number of Shares reserved for ESOPs (Refer note 35)	75,79,538	40,69,315

25 OTHER EQUITY

	As at March 31, 2023	As at March 31, 2022
Other equity		
(i) Securities Premium Account	3,127.72	3,055.19
(ii) Employee Stock Options Outstanding Account	39.61	35.53
(iii) Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	1,685.09	1,293.22
(iv) Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations	5,844.33	4,427.10
(v) Retained Earnings- Remeasurement of Post Employment Benefit Obligations	(57.65)	(53.55)
(vi) Cash Flow Hedges Reserve	6.46	(8.20)
	10,645.57	8,749.29

(i) Securities Premium Account

Securities premium is used to record the premium on issue of shares. It can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

(ii) Employee Stock Options Outstanding Account

Under IND AS 102, fair value of the options granted is required to be accounted as expense over the life of the vesting period as employee compensation costs, reflecting the period of receipt of service.

(iii) Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934

Reserve fund is created as per the terms of section 45-IC(1) of the Reserve Bank of India Act, 1934 as a statutory reserve.

(iv) Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations

Retained earnings represents the surplus in Profit and Loss Account and appropriations.

(v) Retained Earnings- Remeasurement of Post Employment Benefit Obligations

The Company recognises change on account of remeasurement of the net defined benefit liability (asset) as part of retained earnings.

(vi) Cash Flow Hedges Reserve

It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

26 INTEREST INCOME

	For the year ended March 31, 2023	For the year ended March 31, 2022
On Financial Assets measured at Amortised Cost :		
Interest on Loans	8,853.58	8,293.64
Interest on deposits with Banks	9.30	11.39
On Financial Assets measured at fair value through profit or loss (FVTPL) :		
Interest income from Investment	64.90	57.94
Total	8,927.78	8,362.97

27 NET GAIN/ (LOSS) ON FAIR VALUE CHANGES

	For the year ended March 31, 2023	For the year ended March 31, 2022
Net gain/ (loss) on financial instruments at fair value through profit or loss (FVTPL)		
Investments	85.07	16.48
	85.07	16.48
Net gain/ (loss) on financial instruments at fair value through profit or loss (FVTPL)		
Realised	90.67	39.29
Unrealised	(5.60)	(22.81)
Total	85.07	16.48

28 FINANCE COSTS

	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest expenses on financial liabilities measured at amortised cost		
Interest on borrowings (includes Interest on lease liabilities ₹ 21.23 Crore, Previous Year ₹ 19.68 Crore)	1,460.89	1,248.83
Interest on debt securities	1,661.90	1,671.08
Interest on subordinated liabilities	352.39	369.15
Discount on commercial paper	9.00	8.86
Other borrowing costs	27.74	27.58
Total	3,511.92	3,325.50

29 IMPAIRMENT ON FINANCIAL INSTRUMENTS

	For the year ended March 31, 2023	For the year ended March 31, 2022
Impairment on financial instruments at amortised cost		
Loans	1,326.80	2,466.99
Trade receivables	3.60	(1.26)
Total	1,330.40	2,465.73

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

30 EMPLOYEE BENEFITS EXPENSES

	For the year ended March 31, 2023	For the year ended March 31, 2022
Salaries and wages (including bonus)	3,667.39	3,162.38
Contribution to provident and other funds	306.08	277.92
Employee share based payment expenses	43.64	30.42
Staff welfare expenses	40.46	29.69
Total	4,057.57	3,500.41

31 OTHER EXPENSES

	For the year ended March 31, 2023	For the year ended March 31, 2022
Rent	7.56	5.53
Rates and taxes	1.93	0.78
Telephone	38.12	30.70
Power and fuel	32.69	24.50
Repairs and maintenance- premises	7.17	4.79
Repairs and maintenance-others	3.00	4.47
Credit report charges	49.49	37.65
Commission and brokerage	2.48	2.56
Auditor's remuneration (Refer Note No. 33)	1.50	1.16
Insurance	1.54	0.71
Loss on sale of asset	(1.01)	(0.06)
Expenses towards Corporate Social Responsibility Initiative (Refer Note No. 41)	21.78	25.83
Others administrative expenses	597.50	429.53
Total	763.75	568.15

32 EARNING PER SHARE

	For the year ended March 31, 2023	For the year ended March 31, 2022
Net Profit (₹ in Crore)	1,959.35	1,011.40
Weighted average number of equity shares		
Basic	79,07,12,391	78,94,77,686
Diluted	79,14,93,138	78,99,39,967
Earnings per share (₹)		
Basic	24.78	12.81
Diluted	24.76	12.80
Face value per share (₹)	10.00	10.00

The dilutive effect on the earnings per share is caused by the potential shares that would be issued upon the exercise of the ESOP Options. As a result of the dilution, the denominator increased by 7,80,747 shares (Previous Year 4,62,281 shares).

33 AUDITOR'S REMUNERATION

	For the year ended March 31, 2023	For the year ended March 31, 2022
As Auditor	1.30	1.05
For taxation matters	-	-
For company law matters	-	-
For other services	-	-
For reimbursement of expenses	0.08	0.02
Sub Total	1.38	1.07
GST	0.12	0.09
Total	1.50	1.16

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

34 LEASES

The Company has entered into leasing arrangements for premises. Majority of the leases are cancellable by the Company. ROU has been included after the line 'Property, Plant and Equipment' and Lease Liability has been included under 'Other Financial Liabilities' in the Balance Sheet.

I. Lease disclosures under Ind-AS 116 for the current year ended March 31, 2023

(i) Amounts recognised in the Balance sheet

Sr No.	Particulars	March 31, 2023	March 31, 2022
a)	Right-of-use assets (net)	244.27	202.49
b)	Lease liabilities		
	Current	52.61	45.64
	Non-current	226.35	193.49
	Total Lease liabilities	278.96	239.13
c)	Additions to the Right-of-use assets	94.57	37.42

(ii) Amounts recognised in the Statement of Profit and Loss

Sr No.	Particulars	March 31, 2023	March 31, 2022
a)	Depreciation charge for right-of-use assets	53.64	49.67
b)	Interest expense (included in finance cost)	21.23	19.68
c)	Expense relating to short-term leases	7.56	5.53

(iii) Cash Flows

Particulars	March 31, 2023	March 31, 2022
The total cash outflow of leases	69.89	62.87

(iv) Future Commitments

Particulars	March 31, 2023	March 31, 2022
Future undiscounted lease payments to which leases is not yet commenced	10.38	23.72

(v) Maturity analysis of undiscounted lease liability

Particulars	March 31, 2023	March 31, 2022
Not later than one year	72.89	62.93
Later than one year and not later than five years	196.62	173.91
Later than five years	86.70	62.31
Total	356.21	299.15

35 ACCOUNTING FOR EMPLOYEE SHARE BASED PAYMENTS

In accordance with resolution approved by the shareholders, the Company has reserved shares, for issue to employees through Employee Stock Option Scheme (ESOP). On the approval of Nomination and Remuneration Committee (NRC), each ESOP is issued. The NRC has approved ESOP-10 on October 13, 2017, ESOP-11 on January 15, 2019, ESOP-12 on October 05, 2020, ESOP-13 on January 14, 2021, ESOP-13A on August 31, 2021, ESOP-14 on October 27, 2021, ESOP-15A on May 18, 2022 and ESOP-15B on October 31, 2022. Under the term of the ESOP, the Company may issue stock options to employees and directors of the Company, each of which is convertible into one equity share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the NRC. Such options are exercisable for a period following vesting at the discretion of the NRC, subject to a maximum of four years from the date of vesting.

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Description of share based payments plans

Particulars	Vesting requirements	Maximum term of option	Method of settlement	Modifications to share based payment plans	Any other details as disclosed in the audited Ind-AS financials
i. ESOP - 10	30% at the end of each 12 and 24 months and 40% at the end of 36 months from October 31, 2017	7 years	Equity settled	NA	NA
ii. ESOP - 11	30% at the end of each 12 and 24 months and 40% at the end of 36 months from January 31, 2019	7 years	Equity settled	NA	NA
iii. ESOP - 12	60% at the end of 12 months and 40% at the end of 24 months from October 31, 2020	6 years	Equity settled	NA	NA
iv. ESOP - 13	30% at the end of each 12 and 24 months and 40% at the end of 36 months from January 31, 2021	7 years	Equity settled	NA	NA
v. ESOP - 13A	30% at the end of each 12 and 24 months and 40% at the end of 36 months from August 31, 2021	7 years	Equity settled	NA	NA
vi. ESOP - 14	30% at the end of each 12 and 24 months and 40% at the end of 36 months from October 31, 2021	7 years	Equity settled	NA	NA
vii. ESOP - 15A	30% at the end of each 12 and 24 months and 40% at the end of 36 months from May 31, 2022	7 years	Equity settled	NA	NA
viii. ESOP - 15B	30% at the end of each 12 and 24 months and 40% at the end of 36 months from October 31, 2022	7 years	Equity settled	NA	NA

Method used for accounting for shared based payment plan.

The Company uses fair value to account for the compensation cost of stock options to employees of the Company.

Movement in the options outstanding under the Employees Stock Option Plan for the year ended March 31, 2023

Particulars	Outstanding, beginning of year	Granted during the year	Exercised during the year	Forfeited / lapsed during the year	Outstanding, end of year	Options exercisable, end of year
ESOP - 10	42,000	-	-	-	42,000	42,000
ESOP - 11	1,06,430	-	32,410	-	74,020	74,020
ESOP - 12	7,02,910	-	3,94,140	30,680	2,78,090	2,78,090
ESOP - 13	9,33,155	-	2,13,570	52,190	6,67,395	2,64,275
ESOP - 13A	50,000	-	13,000	-	37,000	2,000
ESOP - 14	22,34,820	-	3,05,932	1,29,165	17,99,723	3,40,916
ESOP - 15A	-	11,83,140	-	-	11,83,140	-
ESOP - 15B	-	35,81,490	-	83,320	34,98,170	-
Total	40,69,315	47,64,630	9,59,052	2,95,355	75,79,538	10,01,301
Weighted average exercise price (₹)	383.81	496.09	353.71	425.60	456.57	352.60

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Movement in the options outstanding under the Employees Stock Option Plan for the year ended March 31, 2022

Particulars	Outstanding, beginning of year	Granted during the year	Exercised during the year	Forfeited / lapsed during the year	Outstanding, end of year	Options exercisable, end of year
ESOP - 10	48,150	-	5,500	650	42,000	42,000
ESOP - 11	3,94,000	-	2,69,610	17,960	1,06,430	1,06,430
ESOP - 12	15,58,900	-	7,73,130	82,860	7,02,910	1,23,570
ESOP - 13	11,75,600	-	2,06,575	35,870	9,33,155	1,41,245
ESOP - 13A	-	50,000	-	-	50,000	-
ESOP - 14	-	22,44,730	-	9,910	22,34,820	-
Total	31,76,650	22,94,730	12,54,815	1,47,250	40,69,315	4,13,245
Weighted average exercise price (₹)	313.22	432.48	301.93	317.09	383.81	300.52

Following summarises the information about stock options outstanding as at March 31, 2023

Plan	Exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)
ESOP - 10	213	42,000	1.53
ESOP - 11	274	74,020	2.79
ESOP - 12	300	2,78,090	3.52
ESOP - 13	348	6,67,395	4.64
ESOP - 13A	409	37,000	5.42
ESOP - 14	433	17,99,723	5.58
ESOP - 15A	457	11,83,140	6.13
ESOP - 15B	509	34,98,170	6.59

Following summarises the information about stock options outstanding as at March 31, 2022

Plan	Exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)
ESOP - 10	213	42,000	2.53
ESOP - 11	274	1,06,430	3.79
ESOP - 12	300	7,02,910	4.52
ESOP - 13	348	9,33,155	5.64
ESOP - 13A	409	50,000	6.42
ESOP - 14	433	22,34,820	6.58

Fair Value methodology

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Company are not listed on any stock exchange. Accordingly, the Company had considered the volatility of the Company's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model for the stock options granted by the Company are:

Particulars	ESOP 15A	ESOP 15B
Dividend yield	0.22%	0.20%
Expected volatility	52.59%	40.92%
Risk-free interest rate	6.10%	6.82%
Expected life of the option	2.33	2.30

The Company recorded an employee stock compensation expense of ₹ 43.64 Crore (previous year ₹ 30.42 Crore) in Statement of Profit and Loss.

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

36 SEGMENT REPORTING

Sr No.	Particulars	March 31, 2023	March 31, 2022
i. Segment Revenue			
Lending business	9,768.95	8,942.88	
BPO Services	2,633.93	2,363.41	
Unallocated	-	-	
Income from Operations	12,402.88	11,306.29	
ii. Segment Results			
Lending business	2,508.48	1,238.71	
BPO Services	140.70	134.69	
Unallocated	(21.78)	(25.84)	
Profit before tax	2,627.40	1,347.56	
Income Tax expenses			
Current tax	621.30	663.40	
Deferred tax Asset	46.75	(327.24)	
Net Profit	1,959.35	1,011.40	
iii. Capital Employed			
Segment assets			
Lending business	68,921.03	60,812.70	
BPO Services	103.38	148.72	
Unallocated	1,025.98	1,064.51	
Total Assets	70,050.39	62,025.94	
Segment Liabilities			
Lending business	58,216.53	52,009.27	
BPO Services	180.38	95.61	
Unallocated	216.52	381.33	
Total Liabilities	58,613.43	52,486.21	
Net Segment assets / (liabilities)	11,436.96	9,539.73	
iv. Capital Expenditure (including net CWIP)			
Lending business	86.48	36.25	
BPO Services	24.83	4.88	
Unallocated	-	-	
Total	111.31	41.13	
v. Depreciation			
Lending business	86.49	79.17	
BPO Services	25.35	19.77	
Unallocated	-	-	
Total	111.84	98.94	
vi. Other non cash expenditure			
Lending business	1,330.40	2,465.73	
BPO Services	-	-	
Unallocated	-	-	
Total	1,330.40	2,465.73	

Notes to the Standalone Financial Statements
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(Currency : Indian Rupees in Crore)

a) Chief Operating Decision Maker

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Company has been identified as the CODM as defined by Ind AS 108 Operating Segments, who assesses the financial performance and position of the Company and makes strategic decisions.

b) Operating Segment

Primary Segment (Business Segment)

The Company is organised primarily into two operating segments, i.e. Lending business and BPO services. Lending business includes providing finance to retail customers for a variety of purposes like purchase of commercial equipment and commercial vehicles, personal purposes, enterprise loans, etc. Revenue from lending business includes (i) interest income and processing fees net of loan origination costs, (ii) collection-related charges like cheque bouncing charges, late payment charges and foreclosure charges, and (iii) insurance commission. BPO services comprises of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers.

Secondary Segment (Geographical Segment)

Since the business operations of the Company are primarily concentrated in India, the Company is considered to operate only in the domestic segment and therefore there is no reportable geographic segment.

c) Segment Revenue and Expense

Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'.

d) Segment Assets and Liabilities

Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

e) Accounting Policies

The accounting policies consistently used in the preparation of the financial statements are also applied to items of revenue and expenditure in individual segments.

37 RELATED PARTY DISCLOSURES

Name of the related Party and Nature of Relationship

Holding Company :

HDFC Bank Limited

Enterprise under common control of Holding Company :

HDFC Securities Limited.

Key Management Personnel (KMP) :

Arijit Basu (Chairman & Non Executive Director)

Arundhati Mech (Independent Director)

Smita Affinwalla (Independent Director)

Venkatraman Srinivasan (Independent Director)

Dr. Amla Samanta (Independent Director)

Adayapalam Viswanathan (Independent Director)

G Ramesh (Managing Director & CEO)

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
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Other related parties :

HDFC Ergo General Insurance Company Limited
HDFC Life Insurance Company Limited
HDFC Asset Management Company Limited
HDBFS Employees Welfare Trust

Details of Related Party Transactions for the Year:

Related Party	Nature Of Transaction	March 31, 2023	March 31, 2022
HDFC Bank Limited	Bank charges	15.35	12.20
	Charges for back office support services received / recoverable	984.41	921.26
	Charges for sales support services received / recoverable	1,821.96	1,607.28
	Commission Expenses	-	1.71
	Corporate logo license fees	17.19	14.63
	Dividend paid	142.61	-
	Fixed deposits placed	-	17.77
	Interest paid on non-convertible debentures	301.45	185.85
	Interest paid on term loan and OD account	376.36	312.90
	Interest received on fixed deposits	2.71	5.47
	Investment banking fees paid	0.01	0.56
	IPA charges	0.00	-
	Reimbursement of IT expense, secondment charge & other common expenses	1.51	0.89
	Rent paid for premises taken on sub-lease	2.83	2.37
	Securities purchased during the year	-	1,310.00
HDFC Securities Limited	Term loan availed during the year	3,350.00	4,050.00
	Tele collection charges / field collection charges received / recoverable for collection services rendered	255.65	220.58
	Commission on sourcing of loans	0.01	-
Key Management Personnel	Rent income for premises given on sub-lease	0.10	0.07
	Recovery of expenses	0.01	-
	Director sitting fees and commission paid	1.40	1.25
HDFC Life Insurance Company Limited	Salary including perquisites and allowances	5.36	4.53
	Stock Options#	0.37	0.48
	Income from Insurance commission	7.45	6.19
HDFC Ergo General Insurance Company Limited	Income from Insurance commission	13.72	9.89
	Insurance Premium Expense (Car & Group policy)	0.55	1.86

The intrinsic value of the stock options granted is Nil. However, the Company in compliance with Ind-AS 102 has been charged to the statement of profit and loss of ₹3.81 Crore (previous year ₹2.62 Crore) with a corresponding credit to the reserves

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Balances outstanding:

Related Party	Nature Of Transaction	March 31, 2023	March 31, 2022
HDFC Bank Limited	Securitisation	53.71	454.03
	Balance in current accounts	327.51	409.00
	Balance receivable	16.50	95.95
	Balance payable	0.05	0.12
	Fixed deposit	47.73	88.51
	Security deposit paid	0.16	0.11
	Security deposit received	9.85	9.85
	Term loan outstanding	7,082.45	6,067.14
	Non convertible debentures issued	4,155.00	5,080.00
	WCDL Loan Outstanding	4.16	-
HDFC Securities Limited	Balance receivable	0.04	-
HDFC Life Insurance Company Limited**	Balance payable - Securities	1,156.60	920.00
	Balance payable - Expenses	-	0.01
	Balance receivable	2.24	0.72
HDFC Asset Management Company Limited	Balance payable	640.00	346.00
HDFC Ergo General Insurance Company Limited**	Balance payable	70.00	120.00
	Balance receivable	1.98	1.36

** excludes amounts pertaining to insurance premiums payable that are in the nature of pass through.

38 EMPLOYEE BENEFITS

A) Defined contribution plan

The contribution made to various statutory funds is recognised as expense and included in Note 30 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss.

B) Defined benefit plan (Gratuity)

The Company contributes to the group gratuity fund based on the actuarial valuation determined as at the year-end through the HDFC Life Insurance Company ('HDFC Life') Limited and Life Insurance Corporation of India Limited (LIC). HDFC Life and LIC have certified the Fair Value of the Plan Assets .

Details of Actuarial Valuation as at March 31, 2023.

Particulars	March 31, 2023	March 31, 2022
A. Change in defined benefit obligation		
1 Defined benefit obligation at beginning of period	166.90	149.09
2 Service cost		
a. Current service cost	19.16	17.17
b. Past service cost	-	1.49
c. (Gain) / loss on settlements	-	-
3 Interest expenses	7.96	5.75
4 Cash flows		
a. Benefit payments from plan	(33.07)	(19.88)
b. Benefit payments from employer	-	-
c. Settlement payments from plan	-	-
d. Settlement payments from employer	-	-

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Particulars	March 31, 2023	March 31, 2022
5 Remeasurements		
a. Effect of changes in demographic assumptions	(5.91)	2.51
b. Effect of changes in financial assumptions	(4.03)	(3.08)
c. Effect of experience adjustments	13.70	13.85
6 Transfer In /Out		
a. Transfer In	-	-
b. Transfer out	-	-
7 Defined benefit obligation at end of period	164.71	166.90
B. Change in fair value of plan assets		
1 Fair value of plan assets at beginning of period	95.57	81.51
2 Interest income	4.56	3.15
3 Cash flows		
a. Total employer contributions	21.36	30.66
(i) Employer contributions	-	-
(ii) Employer direct benefit payments	-	-
(iii) Employer direct settlement payments	-	-
b. Participant contributions	-	-
c. Benefit payments from plan assets	(33.07)	(19.88)
d. Benefit payments from employer	-	-
e. Settlement payments from plan assets	-	-
f. Settlement payments from employer	-	-
4 Remeasurements		
a. Return on plan assets (excluding interest income)	(1.73)	0.13
5 Transfer In /Out		
a. Transfer In	-	-
b. Transfer out	-	-
6 Fair value of plan assets at end of period	86.68	95.57
C. Amounts recognised in the Balance Sheet		
1 Defined benefit obligation	164.71	166.90
2 Fair value of plan assets	(86.68)	(95.57)
3 Funded status	78.03	71.33
4 Effect of asset ceiling	-	-
5 Net defined benefit liability (asset)	78.03	71.33
D. Components of defined benefit cost		
1 Service cost		
a. Current service cost	19.16	17.17
b. Past service cost	-	1.49
c. (Gain) / loss on settlements	-	-
d. Total service cost	19.16	18.66

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
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Particulars	March 31, 2023	March 31, 2022
2 Net interest cost		
a. Interest expense on DBO	7.96	5.75
b. Interest (income) on plan assets	4.56	3.15
c. Interest expense on effect of (asset ceiling)	-	-
d. Total net interest cost	3.40	2.60
3 Remeasurements (recognised in OCI / Retained Earnings)		
a. Effect of changes in demographic assumptions	(5.91)	2.51
b. Effect of changes in financial assumptions	(4.03)	(3.08)
c. Effect of experience adjustments	13.70	13.85
d. Return on plan assets (excluding interest income)	(1.73)	0.13
e. Changes in asset ceiling (excluding interest income)	-	-
f. Total remeasurements included in OCI / Retained Earnings	5.48	13.15
4 Total defined benefit cost recognised in P&L and OCI	28.04	34.41
E. Re-measurement		
a. Actuarial Loss/(Gain) on DBO	3.75	13.28
b. Returns above Interest Income	1.73	(0.13)
c. Change in Asset ceiling	-	-
Total Re-measurements (OCI / Retained Earnings)	5.48	13.15
F. Employer Expense (P&L)		
a. Current Service Cost	19.16	17.17
b. Interest Cost on net DBO	3.40	2.60
c. Past Service Cost	-	1.49
d. Total P&L Expenses	22.56	21.26
G. Net defined benefit liability (asset) reconciliation		
1 Net defined benefit liability (asset)	71.33	67.58
2 Defined benefit cost included in P&L	22.56	21.26
3 Total remeasurements included in OCI / Retained Earnings	5.48	13.15
4 a. Employer contributions	(21.36)	(30.66)
b. Employer direct benefit payments	-	-
c. Employer direct settlement payments	-	-
5 Net transfer	-	-
6 Net defined benefit liability (asset) as of end of period	78.02	71.33
H. Reconciliation of OCI (Re-measurement)		
1 Recognised in OCI at the beginning of period	70.26	57.11
2 Recognised in OCI during the period	5.48	13.15
3 Recognised in OCI / Retained Earnings at the end of the period	75.74	70.26

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Particulars	March 31, 2023	March 31, 2022
I. Sensitivity analysis - DBO end of Period		
1 Discount rate +100 basis points	(3.19)	(4.38)
2 Discount rate -100 basis points	3.43	4.77
3 Salary Increase Rate +1%	3.36	4.57
4 Salary Increase Rate -1%	(3.18)	(4.29)
5 Attrition Rate +1%	(0.66)	(1.34)
6 Attrition Rate -1%	0.69	1.42
J. Significant actuarial assumptions		
1 Discount rate Current Year (p.a.)	7.42%	4.77%
2 Discount rate Previous Year (p.a.)	4.77%	3.86%
3 Salary increase rate (p.a.)	3.00% - 10.00%	6.00% - 11.00%
4 Attrition Rate (%)	9.00% - 71.00%	9.00% - 74.00%
5 Retirement Age (years)	60	60
6 Pre-retirement mortality	IALM (FY 2012-14) Urban	IALM (FY 2012-14) Urban
7 Disability	Nil	Nil
K. Data		
1 No.	1,15,137	1,15,490
2 Average age (yrs.)	29.11	28.99
3 Average past service (yrs.)	2.47	2.42
4 Average salary monthly (₹)	9,159.64	9,046.16
5 Future service (yrs.)	30.89	31.01
6 Weighted average duration of DBO	3.00	4.00
L. Expected cash flows for following year		
1 Expected contributions / Addl. Provision Next Year	36.85	29.61
2 Expected total benefit payments		
Year 1	64.60	51.64
Year 2	37.29	33.72
Year 3	22.65	24.02
Year 4	15.34	16.99
Year 5	11.09	12.79
Next 5 years	27.97	32.29

Category of Plan assets	% of Fair value to total planned assets (as at March 31, 2023)
Government securities and corporate bonds/debentures	8.48%
Money market instruments and fixed deposits	92.62%
Net current assets and other approved security	(1.10%)
Total	100.00%

The Company's gratuity plan obligation is determined by actuarial valuation and is funded by investments in government securities. As such, the valuation and the funding are exposed to certain risks, including mainly salary increments, attrition levels, interest rates and investment yields. If salaries and interest rates rise faster than assumed or if the attrition rates are lower than assumed, then the Company's gratuity obligation would rise faster in future periods and an increase in market yields of government securities would reduce the value of the plan's investments, leading to higher future funding

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

requirements. The Company monitors plan obligations and investments regularly with a view to ensuring that there is adequate funding on an ongoing basis, thus mitigating any potential adverse consequences of the risks described.

C) Compensated absences

The Company neither has a policy of encashment of unavailed leaves for its employees nor allow the leaves to be carry forward to next year.

D) 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.

39 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

Sr No.	Particulars	March 31, 2023	March 31, 2022
1	Claims against the Company not acknowledged as debt (Refer Note 39.1)	99.53	90.59
2	Estimated amount of contracts remaining to be executed on capital account and not provided for: (Net of Advances amounting to ₹ 9.02 Crore, previous year ₹0.43 Crore)	45.00	13.27
3	Undrawn committed sanctions to borrowers	134.31	59.40

39.1 Claims against the Company not acknowledged as debt

Particulars	March 31, 2023	March 31, 2022
Suit filed by borrowers	13.88	5.25
Other contingent liabilities in respect of :		
1. Provident Fund matter - (see (a) below)	50.14	50.14
2. Payment of Bonus (Amendment) Act, 2015 - (see (b) below)	34.88	34.88
3. Payment of Labour Welfare Fund	0.32	0.32
4. Maharashtra Professional Tax Assessment	0.31	-
Total	99.53	90.59

a) Provident Fund matter

The Company has received a notice of demand from the Provident Fund department amounting to ₹ 50.14 Crore. The Company had filed an appeal challenging the Provident Fund Commissioner's order before the Provident Fund Appellate Tribunal, wherein the Company had received a favourable outcome. However, a sum of ₹ 1 Crore has been deposited under protest with the Provident Fund Appellate Authority. This amount is shown under Other financial assets.

The Provident Fund department has challenged order of the appellate authority in the High Court. The management of the Company is of the view that no material losses will arise in respect of the legal claim and accordingly the same has been disclosed as a contingent liability. In the eventuality of any claim arising out of this case, the same will be billed to the customer in the year the claim is final and accordingly no provision has been made.

b) Payment of Bonus (Amendment) Act, 2015

As per the amendment to the Payment of Bonus (Amendment) Act, 2015 vide notification number DL-(N)04/70007/2003-16 issued on January 01, 2016 by Government of India, the Company would be required to pay statutory bonus to all eligible employees as per the amendments specified thereunder, with effect from April 01, 2014. However, various High Courts have granted a stay on retrospective effect of Payment of Bonus (Amendment) Act,

**Notes to the Standalone Financial Statements
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2015 from financial year 2014-15. In light of the above, the Company has decided to disclose such bonus amounting to ₹ 34.88 Crore as a contingent liability.

39.2 The Company's pending litigations comprise of claims against the Company by the customers and proceedings pending with other authorities. The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in the financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

39.3 The Company has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.

40 MATURITY ANALYSIS OF ASSETS & LIABILITIES

Particulars	March 31, 2023		March 31, 2022	
	Within 12 months	After 12 months	Within 12 months	After 12 months
ASSETS				
Financial Assets				
(a) Cash and cash equivalents (CCE)	395.90	-	477.20	-
(b) Bank balances other than CCE	257.92	-	176.19	30.58
(c) Derivative financial instruments	165.34	-	-	132.44
(d) Trade receivables	65.76	-	141.82	-
(e) Loans	24,418.76	41,963.91	21,299.76	35,862.69
(f) Investments	1,185.31	57.94	2,144.02	89.49
(g) Other financial assets	-	34.87	-	32.91
	26,488.99	42,056.72	24,238.99	36,148.11
Non-financial Assets				
(a) Current tax assets (Net)	25.11	-	13.34	-
(b) Deferred tax assets (Net)	-	1,000.87	-	1,051.17
(c) Property, plant and equipment	-	122.37	-	78.14
(d) Capital work-in-progress	-	-	-	-
(e) Other intangible assets	-	20.41	-	12.01
(f) Right of Use Assets	54.03	190.24	49.00	153.49
(g) Other non-financial assets	50.40	41.25	58.99	222.70
	129.54	1,375.14	121.33	1,517.51
TOTAL ASSETS	26,618.53	43,431.86	24,360.32	37,665.62
LIABILITIES				
Financial Liabilities				
(a) Derivative financial instruments	-	-	-	-
(b) Trade payables	291.84	-	246.91	-
(c) Debt securities	9,620.89	17,475.52	8,003.83	17,328.48
(d) Borrowings other than debt securities	9,663.25	14,564.55	8,752.04	10,749.68
(e) Subordinated liabilities	229.42	3,311.68	599.23	3,539.82
(f) Other financial liabilities	2,310.87	467.57	2,344.47	364.25
	22,116.27	35,819.32	19,946.48	31,982.23
Non-Financial Liabilities				
(a) Current tax liabilities (net)	41.97	-	59.73	-
(b) Provisions	314.34	54.62	264.61	50.14
(c) Other non-financial liabilities	266.91	-	183.02	-
	623.22	54.62	507.36	50.14
TOTAL LIABILITIES	22,739.49	35,873.94	20,453.84	32,032.37
NET	3,879.04	7,557.92	3,906.48	5,633.25

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
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41 CORPORATE SOCIAL RESPONSIBILITY

The average profit before tax of the Company for last three financial years was ₹ 1,107.64 Crore, basis which the Company's Prescribed CSR Budget for FY 2022-23 was ₹ 22.15 Crore. In FY 2021-22 an excess amount of ₹ 1.13 Crore was spent against the Prescribed CSR Budget for FY 2021-22, hence after adjusting the excess spend, the Company's CSR Obligation for FY 2022-23 was ₹ 21.02 Crore.

a) Amount spent during the year on:

Particulars	March 31, 2023			March 31, 2022		
	Amount Spent	Amount Unpaid/provision	Total	Amount Spent	Amount Unpaid/provision	Total
Construction / acquisition of any asset	-	-	-	-	-	-
On purpose other than above	21.78	Not Applicable	21.78	25.83	Not Applicable	25.83

b) In case of Section 135(5) unspent amount:

Opening Balance	Amount deposited in Specified Fund of Sch. VII within 6 months	Amount required to be spent during the year	Amount spent during the year	Closing Balance
Not Applicable				

c) In case of Section 135(5) Excess amount spent

Opening Balance	Amount required to be spent during the year	Amount spent during the year	Closing Balance
(1.13)	22.15	21.78	(0.76)

Note: ₹ 0.76 Crore was spent over and above the CSR Obligation of ₹ 21.02 Crore for the FY 2022-23.

d) In case of Section 135(6) Details of ongoing projects

Opening Balance	With Company	In Separate CSR Unspent Account	Amount required to be spent during the year	Amount spent during the year		Closing Balance	
				From Company's Bank Account	From Separate CSR Unspent A/c	With Company	In Separate CSR Unspent Account
(1.13)		2.28	22.15	21.78	2.28	(0.76)	-

e) Nature of CSR activities

CSR activities conducted during the year was focused on promoting healthcare, enhancing employability skills for unemployed individuals, supporting restoration of waterbodies and other water conservation activities, among other interventions.

42 DETAILS OF DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES

As per the confirmation received from the parties following is the status of MSME parties.

Particulars	As at March 31, 2023	As at March 31, 2022
The Principal amount remaining unpaid at the end of the year	-	-
The Interest Amount remaining unpaid at the end of the year	-	-
Interest paid along with amount of payment made to the supplier beyond the appointed day	-	-
Amount of interest due and payable for the period of delay on payments made beyond the appointed day	-	-
Amount of interest accrued and remaining unpaid	-	-
Further interest due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprises	-	-
Balance of MSME parties at the end of the year	-	-

Note - The above is based on the information available with the Company which has been relied upon by the auditors.

Notes to the Standalone Financial Statements
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43 FAIR VALUE MEASUREMENT

a) Valuation principles

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, as explained below:

b) Total financial assets measured at fair value on a recurring basis :

The following tables show an analysis of the fair value of financial assets by level of the fair value hierarchy.

Particulars	Category	Fair value hierarchy	Fair value	
			March 31, 2023	March 31, 2022
Mutual fund units	FVTPL	Level 1	411.65	946.45
Unquoted equity shares	FVTPL	Level 3	1.95	1.45
Treasury bills	FVTPL	Level 1	773.66	1,197.57
Securities receipt of ARC	FVTPL	Level 2	55.99	88.04
Derivative financial instruments	FVTPL	Level 2	165.34	132.44

Level 1:

Units held in mutual funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions.

Treasury bills are valued based on market quotes.

Level 2:

Fair value of debt securities, borrowings other than debt securities and subordinated liabilities have estimated by discounting expected future cash flows discounting rate near to report date based on comparable rate / market observable data.

Level 3:

Fair value of loans have estimated by discounting expected future cash flows using discount rate equal to the rate near to the reporting date of the comparable product.

Unquoted equity shares are measured at fair value using suitable valuation models viz., net asset value technique.

c) The table below presents information pertaining to the fair values and carrying values of the Company's financial assets and liabilities.

Particulars	Category	Fair value hierarchy	March 31, 2023		March 31, 2022	
			Carrying value	Fair value	Carrying value	Fair value
Financial Assets						
(a) Cash and cash equivalents (CCE)	Amortised cost		395.90	395.90	477.20	477.20
(b) Bank balances other than CCE	Amortised cost		257.92	257.92	206.77	206.77
(c) Derivative financial instruments	FVTPL	Level 2	165.34	165.34	132.44	132.44
(d) Trade receivables	Amortised cost		65.76	65.76	141.82	141.82
(e) Loans	Amortised cost	Level 3	66,382.67	63,647.52	57,162.45	54,511.90
(f) Investments - Mutual funds and Treasury bills	FVTPL	Level 1	1,185.31	1,185.31	2,144.02	2,144.02
Investments - In Security Receipts	FVTPL	Level 2	55.99	55.99	88.04	88.04
Investments - Unquoted equity shares	FVTPL	Level 3	1.95	1.95	1.45	1.45
(g) Other financial assets	Amortised cost		34.87	34.87	314.60	314.60
			68,545.71	65,810.56	60,668.79	58,018.24

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Particulars	Category	Fair value hierarchy	March 31, 2023		March 31, 2022	
			Carrying value	Fair value	Carrying value	Fair value
Financial Liabilities						
(a) Derivative financial instruments	FVTPL	Level 2	-	-	-	-
(b) Trade payables	Amortised cost		291.84	291.84	246.91	246.91
(c) Debt securities	Amortised cost	Level 2	27,096.41	27,322.07	25,332.31	26,356.46
(d) Borrowings other than Securitisation	Amortised cost	Level 2	23,856.94	23,087.21	18,296.08	17,976.30
Borrowings under Securitisation	Amortised cost	Level 2	370.86	364.45	1,205.64	1,193.88
(e) Subordinated liabilities	Amortised cost	Level 2	3,541.10	3,623.40	4,139.05	4,429.21
(f) Other financial liabilities	Amortised cost		2,778.42	2,778.42	2,708.72	2,708.72
			57,935.57	57,467.39	51,928.71	52,911.47

(i) Short-term and other financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months) and for other financial assets and other financial liabilities that are insignificant in value, the carrying amounts, net of impairment, if any, are a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, bank balances other than cash and cash equivalents, trade receivables, trade payables, other financial assets and other financial liabilities.

(ii) Loans

These financial assets are recorded at amortised cost, the fair values of which are estimated at portfolio level using a discounted cash flow model based on contractual cash flows discounted using market rates incorporating the counterparties' credit risk.

(iii) Debt securities, borrowings and subordinated liabilities

Fair value is estimated at portfolio level by a discounted cash flow model incorporating market interest rates and the Company's own credit risk or based on market-observable data such as secondary market prices for its traded debt, as relevant.

44 CAPITAL MANAGEMENT

The primary objective of the Company's capital management policy is to ensure compliance with regulatory capital requirements. In line with this objective, the Company ensures adequate capital at all times and manages its business in a way in which capital is protected, satisfactory business growth is ensured, cash flows are monitored, borrowing covenants are honoured and ratings are maintained.

Regulatory capital-related information is presented as part of the RBI mandated disclosures. The RBI norms require capital to be maintained at prescribed levels. In accordance with such norms, Tier I capital of the Company comprises of share capital, share premium, reserves and perpetual debt, Tier II capital comprises of subordinated debt and provision on loans that are not credit-impaired. There were no changes in the capital management process during the periods presented.

45 RISK MANAGEMENT

While risk is inherent in the Company's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

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.

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

a) Credit risk

The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

Financial assets measured on a collective basis

The Company splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristics, as described below in the following order:

- Secured / unsecured i.e. based on whether the loans are secured
- Nature of security i.e. the nature of the security if the loans are determined to be secured
- Nature of loan i.e. based on the nature of loan

Significant increase in credit risk

The Company considers an exposure to have significantly increased in credit risk when the borrower crosses 30 DPD but is within 90 DPD.

Impairment assessment

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower crosses 90 days past due on its contractual payments. Further, the borrower is retained in Stage 3 (credit-impaired) till all the overdue amounts are repaid i.e. borrower becomes 0 days past due on its contractual payments.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that incorporates the probability of default and subsequent recoveries, discounted.

Current economic data and forward-looking economic forecasts and scenarios are used in order to determine the Ind AS 109 LGD rate. The Company uses data obtained from third party sources and combines such data with inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios.

Credit quality of assets

- a) The table below shows credit quality and maximum exposure to credit risk based on year-end stage classification. The amounts presented are gross of Impairment loss allowance.**

Stage	March 31, 2023	March 31, 2022
Stage 1	66,793.73	56,142.18
Stage 2	1,322.12	2,125.38
Stage 3	1,914.85	3,058.76
Total	70,030.70	61,326.32

- b) An analysis of changes in the gross carrying amount and corresponding ECL allowances in relations to loans is as under:**

	March 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - opening balance	56,142.18	2,125.38	3,058.76	61,326.32
Originated or new	44,483.31	210.59	107.86	44,801.76
Matured or repaid	(31,096.12)	(1,099.72)	(2,059.75)	(34,255.59)
Transfers to Stage 1	875.26	(572.33)	(302.93)	-
Transfers to Stage 2	(1,346.94)	1,407.22	(60.28)	-
Transfers to Stage 3	(2,264.67)	(748.31)	3,012.98	-
Amounts written off (net of recovery)	-	-	(1,841.79)	(1,841.79)
Gross carrying amount - closing balance	66,793.02	1,322.83	1,914.85	70,030.70

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

	March 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - opening balance	55,263.27	3,300.87	2,760.86	61,325.00
Originated or new	28,624.70	251.85	156.66	29,033.21
Matured or repaid	(24,958.69)	(1,099.41)	(1,818.27)	(27,876.37)
Transfers to Stage 1	1,964.69	(1,394.17)	(570.52)	-
Transfers to Stage 2	(2,016.03)	2,097.54	(81.51)	-
Transfers to Stage 3	(2,735.76)	(1,031.30)	3,767.06	-
Amounts written off (net of recovery)	-	-	(1,155.52)	(1,155.52)
Gross carrying amount - closing balance	56,142.18	2,125.38	3,058.76	61,326.32

	March 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance - opening balance	1,996.81	511.25	1,655.81	4,163.87
Originated or new	711.35	74.53	86.91	872.79
Increase / (decrease) in provision on existing financial assets (Net of recovery)	(489.95)	(0.68)	943.79	453.16
Transfers to Stage 1	200.90	(102.26)	(98.64)	-
Transfers to Stage 2	(102.61)	122.39	(19.78)	-
Transfers to Stage 3	(287.57)	(232.73)	520.30	-
Amounts written off (net of recovery)	-	-	(1,841.79)	(1,841.79)
Impairment loss allowance - closing balance	2,028.93	372.50	1,246.60	3,648.03

	March 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance - opening balance	1,306.11	542.71	874.74	2,723.56
Originated or new	362.16	50.74	82.96	495.86
Increase / (decrease) in provision on existing financial assets (Net of recovery)	333.52	202.97	1,563.48	2,099.97
Transfers to Stage 1	335.24	(176.84)	(158.40)	-
Transfers to Stage 2	(108.83)	133.96	(25.13)	-
Transfers to Stage 3	(231.39)	(242.29)	473.68	-
Amounts written off (net of recovery)	-	-	(1,155.52)	(1,155.52)
Impairment loss allowance - closing balance	1,996.81	511.25	1,655.81	4,163.87

c) **Modified financial assets**

The Company renegotiates loans given to customers in financial difficulties (referred to as forbearance activities, restructuring or rescheduling) to maximise collection opportunities and minimise the risk of default. Under the Companies forbearance policy, loan forbearance is granted on a selective basis if the customer is currently in default on its debt or if there is a high risk of default, there is evidence that the customer made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Risk Management Committee regularly reviews reports on forbearance activities.

Upon renegotiation, such accounts are classified as Stage 3. Such accounts are upgraded to Stage 1 only upon observation of satisfactory repayments of one year from the date of such down-gradation and accordingly loss allowance is measured using 12 month PD.

Exposure to modified financial assets	March 31, 2023	March 31, 2022
Gross carrying amount	2,384.91	5,100.35
Impairment allowance	1,091.00	1,975.22
Net carrying amount	1,293.91	3,125.13

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Analysis of risk concentration

The following table shows risk concentration of the Company's loans basis risk exposure into smaller homogeneous portfolios, based on shared credit risk characteristics as under:

	March 31, 2023	March 31, 2022
Carrying value of Loans	66,382.67	57,162.44
Mortgage backed loans	17,676.86	16,404.30
Other assets backed loans	28,669.31	24,290.68
Personal loans	15,828.13	13,143.46
Others	4,208.37	3,324.00
Total	66,382.67	57,162.44

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties

The Company also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Collateral coverage - credit impaired loans

Loan to Value (LTV) range	March 31, 2023	March 31, 2022
Upto 50 % Coverage	659.53	1,259.26
51-75 % Coverage	8.58	139.87
76-100 % Coverage	0.02	3.75
Above 100% Coverage	-	0.07
Total	668.13	1,402.95

b) Liquidity risk and funding management

Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

Maturity profile of financial liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at March 31.

March 31, 2023	Less than 1 year	1 years to 3 years	3 years to 5 years	5 years and above	Total
Trade payables	291.84	-	-	-	291.84
Debt securities	11,287.03	15,700.20	3,220.45	1,393.20	31,600.88
Borrowings	10,257.28	13,961.22	2,628.58	41.07	26,888.15
Borrowings under Securitisation	293.82	86.99	-	-	380.81
Subordinated liabilities	545.86	1,036.75	1,125.54	2,490.14	5,198.29
Total	22,675.83	30,785.16	6,974.57	3,924.41	64,359.97

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
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March 31, 2022	Less than 1 year	1 years to 3 years	3 years to 5 years	5 years and above	Total
Trade payables	246.91	-	-	-	246.91
Debt securities	9,999.33	16,693.39	1,684.16	1,117.35	29,494.22
Borrowings	8,182.18	10,532.33	932.43	12.56	19,659.50
Borrowings under Securitisation	774.09	408.48	11.31	-	1,193.88
Subordinated liabilities	975.04	1,338.21	878.57	2,981.50	6,173.32
Total	20,177.55	28,972.40	3,506.47	4,111.41	56,767.84

c) Market risk

Market risk represents the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

i) Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Company's statement of profit and loss.

	% Increase/decrease in rate		Increase/decrease in profit	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Borrowings that are re-priced	0.25%	0.25%	48.75	31.69
Loans that are re-priced	0.25%	0.25%	41.78	35.63

ii) Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk for the Company arise majorly on account of foreign currency borrowings. The Company manages this foreign currency risk by entering in to cross currency swaps and forward contract. When a derivative is entered in to for the purpose of being as hedge, the Company negotiates the terms of those derivatives to match with the terms of the hedge exposure. The Company's policy is to fully hedge its foreign currency borrowings at the time of drawdown and remain so till repayment.

The Company holds derivative financial instruments such as cross currency interest rate swap to mitigate risk of changes in exchange rate in foreign currency and floating interest rate. The counterparty for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in market place.

d) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or from external events.

The operational risks of the Company are managed through comprehensive internal control systems and procedures and key back up processes. This enables the management to evaluate key areas of operational risks and the process to adequately mitigate them on an ongoing basis. The Company also undertakes Risk based audits on a regular basis across all business units / functions. While examining the effectiveness of control framework through self-assessment, the risk-based audit would assure effective implementation of self-certification and internal financial controls adherence, thereby, reducing enterprise exposure.

The Company has put in place a robust Disaster Recovery (DR) plan, which is periodically tested. Business Continuity Plan (BCP) is further put in place to ensure seamless continuity of operations including services to customers, when confronted with adverse events such as natural disasters, technological failures, human errors, terrorism, etc. Periodic testing is carried out to address gaps in the framework, if any. DR and BCP audits are conducted on a periodical basis to provide assurance regarding the effectiveness of the Company's readiness.

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

46 IMPACT OF HEDGING ACTIVITIES

a) Disclosure of effects of hedge accounting on financial position:

March 31, 2023								
Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness	Line item in Balance Sheet
Cash flow hedge	Assets	Liabilities	Assets	Liabilities				
Foreign exchange forward contracts (Cross currency interest rate swaps)	1,889.91		165.34		June 18, 2023	33.73	33.73	Borrowings

March 31, 2022								
Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness	Line item in Balance Sheet
Cash flow hedge	Assets	Liabilities	Assets	Liabilities				
Foreign exchange forward contracts (Cross currency interest rate swaps)	4,017.00		132.44		October 30, 2022, November 29, 2020, December 10, 2022 & June 18, 2023	175.17	175.17	Borrowings

b) Disclosure of effects of hedge accounting on financial performance

March 31, 2023					
Type of hedge	Change in the value of the hedging instrument recognised in other comprehensive Income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedge reserve to statement of profit or loss	Line item affected in statement of profit and loss because of the reclassification	
Cash flow hedge					
Foreign exchange risk and interest rate risk	33.73	-	(14.13)	Finance cost	

March 31, 2022					
Type of hedge	Change in the value of the hedging instrument recognised in other comprehensive Income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedge reserve to statement of profit or loss	Line item affected in statement of profit and loss because of the reclassification	
Cash flow hedge					
Foreign exchange risk and interest rate risk	175.17	-	(142.17)	Finance cost	

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

47 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Particulars	April 01, 2022	Cash flows	Exchange Difference	Other	March 31, 2023
Debt securities	25,332.31	1,738.71	-	25.39	27,096.41
Borrowings other than debt securities	18,296.08	5,534.35	-	26.51	23,856.94
Borrowings under Securitisation	1,205.64	(834.78)	-	-	370.86
Subordinated liabilities	4,139.05	(608.90)	-	10.95	3,541.10
Total	48,973.08	5,829.38	-	62.85	54,865.31

Particulars	April 01, 2021	Cash flows	Exchange Difference	Other	March 31, 2022
Debt securities	23,802.07	1,555.63	-	(25.39)	25,332.31
Borrowings other than debt securities	20,532.66	(2,248.95)	-	12.37	18,296.08
Borrowings under Securitisation	2,036.41	(830.77)	-	-	1,205.64
Subordinated liabilities	3,987.61	140.49	-	10.95	4,139.05
Total	50,358.75	(1,383.60)	-	(2.07)	48,973.08

- (i) Other column includes the effect of accrued but not paid interest on borrowing, amortisation of processing fees etc.
- (ii) Total Liabilities comprises of Debt securities, Borrowings (other than debt securities) and Subordinated Liabilities

48 EXPENDITURE / REMITTANCES IN FOREIGN CURRENCIES

a) Expenditure in Foreign Currencies

Particulars	March 31, 2023	March 31, 2022
Professional charges	0.05	0.14
Annual software application fee	4.16	0.20

b) There is no dividend paid in foreign currency.

49 EVENT AFTER REPORTING DATE

Subsequent events are tracked and evaluated by the Company. Necessary adjustments / disclosures have been provided in the financial statements for significant subsequent events.

50 TRANSFER OF FINANCIAL ASSETS

50.1 Transferred financial assets that are not derecognised in their entirety

The following details provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

A) Securitisation

The Company has transferred certain pools of fixed rate loan receivables backed by underlying assets by entering into securitisation transactions with the Special Purpose Vehicle Trusts (SPV Trust) sponsored by commercial banks for consideration received in cash at the inception of the transaction.

The Company, being Originator of these loan receivables, also acts as Servicer with a responsibility of collection of receivables from its borrowers and depositing the same in Collection and Payout Account maintained by the SPV Trust for making scheduled payouts to the investors in Pass Through Certificates (PTCs) issued by the SPV Trust. These securitisation transactions also require the Company to provide for first loss credit enhancement in various forms, such as corporate guarantee, cash collateral, subscription to subordinated PTCs etc. as credit support in the event of shortfall in collections from underlying loan contracts. By virtue of existence of credit enhancement, the Company is exposed to credit risk, being the expected losses that will be incurred on the transferred loan receivables to the extent

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
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of the credit enhancement provided.

In view of the above, the Company has retained substantially all the risks and rewards of ownership of the financial asset and thereby does not meet the derecognition criteria as set out in Ind AS 109. Consideration received in this transaction is presented as 'Borrowing under Securitisation' under Note 18.

The details of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

Particulars	March 31, 2023	March 31, 2022
Carrying amount of transferred assets measured at amortised cost	356.14	1,211.85
Carrying amount of associated liabilities (Debt securities - measured at amortised cost)	370.86	1,205.64
Fair value of assets	337.98	1,154.16
Fair value of associated liabilities	364.45	1,193.88
Net position at Fair Value	(26.47)	(39.72)

B) Assignment

The Company has sold some loans (measured at amortised cost) by way of direct bilateral assignment, as a source of finance.

As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been de-recognised from the Company's balance sheet.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain/(loss) on derecognition, per type of asset.

Particulars	March 31, 2023	March 31, 2022
Carrying amount of de-recognised financial asset	55.84	117.98
Carrying amount of retained assets at amortised cost*	6.09	13.41
Gain on sale of the de-recognised financial asset	Nil	Nil

*excludes Excess Interest Spread (EIS) on de-recognised financial assets

50.2 Transferred financial assets that are derecognised in their entirety but where the Company has continuing involvement

The Company has not transferred any assets that are derecognised in their entirety where the Company continues to have continuing involvement.

**RBI disclosures from Notes 51 to 92 have been prepared as per RBI Circulars / Directives basis Ind-AS financial statements.
RBI disclosures are prepared basis gross carrying value of loans.**

**51 DISCLOSURE RELATING TO SECURITISATION PURSUANT TO RESERVE BANK OF INDIA NOTIFICATION
RBI/DOR/2021-22/85 DOR.STR.REC.53/21.04.177/2021-22 DATED SEPTEMBER 24, 2021 FOR NON-STC
SECURITISATION TRANSACTIONS.**

Sr No.	Particulars	March 31, 2023	March 31, 2022
1	No of SPEs holding assets for securitisation transactions originated by the originator (only the SPVs relating to outstanding securitisation exposures to be reported here)	3.00	5.00
2	Total amount of securitised assets as per books of the SPEs	356.14	1,223.15
3	Total amount of exposures retained by the originator to comply with MRR as on the date of balance sheet a) Off-balance sheet exposures • First Loss	21.86	62.64

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
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Sr No.	Particulars	March 31, 2023	March 31, 2022
	• Others	-	-
b)	On-balance sheet exposures		
	• First Loss	93.63	190.47
	• Others	-	-
4	Amount of exposures to securitisation transactions other than MRR		
a)	Off-balance sheet exposures		
i)	Exposure to own securitisations		
	• First Loss	-	-
	• Others	-	-
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	-	-
5	Sale consideration received for the securitised assets and gain/loss on sale on account of securitisation	-	-
6	Form and quantum (outstanding value) of services provided by way of, liquidity support, post-securitisation asset servicing, etc.	-	-
7	Performance of facility provided. Credit enhancement, liquidity support, servicing agent etc. Mention percent in bracket as of total value of facility provided.	-	-
	Fixed Deposit		
	(a) Amount paid	-	17.12
	(b) Repayment received	-	17.12
	(c) Outstanding amount	93.63	172.96
	Corporate Guarantee		
	(a) Amount paid	-	36.07
	(b) Repayment received	-	36.07
	(c) Outstanding amount	21.86	62.64
8	Average default rate of portfolios observed in the past.	1.89%	1.86 %
9	Amount and number of additional/top up loan given on same underlying asset.		
	(a) Amount	-	0.09
	(b) Number	-	10.00
10	Investor complaints		
	(a) Directly/Indirectly received	Nil	Nil
	(b) Complaints outstanding	Nil	Nil

52 Disclosure relating to securitisation pursuant to Reserve Bank of India notification RBI/DOR/2021-22/85 DOR.STR. REC.53/21.04.177/2021-22 dated September 24, 2021 for STC (Simple, transparent and comparable) Securitisation Transactions are not applicable.

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
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**53 DISCLOSURE OF FINANCIAL ASSETS SOLD TO SECURITISATION COMPANY PURSUANT TO RESERVE BANK OF INDIA
NOTIFICATION RBI/DOR/2021-22/86 DOR.STR.REC. 51/21.04.048/2021-22 DATED SEPTEMBER 24, 2021.**

a) Details of NPA loans transferred during the year

Sr No.	Particulars	March 31, 2023			March 31, 2022		
		To ARCs	To permitted transferees	To other transferees	To ARCs	To permitted transferees	To other transferees
i)	Number of Accounts	1337	-	-	80	-	-
ii)	Aggregate principal outstanding of loans transferred	161.24	-	-	14.41	-	-
iii)	Weighted average residual tenor of the loans transferred	7.18 Years	-	-	6.73 Years	-	-
iv)	Net book value of loans transferred (at the time of transfer)	126.29	-	-	12.57	-	-
v)	Aggregate consideration	103.62	-	-	7.50	-	-
vi)	Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-	-	-

During the year excess provisions of ₹ 51.58 Crore (Previous Year ₹ 1.84 Crore) reversed to the profit and loss account on accounts of sale of stressed loans.

b) Security Receipts (SRs) Ratings held

	March 31, 2023		March 31, 2022	
	Rating Agencies	Rating	Rating Agencies	Rating
EARC TRUST SC - 411 Series I (*)	Indian rating and research	IND RR3- (50% - 75%)	Indian rating and research	NR3- (75% - 100%)

(*) Rating Band awarded by SEBI approved Ratings agencies to Security Receipts issued by above mentioned trust(s) set up by Edelweiss Asset Reconstruction Company Limited (EARC).

c) Details of loans (not in default) acquired during the year

Sr No.	Particulars	March 31, 2023	March 31, 2022
i)	Aggregate amount of loans acquired (₹ in Crore)	83.08	-
ii)	Weighted average residual maturity (in years)	4.13	-
iii)	Weighted average holding period by originator (in years)	5.02	-
iv)	Retention of beneficial economic interest by the originator	10%	-
v)	Aggregate consideration paid	83.08	-
vi)	Tangible security coverage	0%	-

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

d) Details of Assignment Transactions

Sr No.	Particulars	March 31, 2023			March 31, 2022		
		To ARCs	To permitted transferees	To other transferees	To ARCs	To permitted transferees	To other transferees
i)	Number of Accounts	-	-	-	-	-	-
ii)	Aggregate principal outstanding of loans transferred	-	-	-	-	-	-
iii)	Weighted average residual tenor of the loans transferred	-	-	-	-	-	-
iv)	Net book value of loans transferred (at the time of transfer)	-	-	-	-	-	-
v)	Aggregate consideration	-	-	-	-	-	-
vi)	Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-	-	-

* The securitised loans disclosed in the above notes, i.e. 51, 52 and 53 do not qualify for de-recognition under Ind AS. Nevertheless, the information in the notes is presented to ensure compliance with the RBI disclosure requirements.

54 Total fixed deposits stands at ₹ 93.63 Crore (previous year ₹ 172.96 Crore) on account of securitisation transaction outstanding till March 31, 2023.

55 Loan against gold portfolio to Total assets is 0.61% (Previous year 0.77%).

56 DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA NOTIFICATION RBI/DNBR/2016-17/45 MASTER DIRECTION DNBR.PD.008/03.10.119/2016-17 UPDATED AS ON DECEMBER 29, 2022 PERTAINING TO GOLD LOANS

Details of Gold auctions conducted*

Particulars	March 31, 2023	March 31, 2022
No of loan accounts	1,114	2,822
Outstanding loan amount	6.28	30.01
Sale Consideration of gold **	14.31	35.40

* there is no sister concern participation in any of the above auctions.

** the excess of sales consideration over and above the outstanding amount is repaid to respective borrower.

57 DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA NOTIFICATION RBI/DNBR/2016-17/45 MASTER DIRECTION DNBR.PD.008/03.10.119/2016-17 UPDATED AS ON DECEMBER 29, 2022 PERTAINING TO ASSET CLASSIFICATION AS PER RBI NORMS

As at March 31, 2023

Asset Classification as per RBI Norms	Asset Classification as per Ind AS 109	Gross Carrying Amounts 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
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7)=(4)-(6)
Performing Assets						
Standard	Stage 1 Stage 2	66,793.73 1,322.12	2,026.71 372.41	64,767.02 949.71	443.94 26.68	1,582.77 345.73
Subtotal		68,115.85	2,399.12	65,716.73	470.62	1,928.50
Non-Performing Assets (NPA)						

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Asset Classification as per RBI Norms	Asset Classification as per Ind AS 109	Gross Carrying Amounts 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
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7)=(4)-(6)
Substandard	Stage 3	1,835.18	1,198.66	636.52	171.47	1,027.19
Doubtful - up to 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	78.41	46.68	31.73	13.55	33.13
More than 3 years	Stage 3	-	-	-	-	-
Loss	Stage 3	1.26	1.26	-	1.14	0.12
Subtotal for NPA		1,914.85	1,246.60	668.25	186.16	1,060.44
Other items such as guarantee, loan commitment, 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	475.06	2.55	472.51	2.29	0.26
	Stage 2	12.22	5.84	6.38	0.47	5.37
	Stage 3	1.34	0.81	0.53	0.05	0.76
Subtotal of other items		488.62	9.20	479.42	2.81	6.39
	Stage 1	67,268.79	2,029.26	65,239.53	446.23	1,583.03
	Stage 2	1,334.34	378.25	956.09	27.15	351.10
TOTAL	Stage 3	1,916.19	1,247.41	668.78	186.21	1,061.20
	Total	70,519.32	3,654.92	66,864.40	659.59	2,995.33

As at March 31, 2022

Asset Classification as per RBI Norms	Asset Classification as per Ind AS 109	Gross Carrying Amounts 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
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7)=(4)-(6)
Performing Assets						
Standard	Stage 1	56,142.18	1,996.81	54,145.37	220.34	1,776.47
	Stage 2	2,125.38	511.25	1,614.13	8.34	502.91
Subtotal		58,267.56	2,508.05	55,759.51	228.68	2,279.38
Non-Performing Assets (NPA)						
Substandard	Stage 3	2,829.45	1,589.28	1,240.17	258.35	1,330.93
Doubtful - up to 1 year	Stage 3	-	-	-	-	-
1 to 3 years	Stage 3	224.85	62.07	162.78	38.10	23.97
More than 3 years	Stage 3	-	-	-	-	-
Loss	Stage 3	4.47	4.47	-	3.97	0.50
Subtotal for NPA		3,058.76	1,655.81	1,402.95	300.42	1,355.40
Other items such as guarantee, loan commitment, 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	419.21	1.12	418.09	-	1.12
	Stage 2	20.78	2.05	18.73	-	2.05
	Stage 3	0.13	0.13	-	0.74	(0.61)
Subtotal of other items		440.12	3.30	436.82	0.74	2.56
	Stage 1	56,561.40	1,997.93	54,563.47	220.34	1,777.59
	Stage 2	2,146.16	513.29	1,632.87	8.34	504.95
TOTAL	Stage 3	3,058.90	1,655.94	1,402.96	301.16	1,354.78
	Total	61,766.45	4,167.16	57,599.29	529.84	3,637.32

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

58 THE BELOW TABLE DEPICTS STAGE WISE COUNT AND AMOUNT OF LOAN BOOK OUTSTANDING.

Sr No.	Stage	Count	March 31, 2023	Count	March 31, 2022
1	Stage 1	44,80,195	66,793.73	36,55,901	56,142.18
2	Stage 2	1,12,059	1,322.12	1,10,555	2,125.38
3	Stage 3	80,528	1,914.85	1,62,567	3,058.76
	Total	46,72,782	70,030.70	39,29,023	61,326.32

Note: The Company follows the due process for recovery of the overdues . The recovery process is carried out inhouse & through collection agencies. Proper legal process & regulatory requirements are followed in recovery & collection activities.

59 MOVEMENT OF CREDIT IMPAIRED LOANS UNDER IND-AS

Sr No.	Particulars	March 31, 2023	March 31, 2022
(i)	Credit impaired loans under Ind-AS (Net) to Loans (Net) (%)	0.97%	2.41%
(ii)	Movement of Credit impaired loans under Ind-AS (Gross)		
a)	Opening balance	3,058.76	2,760.86
b)	Additions during the year	3,120.84	3,927.26
c)	Reductions during the year	4,264.75	3,629.36
d)	Closing balance	1,914.85	3,058.76
(iii)	Movement of Credit impaired loans under Ind-AS (Net)		
a)	Opening balance	1,402.95	1,886.12
b)	Additions during the year	1,569.84	1,803.61
c)	Reductions during the year	2,304.54	2,286.78
d)	Closing balance	668.25	1,402.95
(iv)	Movement of impairment loss allowance on credit impaired loans		
a)	Opening balance	1,655.81	874.74
b)	Impairment loss allowance made during the year	1,551.00	2,120.12
c)	Write-off / write-back of excess allowance	1,960.21	1,339.05
d)	Closing balance	1,246.60	1,655.81

60 MOVEMENT OF IMPAIRMENT LOSS ALLOWANCE FOR LOW CREDIT RISK LOANS AND SIGNIFICANT INCREASE IN CREDIT RISK LOANS

Sr No.	Particulars	March 31, 2023	March 31, 2022
(i)	Movement of impairment allowance for low credit risk loans and significant increase in credit risk loans		
a)	Opening balance	2,508.06	1,848.82
b)	Additions during the year	785.88	949.39
c)	Reductions during the year	892.51	290.15
d)	Closing balance	2,401.43	2,508.06

61 CONCENTRATION OF LOAN, EXPOSURES & CREDIT IMPAIRED LOAN

a) Concentration of Loan

Particulars	March 31, 2023	March 31, 2022
Total Advances to Twenty Largest Borrowers	353.93	198.85
Percentage of advances to twenty largest borrowers to Total Advances	0.51%	0.32%

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

b) Concentration of Exposures

Particulars	March 31, 2023	March 31, 2022
Total Exposure to Twenty Largest Borrowers	353.93	198.85
Percentage of exposures to twenty largest borrowers to Total Exposures	0.51%	0.32%

c) Concentration of credit impaired loans

Particulars	March 31, 2023	March 31, 2022
Total Exposure of Top four credit impaired accounts	24.82	21.79

d) Sector-wise distribution of credit impaired loans

Sr No.	Sector	Percentage of Impairment loss allowance to Total credit impaired loans in that sector	
		March 31, 2023	March 31, 2022
1	Agriculture & allied activities	4.11%	7.51%
2	Corporate borrowers	3.04%	3.26%
3	Services	1.77%	2.56%
4	Unsecured personal loans	2.33%	4.83%
5	Auto loans	2.65%	4.98%
6	Other personal loans	-	-
7	Others	3.96%	10.67%

Note: MSME category is included in the above categories

62 DETAILS OF CREDIT IMPAIRED FINANCIAL ASSETS PURCHASED / SOLD

The Company has not purchased any credit impaired financial assets during the financial year 2022-23. However, the Company has transferred certain credit impaired assets to Asset Reconstruction Company in terms of guidelines issued by RBI circular no. DOR.STR.REC.51/21.04.048/2021-22 dated September 24, 2021 (Refer Note 53). Further, the Company has not sold any credit impaired financial asset to institutions other than to Securitisation / Asset Reconstruction Company (SC / RC).

63 INVESTMENTS

Sr No.	Particulars	March 31, 2023	March 31, 2022
1	Value of Investments*		
	i) Gross value of Investments	1,262.89	2,247.54
	ii) Unrealised fair value movement	(19.64)	(14.03)
	iii) Fair value of Investments	1,243.25	2,233.51
	* Please note that all investments are held in India		
2	Movement of unrealised fair value movement on investments		
	i) Opening Balance	(14.03)	8.78
	ii) Add : increase in unrealised fair value during the year	0.50	-
	iii) Less : decrease in unrealised fair value during the year	6.11	22.81
	iv) Closing Balance	(19.64)	(14.03)

64 DERIVATIVES

a) Forward Rate Agreement (FRA) / Interest Rate Swap (IRS)

Sr No.	Particulars	March 31, 2023	March 31, 2022
i)	The notional principal of swap agreements	1,889.91	4,017.00
ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreement	-	-
iii)	Collateral required by the Company upon entering into swaps	-	-
iv)	Concentration of credit risk arising from the swaps	2.70%	4.34%
v)	The fair value of the swap book (Asset / (Liability))	1.00	1.00

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

b) Exchange Traded Interest Rate (IR) Derivatives

The Company has not entered into any exchange traded derivative.

c) Disclosures on Risk Exposure in Derivatives

Qualitative Disclosures

- i) The Company undertakes the derivatives transaction to prudently hedge the risk in context of a particular borrowing or to diversify sources of borrowing and to maintain fixed and floating borrowing mix. The Company does not indulge into any derivative trading transactions. The Company reviews, the proposed transaction and outline any considerations associated with the transaction, including identification of the benefits and potential risks (worst case scenarios); an independent analysis of potential savings from the proposed transaction. The Company evaluates all the risks inherent in the transaction viz., counter party risk, Market Risk, Operational Risk, basis risk etc.
- ii) Credit risk is controlled by restricting the counterparties that the Company deals with, to those who either have banking relationship with the Company or are internationally renowned or can provide sufficient information. Market/Price risk arising from the fluctuations of interest rates and foreign exchange rates or from other factors shall be closely monitored and controlled. Normally transaction entered for hedging, will run over the life of the underlying instrument, irrespective of profit or loss. Liquidity risk is controlled by restricting counterparties to those who have adequate facility, sufficient information, and sizable trading capacity and capability to enter into transactions in any markets around the world.
- iii) The respective functions of trading, confirmation and settlement should be performed by different personnel. The front office and back-office role is well defined and segregated. All the derivatives transactions is quarterly monitored and reviewed. All the derivative transactions have to be reported to the board of directors on every quarterly board meetings including their financial positions.

d) Foreign currency non-repatriate loans availed

Sr No.	Particulars	March 31, 2023		March 31, 2022	
		Currency Derivatives*	Interest Rate Derivatives	Currency Derivatives*	Interest Rate Derivatives
i)	Derivatives (Notional Principal Amount)				
	- For hedging	1,889.91	-	4,017.00	-
ii)	Marked to Market Positions				
	(a) Asset [+] Estimated gain	-	-	-	-
	(b) Liability [-] Estimated loss	-	-	-	-
iii)	Credit exposure	1,889.91	-	4,017.00	-
iv)	Unhedged exposures	-	-	-	-

* Cross currency interest rate swap

65 CAPITAL ADEQUACY RATIO

The Company's capital adequacy ratio, calculated in accordance with the Reserve Bank of India guidelines and disclosed using Ind-AS terminology, is as follows:

	March 31, 2023	March 31, 2022
CRAR%	20.05%	20.22%
CRAR – Tier I Capital %	15.91%	15.22%
CRAR-Tier II Capital %	4.14%	5.00%
Amount of Subordinated Debt raised as Tier-II capital	-	3,500
Amount Raised by the issue of Perpetual Debt Instruments	-	650

There were ₹ Nil Crore (Previous Year ₹ Nil Crore) interest outstanding to pay Perpetual Debt Insutments holder.

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

66 MATURITY PATTERN OF CERTAIN ITEMS OF ASSETS AND LIABILITIES

(Previous year figures are presented in italics.)

Particulars	Deposits	Advances	Investments(*)	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
1 day to 30/31 days	100.03	2,821.76	1,185.31	1,114.00	-	-
	45.96	2,453.75	2,144.03	1,530.02	-	-
Over one month to 2 months	0.84	2,298.33	-	1,130.11	-	-
	1.04	1,926.23	-	691.34	-	-
Over 2 months upto 3 months	-	2,295.78	-	2,272.19	-	1,888.94
	-	1,951.17	-	1,497.90	-	-
Over 3 months to 6 months	69.14	6,258.32	-	4,376.33	-	-
	25.24	5,399.67	-	4,175.78	-	-
Over 6 months to 1 year	26.21	10,744.56	-	8,768.93	-	-
	103.95	9,568.93	-	7,195.46	-	2,264.60
Over 1 year to 3 years	-	26,830.43	-	26,203.30	-	-
	-	24,094.04	-	23,936.94	-	1,740.02
Over 3 years to 5 years	-	6,545.54	55.99	5,743.68	-	-
	-	5,936.77	88.03	2,614.90	-	-
Over 5 years	-	8,587.95	1.95	3,367.83	-	-
	-	5,831.89	1.45	3,326.11	-	-
Total	196.22	66,382.67	1,243.25	52,976.37	-	1,888.94
	176.19	57,162.45	2,233.51	44,968.45	-	4,004.62

* Long-Term Investment in Clayfin Technologies Private Limited are shown in "over 5 year"

67 DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA CIRCULAR DOR.NO.BP.BC/3/21.04.048/2020-21 DATED AUGUST 06, 2020 PERTAINING TO RESOLUTION FRAMEWORK FOR COVID-19-RELATED STRESS READ WITH RBI/2021-22/31 DOR STR REC.11/21.04.048/2021-22 DATED MAY 05, 2021 PURSUANT TO RESOLUTION FRAMEWORK 2.0 – RESOLUTION OF COVID-19 RELATED STRESS OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) AND DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA CIRCULAR RBI/2021-22/31 DOR STR REC. 11/21.04.048 /2021-22 DATED MAY 05, 2021 PERTAINING TO RESOLUTION FRAMEWORK - 2.0: RESOLUTION OF COVID-19 RELATED STRESS OF INDIVIDUALS AND SMALL BUSINESSES

Format-B For Resolution framework

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount Paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year
Personal Loans	133.47	19.68	4.78	38.14	70.88
	327.13	49.10	-	21.75	256.28
Corporate persons*	11.74	-	-	8.25	3.49
	53.41	-	-	7.55	45.86
Of which, MSMEs	11.74	-	-	8.25	3.49
	53.41	-	-	7.55	45.86
Others	0.12	0.01	0.00	0.07	0.03
	0.32	-	-	0.01	0.31
Total	145.32	19.68	4.78	46.46	74.40
	380.86	49.10	-	29.31	302.45

* As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

68 DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA CIRCULAR RESOLUTION FRAMEWORK - 2.0: RESOLUTION OF COVID-19 RELATED STRESS OF MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) – REVISION IN THE THRESHOLD FOR AGGREGATE EXPOSURE ISSUED VIDE CIRCULAR NO. RBI/2021-22/47 DOR.STR. REC.21/21.04.048/2021-22 DATED JUNE 04, 2021 READ WITH CIRCULAR RBI/2018-19/100 DBR.NO.BP BC.18/21.04.048/2018-19 DATED JANUARY 01, 2019.

Type of borrower	Year	(A)		(B)	
		Number of accounts where resolution plan has been implemented under this window	exposure to accounts mentioned at (A) before implementation of the plan		
MSMEs	Current Year	-	-		
	Previous Year	49,823	3,711.08 Crore		

69 DISCLOSURE REQUIREMENTS UNDER SCALE BASED REGULATION - SECTORAL EXPOSURE DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA RBI/2022-23/26 DOR. ACC REC. NO.20/21.04.018/2022-23 DATED APRIL 19, 2022.

Sr No.	Sectors	March 31, 2023			March 31, 2022		
		Total Exposure (includes on balance sheet and off-balance sheet exposure) (₹ in Crore)	Gross NPAs (₹ in Crore)	Percentage of Gross NPAs to total exposure in that sector %	Total Exposure (includes on balance sheet and off-balance sheet exposure) (₹ in Crore)	Gross NPAs (₹ in Crore)	Percentage of Gross NPAs to total exposure in that sector %
	Total sectors exposure	70,030.70	1,914.85	2.73%	61,326.32	3,058.76	4.99%
1	Agriculture and Allied Activities	169.06	5.55	3.28%	151.96	6.47	4.26%
2	Industry						
	(i) Micro and Small	1,532.88	57.97	3.78%	1,407.13	58.54	4.16%
	(ii) Medium	-	-	-	-	-	-
	(iii) Others	-	-	-	-	-	-
	Total of Industry	1,532.88	57.97	3.78%	1,407.13	58.54	4.16%
3	Services						
	(i) Transport Operators	390.18	6.04	1.55%	181.59	7.35	4.05%
	(ii) Computer Software	57.68	2.72	4.71%	34.53	0.94	2.73%
	(iii) Tourism, Hotel and Restaurants	247.62	10.74	4.34%	250.76	6.37	2.54%
	(iv) Shipping	8.71	0.04	0.45%	14.67	0.18	1.20%
	(v) Professional Services	27.23	-	0.00%	24.46	-	0.00%
	(vi) Total of Trade	743.30	19.68	2.65%	562.81	12.70	2.26%
	(a) Wholesale Trade (other than Food Procurement)	74.98	4.64	6.19%	46.28	0.42	0.90%
	(b) Retail Trade	668.32	15.04	2.25%	516.53	12.28	2.38%
	(vii) Commercial Real Estate	166.02	5.06	3.05%	138.11	0.59	0.42%
	(viii) NBFCs	-	-	-	-	-	-
	(ix) Aviation	5.24	3.22	61.53%	7.96	3.70	46.52%
	(x) Others	2,408.10	54.64	2.27%	1,758.63	66.49	3.78%
	Total of Services	4,054.08	102.14	2.52%	2,973.52	98.32	3.31%

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Sr No.	Sectors	March 31, 2023			March 31, 2022		
		Total Exposure (includes on balance sheet and off-balance sheet exposure) (₹ in Crore)	Gross NPAs (₹ in Crore)	Percentage of Gross NPAs to total exposure in that sector %	Total Exposure (includes on balance sheet and off-balance sheet exposure) (₹ in Crore)	Gross NPAs (₹ in Crore)	Percentage of Gross NPAs to total exposure in that sector %
4	Personal Loans						
	(i) Housing Loans (incl. priority sector Housing)	-	-	-	-	-	-
	(ii) Consumer Durables	3,965.26	29.62	0.75%	3,083.41	70.56	2.29%
	(iii) Credit Card Receivables	-	-	-	-	-	-
	(iv) Vehicle/Auto Loans	21,880.85	705.65	3.22%	19,442.88	1,066.20	5.48%
	(v) Education Loans	-	-	-	-	-	-
	(vi) Advances against Fixed Deposit	-	-	-	-	-	-
	(vii) Advances to Individuals against Shares, Bonds	2.69	0.21	7.97%	6.07	0.40	6.58%
	(viii) Advances to Individuals against Gold	425.15	7.07	1.66%	473.99	20.22	4.27%
	(ix) Micro finance loan/SHG Loan	115.69	-	-	2.33	-	-
	(x) Others	37,885.04	1,006.63	2.66%	33,785.03	1,738.05	5.14%
	Total of Personal Loans	64,274.68	1,749.19	2.72%	56,793.71	2,895.43	5.10%
5	Others, if any (please specify)	-	-	-	-	-	-

70 EXPOSURE TO REAL ESTATE SECTOR - DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA SCALE BASED REGULATION RBI/2022-23/26 DOR. ACC. REC. NO. 20 /21.04. 018/2022-23 DATED APRIL 19, 2022.

Categories	March 31, 2023	March 31, 2022
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. Exposure would also include non-fund based (NFB) limits.)	12,584.64	11,779.72
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 shall also include non-fund based limits)	6,012.62	5,345.78
iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures - a) Residential, b) Commercial Real Estate	-	-
B. Indirect Exposure		
Fund based and non-fund-based exposures on National Housing Bank and Housing Finance Companies.	-	-
Total Exposure to Real Estate Sector	18,597.26	17,125.50

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

71 EXPOSURE TO CAPITAL MARKET - DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA SCALE BASED REGULATION /2022-23/26 DOR.ACC.REC.NO. 20/21.04.018 /2022-23 DATED APRIL 19, 2022.

Sr No.	Particulars	March 31, 2023	March 31, 2022
i)	Direct Investment in equity shares, convertible bonds, convertible debentures and units of equity- oriented mutual funds the corpus of which is not exclusively invested in corporate debt	2.30	2.30
ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPO's / ESOP's), convertible bonds, convertible debentures and units of equity oriented mutual funds	0.01	0.02
iii)	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security ;	-	-
iv)	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds ' does not fully cover the advances ;	-	-
v)	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers ;	-	-
vi)	Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources ;	-	-
vii)	Bridge loans to companies against expected equity flows / issues ;	-	-
viii)	Underwriting commitments taken up by the NBFCs in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
ix)	Financing to stockbrokers for margin trading	-	-
x)	All exposures to Alternative Investment Funds	-	-
i)	Category I	-	-
ii)	Category II	-	-
iii)	Category III	-	-
Total Exposure to Capital Market		2.31	2.32

72 UNHEDGED FOREIGN CURRENCY EXPOSURE - disclosure pursuant to Reserve Bank of India (Scale Based Regulation) /2022-23/26 DOR.ACC.REC.No. 20 /21. 04.018 /2022-23 dated April 19, 2022 Refer Significant accounting policies Note 2.5 and Note 45 (c) (ii)

73 INTRA-GROUP EXPOSURES DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA RBI/2022-23/26 DOR.ACC.REC. NO.20/21.04.018/2022-23 DATED APRIL 19, 2022

Particulars	March 31, 2023	March 31, 2022
Total amount of intra-group exposures	Nil	Nil
Total amount of top 20 intra-group exposures	Nil	Nil
Percentage of intra-group exposures to total exposure of the NBFC on borrowers/customers	Nil	Nil

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

74 COMPLAINTS DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA (SCALE BASED REGULATION) RBI/2022-23/26 DOR.ACC.REC.NO.20/21.04.018/2022-23 DATED APRIL 19, 2022.

Summary information on complaints received by the NBFCs from customers and from the Offices of Ombudsman

Sr No.	Particulars	March 31, 2023	March 31, 2022
i)	Number of Complaints Pending at the beginning of the year	64	391
ii)	Number of Complaints received during the year	5,462	4,334
iii)	Number of Complaints disposed during the year	5,465	4,661
iiiia)	Of which (iii), number of complaints rejected by the NBFC	125	200
iv)	Number of complaints pending at the end of the year	61	64
v)	Maintainable complaints received by the NBFC from Office of Ombudsman		
v)	Number of maintainable complaints received by the NBFC from Office of Ombudsman	106	121
va)	Of (v), number of complaints resolved in favour of the NBFC by Office of Ombudsman	92	110
vb)	Of (v), number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	14	11
vc)	Of (v), number of complaints resolved after passing of Awards by Office of Ombudsman against the NBFC	Nil	Nil
vi)	Number of Awards unimplemented within the stipulated time (other than those appealed)	Nil	Nil

Note :- Complaints include any expression of dissatisfaction from a customer or any identified service deficiency

Top five grounds of complaints received by the NBFCs from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
Current Year					
Ground - 1 Recovery Agents/Direct Sales Agents	1	44	(53.19%)	-	-
Ground - 2 Loans and advances	39	5,284	29.76%	61	-
Ground - 3 Non-observance of fair practices code	-	-	-	-	-
Ground - 4 Levy of charges without prior notice/excessive charges/ foreclosure charges	-	-	-	-	-
Ground - 5 Facilities for customers visiting the office/adherence to prescribed working hours, etc.	-	-	-	-	-
Others	24	134	(20.24%)	-	-
Total	64	5,462	26.03%	61	-

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
Previous Year					
Ground - 1 Recovery Agents/Direct Sales Agents	13	94	(48.91%)	1	-
Ground - 2 Loans and advances	354	4,072	(67.73%)	39	-
Ground - 3 Non-observance of fair practices code	-	-	-	-	-
Ground - 4 Levy of charges without prior notice/excessive charges/ foreclosure charges	-	-	-	-	-
Ground - 5 Facilities for customers visiting the office/adherence to prescribed working hours, etc.	-	-	-	-	-
Others	24	168	38.84%	24	-
Total	391	4,334	(66.47%)	64	-

75 BREACH OF COVENANT DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA (SCALE BASED REGULATION) RBI/2022-23/26 DOR.ACC.REC.NO.20 /21 .04.018/2022-23 DATED APRIL 19, 2022.

Disclose of all instances of breach of covenant of loan availed or debt securities issued.

There are no instances of breach of covenant of loan availed or debt securities issued during the current year 2022-23 as well as previous year 2021-22.

76 DIVERGENCE IN ASSET CLASSIFICATION AND PROVISIONING - DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA (SCALE BASED REGULATION) RBI/2022-23/26 DOR.ACC.REC.NO.20 /21.04.018 /2022-23 DATED APRIL 19, 2022.

- A) The additional provisioning requirements assessed by RBI (or National Housing Bank(NHB) in the case of Housing Finance Companies) exceeds 5% of the reported profits before tax and impairment loss on financial instruments for the reference period
Not applicable
- B) Additional Gross NPAs identified by RBI exceeds 5 per cent of the reported Gross NPAs for the reference period.
Not applicable

Sr.	Particulars	Amount
1	Gross NPAs as on March 31, 2022 as reported by Company	
2	Gross NPAs as on March 31, 2022 as assessed by the Reserve Bank of India	
3	Divergence in Gross NPAs (2-1)	
4	Net NPAs as on March 31, 2022 as reported by the Company	
5	Net NPAs as on March 31, 2022 as assessed by Reserve Bank of India	
6	Divergence in Net NPAs (5-4)	
7	Provisions for NPAs as on March 31, 2022 as reported by the Company	
8	Provisions for NPAs as on March 31, 2022 as assessed by Reserve Bank of India	
9	Divergence in provisioning (8-7)	
10	Reported Profit before tax and impairment loss on financial instruments for the year ended March 31, 2022	
11	Reported Net Profit after Tax (PAT) for the year ended March 31, 2022	
12	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31, 2022 after considering the divergence in provisioning	Not applicable

* March 31, 2022 is the close of the reference period in respect of which divergences were assessed

**Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)**

**77 DISCLOSURE PURSUANT TO SECTION III TO RESERVE BANK OF INDIA (SCALE BASED REGULATION) RBI/2022-23/26 DOR.ACC.REC.
NO.20/21.04.018/2022-23 DATED APRIL 19, 2022.**

The Company endeavours to comply with requirements for getting its equity shares listed within the timelines prescribed under Scale Based Regulation.

**78 RELATED PARTY DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA (SCALE BASED REGULATION) RBI/2022-23/26 DOR.ACC.REC.
NO.20/21.04.018/2022-23 DATED APRIL 19, 2022.**

Sr No.	Related party	Parent (HDFC Bank)	Subsidiaries			Associates/Joint Ventures	Key Management Personnel	Relatives of Key Management Personnel	Others	Total	
			March 31, 2023	March 31, 2022	March 31, 2023						
A Details of Related Party Transactions for the Year:											
(i)	Borrowings	3,350.00	5,360.00	-	-	-	-	-	-	3,350.00	5,360.00
(ii)	Placement of deposits	-	17.77	-	-	-	-	-	-	-	17.77
(iii)	Interest paid	677.81	498.75	-	-	-	-	-	-	677.81	498.75
(iv)	Interest received	2.71	5.47	-	-	-	-	-	-	2.71	5.47
(v)	Others	3,241.53	2,781.48	-	-	9.55	9.00	-	21.85	18.01	3,272.93
(va)	Charges for back office support services received / recoverable	984.41	921.26	-	-	-	-	-	-	984.41	921.26
(vb)	Charges for sales support services received / recoverable	1,821.96	1,607.28	-	-	-	-	-	-	1,821.96	1,607.28
(vc)	Tele collection charges / field collection charges received / recoverable for collection services rendered	255.65	220.58	-	-	-	-	-	-	255.65	220.58
(vd)	Others	179.51	32.36	-	-	9.55	9.00	-	21.85	18.01	210.90
B Balances outstanding:											
(i)	Borrowings	11,295.33	11,601.17	-	-	-	-	-	1,866.60	1,386.00	13,161.93
(ii)	Deposits	9.85	-	-	-	-	-	-	-	-	9.85
(iii)	Placement of deposits	47.89	88.62	-	-	-	-	-	-	-	47.89
(iv)	Others	353.92	514.93	-	-	-	-	-	4.26	2.10	358.17
C Maximum balance during the year:											
(i)	Borrowings	13,064.15	12,550.80	-	-	-	-	-	-	-	13,064.15
(ii)	Deposits	9.85	9.85	-	-	-	-	-	-	-	9.85
(iii)	Placement of deposits	88.66	188.92	-	-	-	-	-	-	-	88.66

Quantitative Disclosure on Liquidity Coverage Ratio (LCR) for year ended March 31, 2023 is given below:

Particulars	Quarter Ended March 31, 2023			Quarter Ended December 31, 2022			Quarter Ended September 30, 2022			Quarter Ended June 30, 2022		
	Total Weight	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Weight	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Weight	Total Unweighted Value (average)*	Total Weighted Value (average)*	Total Weight	Total Unweighted Value (average)*	Total Weighted Value (average)*
High Quality Liquid Assets												
1 Total High Quality Liquid Assets (HQLA)	1,061.33	100%	1,061.33	2,074.80	100%	2,074.80	1,074.37	100%	1,074.37	1,289.48	100%	1,289.48
2 Deposits(for deposit taking companies)	150.77	100%	150.77	246.87	100%	246.87	202.48	100%	202.48	173.47	100%	173.47
3 Unsecured wholesale funding	910.57	100%	910.57	1,827.93	100%	1,827.93	871.89	100%	871.89	1,116.01	100%	1,116.01
Cash Outflows												
4 Secured wholesale funding	1,708.20	115%	1,964.43	2,310.88	115%	2,657.51	1,558.25	115%	1,791.99	1,081.76	115%	1,244.02
5 Additional requirements, of which												
(i) Outflows related to derivative exposures and other collateral requirements**	115%	-	-	115%	-	-	115%	-	-	500.00	115%	575.00
(ii) Outflows related to loss of funding on debt products	115%	-	-	115%	-	-	115%	-	-	115%	-	115%
(iii) Credit and liquidity facilities	115%	-	-	115%	-	-	115%	-	-	115%	-	115%
6 Other contractual funding obligations	414.76	115%	476.97	384.04	115%	441.65	319.41	115%	367.33	360.83	115%	414.96
7 Other contingent funding obligations	71.54	115%	82.27	54.65	115%	62.85	48.06	115%	55.27	46.17	115%	53.10
8 Total Cash Outflows	2,194.50		2,523.67	2,749.57		3,162.01	1,925.72		2,214.59	1,988.76		2,287.08
Cash Inflows												
9 Secured Lending	-	-	-	-	-	-	-	-	-	-	-	-
10 Inflows from fully performing exposures	2,751.93	75%	2,063.94	2,665.55	75%	1,999.16	2,636.60	75%	1,977.45	2,524.92	75%	1,893.69
11 Other cash inflows	2,020.08	75%	1,515.06	2,047.70	75%	1,535.78	1,778.70	75%	1,334.03	1,411.00	75%	1,058.25
12 TOTAL CASH INFLOWS	4,772.01		3,579.00	4,713.25		3,534.94	4,415.30		3,311.48	3,935.92		2,951.94
13 TOTAL HQLA	1,061.33		630.92			2,074.80	790.50		1,074.37	553.65		1,289.48
14 TOTAL NET CASH OUTFLOWS												571.77
15 LIQUIDITY COVERAGE RATIO (%)		168.22%				262.47%			194.05%			225.53%

*The average weighted and unweighted amounts are calculated taking simple averages of monthly observations for the respective quarters

** Consist of outflows related to collateral requirements where downgrade triggers upto and including 3 notches downgrade

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Qualitative Disclosure on LCR

The Liquidity Coverage Ratio (LCR) is a global minimum standard to measure the Company's liquidity position. The Reserve Bank of India introduced the liquidity coverage ratio (LCR) requirement for all deposit-taking NBFCs and non-deposit taking NBFCs with an asset size of ₹ 5,000 Crore and above. LCR seeks to ensure that the Company has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs under a 30-day calendar liquidity stress scenario. LCR is calculated by dividing the stock of HQLA's by its total net cash outflow over a 30 day calendar period.

The Company has adopted the liquidity risk framework as required under RBI regulation. It ensures a sound and robust liquidity risk management system by maintaining sufficient liquidity through inclusion of a cushion of unencumbered, high quality liquid asset to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources. The Board of Directors have delegated responsibility of balance sheet Liquidity Risk Management to the Asset Liability Committee.

The LCR is calculated by dividing a Company's stock of HQLA by it's total net cash outflows over a 30 -day stress period. The guidelines for LCR were effective from December 01, 2020 with the minimum LCR to be 50% which would rise in equal annual steps to reach 100%, on December 01,2024. The present minimum LCR requirement is 70% effective from December 01, 2022. In order to determine High quality Liquid Assets, Company considers Cash and Bank Balances, Investment in Government Securities without any haircut. In order to determine net cash outflows, Company considers total expected cash outflow minus total expected cash inflows for the subsequent 30 calendar days. As per regulations, stressed cash flows is computed by assigning a predefined stress percentage to the overall cash inflows and cash outflows. Net cash outflow over next 30 days is computed as stressed outflows less minimum of stressed inflows, 75% of stressed outflow. Accordingly LCR would be computed by dividing Company's stock of HQLA by it's total net cash outflow.

Cash outflow under secured wholesale funding includes contractual obligations under Term loans, NCDs, Interest payable within 30 days. Outflow under other collateral requirement, the Company considers the loans which are callable under rating downgrade trigger up to and including 3- notch downgrade. Outflow under other contractual funding obligations primarily includes outflow on account of overdrawn balances with Banks and sundry payables. In order to determine Inflows from fully performing exposures, Company considers the collection from performing advances in next 30 days. Other Cash inflows includes investments in mutual funds, CPs which are maturing within 30 days. The Average LCR for the quarter ended March 31, 2023 was 168.22% as against 262.47% for the quarter ended December 31, 2022 which is well above present prescribed minimum requirement of 70%. The average HQLA for the quarter ended March 31, 2023 was 1061.33 Crore as against 2074.80 Crore for the quarter ended December 31, 2022. During the same period the composition of Government securities in the HQLA was 85.79% for the quarter ended March 31, 2023 as against 88.10% for the quarter ended December 31, 2022.

Public Disclosure on LCR

Fund Concentration based on Significant counter parties

Sr. No	No of Significant counter Parties	Amount	% of Total Liabilities
1	21	37,746.32	60.47%

Note : The above is arrived including Securitisation exposure to Banks

Top Ten Borrowings as a % of Total Borrowings

Sr. No	Particulars	Amount	% of Total Borrowing
1	Top 10	29,650.02	53.88%

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Fund Concentration Based on Significant Instrument /Products

Sr. No	No of Instruments	Amount	% of Total Liabilities
1	Non Convertible Debentures & Market Linked Debentures	27,246.28	43.65%
2	Term Loans from Banks	21,968.00	35.19%
3	Subordinate Debts & Perpetual Debts	3,550.00	5.69%
4	External Commercial Borrowings	1,889.91	3.03%
5	Securitisation Borrowings	370.86	0.59%
6	Commercial Paper	-	-

Stock Ratios

Sr. No	Stock Ratios	Ratio
1	Commercial Paper as a % of Total Public Funds	-
2	Commercial Paper as a % of Total Liabilities*	-
3	Commercial Paper as a % of Total Assets	-
4	Non Convertible Debentures with (original maturity less than 1 year) as a % of Total Public Fund	N.A
5	Non Convertible Debentures with (original maturity less than 1 year) as a % of Total Liabilities	N.A
6	Non Convertible Debentures with (original maturity less than 1 year) as a % of Total Assets	N.A
7	Other Short Term Liabilities** as % of Total Public Funds	41.42%
8	Other Short Term Liabilities as % of Total Liabilities	36.52%
9	Other Short Term Liabilities as a % of Total Assets	30.86%

* Total liabilities refer to Total Outside Liabilities i.e. Balance Sheet Total excluding Share Capital and Reserves

** Other short term liabilities include all contractual obligation payable within a period of 1 year excluding commercial paper

Institutional set-up for liquidity risk management

The Company monitors its inflows and outflows in various buckets and ensures that there are no major mismatches in assets and liabilities in various buckets. The ALM is tabled and evaluated in the ALCO on a monthly basis. The Company ensures that there is adequate liquidity cushion available in the form of investments in G-Secs/ T-Bills / Mutual Funds etc. and unavailed Bank lines. The Company issues various instruments including Term Loans, Line of Credits, Non-Convertible Debentures, External Commercial Borrowings and other market instruments. The Company has a diversified mix of investors which includes Banks, Mutual Funds, Insurance firms, FIIs, Corporates, PFs etc.

80 PROVISIONS AND CONTINGENCIES

Particulars	March 31, 2023	March 31, 2022
Category wise breakup of Provisions & Contingencies shown in Statement of Profit and Loss		
Provisions for depreciation on investment	2.19	16.47
Provision towards non-performing assets*	(409.21)	781.07
Provision made towards income tax	621.30	663.40
Provision for standard assets#	(105.79)	659.24
Provision for gratuity	28.04	3.52
Provisions for trade receivables	3.60	(1.26)

* Represents impairment loss allowance on stage 3 loans.

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

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

81 SCHEDULE TO THE BALANCE SHEET OF A NON DEPOSIT TAKING NON-BANKING FINANCIAL COMPANY PURSUANT TO RESERVE BANK OF INDIA NOTIFICATION RBI/DNBR/2016-17/45 MASTER DIRECTION DNBR. PD.008/03.10.119/2016-17 DATED DECEMBER 29, 2022.

Sr. No	Particulars	March 31, 2023	March 31, 2022
1	Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:(*)		
	(a) Debentures		
	- Secured (*)	27,096.41	26,635.79
	- Unsecured (*)	3,541.10	4,322.76
	(other than falling within the meaning of public deposits)		
	(b) Deferred Credits		
	(c) Term Loans (*)	21,968.00	14,291.45
	(d) Inter-corporate loans and borrowing	-	-
	(e) Commercial Paper	-	-
	(f) Public Deposits	-	-
	(g) Other Loans (*)	2,259.80	5,234.73
	(*) There is no overdue		
2	Break-up of (1)(f) above (outstanding public deposit inclusive of interest accrued thereon but not paid)		
	(a) In the form of unsecured debenture	-	-
	(b) In the form of partly secured debenture i.e. debenture where there is s shortfall in the value of security	-	-
	(c) Other public deposits	-	-
	Assets side:		
3	Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:		
	(a) Secured	53,053.24	46,644.29
	(b) Unsecured	16,977.46	14,682.03
4	Break up of Leased Assets and stock on Hire and other assets counting towards AFC activities		
	(i) Lease Assets including lease rentals sundry debtors:		
	a) Financial Lease	-	-
	b) Operating Lease	-	-
	(ii) Stock on hire 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	59.25	108.61
	b) Loans other than (a) above	-	-
5	Break-up of Investments (net of provision for diminution in value):		
	Current Investments:		
I.	Quoted:		
	i. Shares		
	a) Equity	-	-
	b) Preference	-	-

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Sr. No	Particulars	March 31, 2023	March 31, 2022
	ii. Debentures and Bonds		
	iii. Units of Mutual Funds	411.65	946.45
	iv. Government Securities	773.66	1,197.57
	v. Others (please specify)	55.99	88.04
II.	Unquoted:		
	i. Shares	-	-
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)	-	-
Long Term Investments:			
I.	Quoted:		
	i. Shares	-	-
	a) Equity	-	-
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)	-	-
II.	Unquoted:		
	i. Shares		
	a) Equity	1.95	1.45
	b) Preference	-	-
	ii. Debentures and Bonds	-	-
	iii. Units of Mutual Funds	-	-
	iv. Government Securities	-	-
	v. Others (please specify)	-	-
6	Borrower group-wise classification of assets financed as in (2) and (3) above: (Amount net of provisions)		
1.	Related Parties		
	(a) Subsidiaries		
	i. Secured	-	-
	ii. Unsecured	-	-
	Total	-	-
	(b) Companies in the same Group		
	i. Secured	-	-
	ii. Unsecured	-	-
	Total	-	-
	(c) Other Related Parties		
	i. Secured	-	-
	ii. Unsecured	-	-
	Total	-	-

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Sr. No	Particulars	March 31, 2023	March 31, 2022
	2. Other than Related Parties		
	i. Secured	53,053.24	46,644.29
	ii. Unsecured	16,977.46	14,682.03
	Total	70,030.70	61,326.32
7	Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)		
	1. Related Parties		
	(a) Subsidiaries		
	i. Market Value / Break up or fair value or NAV	-	-
	ii. Book Value (Net of Provisions)	-	-
	(b) Companies in the same Group		
	i. Market Value / Break up or fair value or NAV	-	-
	ii. Book Value (Net of Provisions)	-	-
	(c) Other Related Parties		
	i. Market Value / Break up or fair value or NAV	-	-
	ii. Book Value (Net of Provisions)	-	-
	2. Other than Related Parties		
	i. Market Value / Break up or fair value or NAV	-	-
	ii. Book Value (Net of Provisions)	1,241.30	2,232.06
8	Other Information		
	(i) Gross credit impaired assets		
	(a) Related parties	-	-
	(b) Other than related parties	1,914.85	3,058.76
	(ii) Net credit impaired assets		
	(a) Related parties	-	-
	(b) Other than related parties	668.25	1,402.95
	(iii) Assets Acquired in satisfaction of debt	-	-

82 PENALTIES IMPOSED BY RBI AND OTHER REGULATORS

No penalties have been imposed by RBI and Other Regulators during current year (Previous year - NIL).

83 DISCLOSURE ON FRAUDS PURSUANT TO RBI MASTER DIRECTION

The frauds detected and reported for the year amounted to ₹ 0.58 Crore (Previous year ₹ 4.69 Crore).

84 DETAILS OF FINANCING OF PARENT COMPANY PRODUCTS

There is no financing during the current year.

85 DETAILS OF SINGLE BORROWER LIMITS (SBL)/ GROUP BORROWER LIMITS (GBL) EXCEEDED

The Company has not exceeded the single borrower limits / group borrower limits as set as by Reserve Bank of India.

86 ADVANCES AGAINST INTANGIBLE SECURITIES

The Company has not given any loans against intangible securities.

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

87 OVERSEAS ASSETS (FOR THOSE WITH JOINT VENTURES AND SUBSIDIARIES ABROAD)

There are no overseas asset owned by the Company.

88 DRAW DOWN FROM RESERVES

The Company has made no drawdown from existing reserves.

89 OFF-BALANCE SHEET SPVS SPONSORED

The Company is now required to provide its financial statements under Ind AS, which requires all securitisation related SPV's to be consolidated in the books of the originator (the Company). Accordingly, these SPV's stand consolidated and none of the SPV's sponsored are off-balance sheet.

90 RATINGS

The Credit Analysis & Research Limited (CARE) and CRISIL Limited (CRISIL) have assigned ratings for the various facilities availed by the Company, details of which are given below:

Facility	March 31, 2023		March 31, 2022	
	CARE	CRISIL	CARE	CRISIL
Bank facilities	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Non-convertible debentures	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Short term debt program	A1+	A1+	A1+	A1+
Subordinated bond issue	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Perpetual bond issue	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Market Linked Debentures	PP-MLD AAA/ Stable	PP-MLD AAAR/ Stable	PP-MLD AAA/ Stable	PP-MLD AAAR/ Stable

91 REGISTRATION UNDER OTHER REGULATORS

The Company is not registered under any other regulator other than Reserve Bank of India and Insurance Regulatory & Development Authority of India (IRDAI).

92 RBI CIRCULAR RBI/2021-22/17 DOR.STR.REC.4/21.04.048/2021-22 DATED APRIL 07, 2021.

Under the circular all the lending institutions were required to refund/adjust the "interest on interest" charged to the borrower during the moratorium period i.e March 01, 2020 to August 31, 2020 in conformity with the supreme court judgement. The status of the same is mentioned in below table

Sr No.	Particulars	March 31, 2023	March 31, 2022
1	Aggregate amount	-	34.36
2	Refunded/Adjusted	-	34.36
3	Outstanding Balance	-	-

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

93 DISCLOSURE PURSUANT TO REGULATION 53(F) READ WITH SCHEDULE V OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Sr No.	Particulars	March 31, 2023	March 31, 2022
a)	Loans and advances in the nature of loans to subsidiaries Name of the Company Amount	- - -	- - -
b)	Loans and advances in the nature of loans to associates Name of the Company Amount	- - -	- - -
c)	Loans and advances in the nature of loans to firms/companies in which directors are interested Name of the Company Amount	- - -	- - -
d)	Investments by the loanee in the shares of parent company and subsidiary company, when the Company has made a loan or advance in the nature of loan.	-	-

94 DISCLOSURE PURSUANT TO REGULATION 54 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

The Debentures are secured by way of a first and pari passu mortgage in favour of the Security Trustee on the Company's Office no 319, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and/or further secured by way of hypothecation of receivables under financing activity with a minimum requirement of asset cover of 1.1 times. Assets cover as on March 31, 2023 is 1.1 times.

95 RELATIONSHIP WITH STRUCK OFF COMPANIES ON THE BASIS OF AVAILABLE DATA ON THE DATE OF REPORTING

Sr No.	Name of Struck off Company	Nature of transactions	As at March 31, 2023 (Amt in Crore)	As at March 31, 2022 (Amt in Crore)	Relationship with the struck off company, if any, to be disclosed
1	Goldman Venture Private Limited	Shareholder	*	*	Shareholder
2	Anish Projects Developers (I) Private Limited	Loan	-	0.06	Borrower
3	Foxmind Connect Private Limited	Loan	-	0.69	Borrower
4	Galaxy Park Hospitality Private Limited	Loan	0.48	0.55	Borrower
5	Glamoroso Family Saloon And Spa Private Limited	Loan	0.28	0.32	Borrower
6	Gravitee Concepts Private Limited	Loan	-	0.01	Borrower
7	GVK Alliance Networks Private Limited	Loan	0.53	0.58	Borrower
8	Onus Labs Private Limited	Loan	0.30	0.35	Borrower
9	Peesscon India Reality Private Limited	Loan	0.13	0.16	Borrower
10	Satkar Security Provider Private Limited	Loan	-	(0.00)	Borrower
11	Shanti Sarup And Sons Private Limited	Loan	0.70	0.78	Borrower
12	Shiv Bhole India Travels Private Limited	Loan	-	0.51	Borrower
13	Sunrise Build Structure Private Limited	Loan	-	0.24	Borrower
14	Tapobhumi Real Estate & Marketing Private Limited	Loan	-	0.15	Borrower
15	Arun Electrochemical Systems Private Limited	Loan	0.19	0.25	Borrower

Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Sr No.	Name of Struck off Company	Nature of transactions	As at March 31, 2023 (Amt in Crore)	As at March 31, 2022 (Amt in Crore)	Relationship with the struck off company, if any, to be disclosed
16	Rushi Herbal Private Limited	Loan	(0.02)	1.27	Borrower
17	A S P Appliances P Limited	Loan	1.01	-	Borrower
18	Natkhat Agro Foods Private Limited	Loan	0.20	-	Borrower
19	Jeevan Jyothi General And Maternity Hospital Private Limited	Loan	0.69	-	Borrower
20	Deli Carrier Pack And Move Private Limited	Loan	0.21	-	Borrower
21	DRS Enterprises Private Limited	Loan	0.15	-	Borrower
22	NMG Food And Beverages Private Limited	Loan	0.05	-	Borrower
23	R S Vegetable Exporters India Private Limited	Loan	0.09	-	Borrower
24	Brand X Zone Private Limited	Loan	0.04	-	Borrower
25	Prarabdhan Bharti Bhawan Opc Private Limited	Loan	0.03	-	Borrower
26	Shri Ganesha Global Gulal Private Limited	Loan	0.15	-	Borrower
27	Royal Friends Enterprises Private Limited	Loan	(0.00)	-	Borrower
28	Raj Kumar And Sons Ornaments Private Limited	Loan	(0.01)	-	Borrower
29	Grahalaya Constructions Private Limited	Loan	(0.00)	-	Borrower
30	Indonex Services Private Limited	Loan	(0.00)	-	Borrower
31	Trilogy Krikos Private Limited	Loan	-	(0.00)	Borrower

Note:- In the absence of purchase price of share held by Goldman Venture Private Limited face value is considered for reporting purpose.

* Less than ₹ 1000/-.

96 DETAILS OF REVENUE FROM INSURANCE SEGMENT

Particulars	As at March 31, 2023	As at March 31, 2022
Commission Income	40.89	24.70

97 THE DISCLOSURE ON THE FOLLOWING MATTERS REQUIRED UNDER SCHEDULE III AS AMENDED NOT BEING RELEVANT OR APPLICABLE IN CASE OF THE COMPANY, SAME ARE NOT COVERED SUCH AS

- a) The Company has not traded or invested in crypto currency or virtual currency during the financial year
- b) There are no undisclosed transaction which have not been recorded in the books.
- c) No proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.
- d) The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority
- e) The Company has not entered into any scheme of arrangement
- f) No Registration or satisfaction of charges are pending to be filed with ROC.

**Notes to the Standalone Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)**

- 98** a) No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend to or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- b) No funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend to or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- 99** Previous year numbers have been regrouped / reclassified, wherever considered necessary, to correspond with current year presentation. There are no significant regrouping / reclassifications during the year under report.

100 DIVIDEND DISTRIBUTED TO EQUITY SHAREHOLDERS

The Company has paid an interim dividend of ₹ 0.90 per equity share during the year. Further, the Board has proposed a final dividend of ₹ 1.10 per equity share for financial year ended March 31, 2023 in the Board of Directors meeting held on April 15, 2023.

Accounting Period	Net Profit for the accounting period (₹ in Crore)	Rate of dividend (%)	Amount of Dividend (₹ in Crore)	Dividend Payout ratio (%)
FY 2022-23	1,959.35	20%	158.26	8.08%
FY 2021-22	1,011.40	10%	79.04	7.82%

101 STANDARDS ISSUED BUT NOT YET EFFECTIVE

On March 31, 2023, the Ministry of Corporate Affairs ('MCA') through a notification, The amendments rules the Companies (Indian Accounting Standards) Amendment Rules, 2023 are applicable from April 01, 2023 (Financial Year 2023-24).

As per our report of even date attached

For **B. K. Khare & Co.**
Chartered Accountants
Firms' Registration No: 105102W

For **KKC & Associates LLP**
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firms' Registration No:
105146W/W-100621

Sd/-
Padmini Khare Kaicker
Partner
Membership No: 044784

Place: Mumbai
Date: April 15, 2023

For **KKC & Associates LLP**
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firms' Registration No:
105146W/W-100621

Sd/-
Hasmukh B. Dedhia
Partner
Membership No: 033494

For and on behalf of the Board of Directors of
HDB Financial Services Limited

Sd/-
G. Ramesh
Managing Director & CEO
DIN: 05291597

Sd/-
Arijit Basu
Chairman and Non-Executive
Director
DIN: 06907779

Sd/-
Dipti Khandelwal
Company Secretary
Membership No: F11340

Sd/-
Jaykumar P. Shah
Chief Financial Officer
Membership No: 106353

Independent Auditors' Report

To
 The Members of
HDB Financial Services Limited

Report on the audit of the Consolidated Financial Statements

OPINION

1. We have audited the accompanying consolidated Ind AS financial statements of HDB Financial Services Limited ('the Parent') and its controlled structured entities (the parent and its controlled structured entities together referred to as 'the Group'), which comprise the consolidated balance sheet as at 31 March 2023 and the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information ('the Consolidated Financial Statements').
2. In our opinion and to the best of our information and according to the explanations given to us the aforesaid Consolidated 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 consolidated state of affairs of the Group, as at 31 March 2023, and its consolidated profit and other comprehensive income, consolidated changes in equity and its consolidated cash flows for the year then ended.

BASIS FOR OPINION

3. We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group, 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 Consolidated Financial Statements under the provisions of the Act, and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Consolidated Financial Statements.

KEY AUDIT MATTERS

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current year. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
1	Assessment of impairment loss provision on loans based on Expected Credit Loss model (ECL) under IND AS 109 Refer to the accounting policies in ' Note 3(B) to the Consolidated Ind AS Financial Statements: Expected Credit Loss', 'Note 2.11 to the Consolidated Ind AS Financial Statements: Revenue Recognition' and 'Note 2.2(G) to the Consolidated Ind AS Financial Statements: Impairment of Financial Assets and 'Note 45 to the Consolidated Ind AS Financial Statements: Risk Management'.	Under Ind AS 109, "Financial Instruments", allowance for loan losses are determined using expected credit loss ('ECL') estimation model. The estimation of ECL on financial instruments involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus are: Our audit procedures were focussed on assessing the appropriateness of management's judgement and estimates used in the impairment analysis that included, but were not limited to, the following: <ul style="list-style-type: none"> Reviewed the Board approved Policy and approach concerning the management of credit and other risks.

Independent Auditors' Report (Contd.)

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
	<ul style="list-style-type: none"> • Data inputs - The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model. • Model estimations - Inherently judgmental models are used to estimate ECL which involves determining Probabilities of Default ("PD"), Loss Given Default ("LGD"), and Exposures at Default ("EAD"). The PD and the LGD are the key drivers of estimation complexity in the ECL and as a result are considered the most significant judgmental aspect of the Company's modelling approach. • Economic scenarios - Ind AS 109 requires the Company to measure ECLs on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the economic scenarios used and the probability weights applied to them. <p>The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers, has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Consolidated Ind AS Financial Statements as a whole and hence we have identified the same as a Key Audit Matter.</p> <p>Disclosures:</p> <p>The disclosures (including disclosures prescribed by RBI) regarding the Company's application of Ind AS 109 are key to explaining the key judgements and material inputs to the Ind AS 109 ECL results.</p>	<ul style="list-style-type: none"> • Obtained an understanding of the modelling techniques adopted by the Company including the key inputs and assumptions. • Assessed the design, implementation and operating effectiveness of key internal financial controls including monitoring process of overdue loans, measurement of provision, stage-wise classification of loans, identification of NPA accounts, assessing the reliability of management information, which included overdue reports. • Evaluated the appropriateness of the Company's determination of Significant Increase in Credit Risk ("SICR") in accordance with the applicable accounting standard and the basis for classification of various exposures into various stages. • Reviewed the critical assumptions and input data used in the estimation of expected credit loss for specific key credit risk parameters, such as the movement between stages, Exposure at default, (EAD), probability of default (PD) or loss given default (LGD); • Tested key controls relating to selection and implementation of material macro-economic variables and the controls over the scenario selection and computation of probability of default and loss given default percentages. • Verified the manner of preparation of information w.r.t. to provisions and disclosures in the Consolidated Ind AS Financial Statements. • Involved Information system resource to obtain comfort over data integrity and process of report generation through interface of various information systems. • Tested controls placed over key inputs, data and assumptions impacting ECL calculations to assess the completeness, accuracy and relevance of data and reasonableness of economic forecasts, weights, and model assumptions applied. • Performed test of details over model calculations testing through re-performance, where possible. • Assessed whether the disclosures on key judgements, assumptions and quantitative data with respect to impairment of loans (including restructuring related disclosures) in the Consolidated Ind AS Financial Statements are appropriate and sufficient. • Obtained written representations from management and those charged with governance on whether they believe significant assumptions used in calculation of expected credit losses are reasonable including the report on review of ECL model of the Company for the year, as performed by an independent expert, whose report is placed before the Board of Directors of the Company.

Independent Auditors' Report (Contd.)

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
2	<p style="text-align: center;">Information Technology system used for the financial reporting process</p> <p>IT systems and controls</p> <p>The Company's financial reporting processes are dependent on technology considering significant number of transactions that are processed daily across multiple and discrete Information Technology ('IT') systems. The Financial accounting system of the Company is interfaced with several other IT systems including Loan Management & Originating systems and several other systemic workflows.</p> <p>IT general and application controls are critical to ensure that changes to applications and underlying data are made in an appropriate manner. Adequate controls contribute to mitigating the risk of potential fraud or errors as a result of changes to the applications and data.</p> <p>These include implementation of preventive and detective controls across critical applications and infrastructure.</p> <p>Due to the pervasive nature of role of information technology systems in financial reporting, the testing of the general computer controls of these systems was considered a Key Audit Matter.</p>	<p>With the assistance of our IT specialist, our key audit procedures for assessment of the IT systems and controls over financial reporting covered following broad aspects:</p> <ul style="list-style-type: none"> Obtained an understanding of the Company's key IT systems, IT General Controls which covered access controls, program/ system changes, program development and computer operations i.e. job processing, data/ system backup and incident management and application controls relevant to our audit Tested the design, implementation and operating effectiveness of the general IT controls over the key IT systems that are critical to financial reporting. Reviewed user access management, change management, segregation of duties, system reconciliation controls and system application controls over key financial accounting and reporting systems and related application controls. Reviewed of the report of IS Audit carried in earlier year(s) by an independent firm of Chartered Accountants pertaining to IT systems general controls including access rights over applications, operating systems and databases relied upon for financial reporting. Evaluated the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission Tested compensating controls or performed alternate audit procedures to assess whether there were any unaddressed IT risks that would impact the controls or completeness and/or accuracy of data.

OTHER INFORMATION

- The Parent's Board of Directors are responsible for the other information. The other information comprises the information included in the Parent's annual report but does not include the Consolidated Financial Statements and our auditors' report thereon. The Other Information is expected to be made available to us after the date of this auditors' report.
- Our opinion on the Consolidated 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 Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether

the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the 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.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

- The Parent's Board of Directors are responsible for the preparation and presentation of these Consolidated Financial Statements, that give a true and fair view of

Independent Auditors' Report (Contd.)

the consolidated state of affairs, consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act. The Board of Directors of the Parent are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Parent, as aforesaid.

9. In preparing the Consolidated Financial Statements, the Board of Directors of the Parent are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
10. The Board of Directors of the Parent are responsible for overseeing the financial reporting process of the Group.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

11. Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Consolidated Financial Statements.

12. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - 12.1. Identify and assess the risks of material misstatement of the Consolidated 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.
 - 12.2. Obtain an understanding of internal control 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 Parent has adequate internal financial controls with reference to the Consolidated Financial Statements and the operating effectiveness of such controls.
 - 12.3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
 - 12.4. 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 ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditors' Report (Contd.)

- 12.5. Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 12.6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of financial statements of such entities included in the Consolidated Financial Statements of which we are the independent auditors. We remain solely responsible for our audit opinion.
13. We communicate with those charged with governance of the Parent and such other entities included in the Consolidated Financial Statements of which we are the independent auditors 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.
14. 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.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' 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.

OTHER MATTERS

16. We did not audit the financial information of 3 controlled structured entities, whose financial information reflect total assets of – Nil as at 31 March 2023, total revenues of – Nil and net cash flows amounting to – Nil for the year ended on that date, as considered in the Consolidated Financial Statements. These financial information are unaudited and have been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of controlled structured entities, and our report in terms of Section 143(3) of the Act in so far as it relates to the aforesaid controlled structured entities, is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, this unaudited financial information are not material to the Group.
17. Our opinion on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on financial information certified by the Management.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

18. As required by Section 143(3) of the Act, based on our audit and as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:
- 18.1. 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 of the aforesaid Consolidated Financial Statements.
- 18.2. In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Financial Statements have been kept so far as it appears from our examination of those books.
- 18.3. The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated

Independent Auditors' Report (Contd.)

- statement of changes in equity and the consolidated statement of cash flow dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Financial Statements.
- 18.4. In our opinion, the aforesaid Consolidated Financial Statements comply with the Ind AS specified under Section 133 of the Act.
- 18.5. On the basis of the written representations received from the directors of the Parent as on 31 March 2023, taken on record by the Board of Directors of the Parent, none of the directors of the Parent, are disqualified as on 31 March 2023 from being appointed as a director in terms of Section 164(2) of the Act.
- 18.6. With respect to the adequacy of internal financial controls with reference to the Consolidated Financial Statements of the Parent, the operating effectiveness of such controls, refer to our separate report in 'Annexure A'.
- 18.7. In our opinion and according to the information and explanations given to us, the remuneration paid during the current year by the Parent, to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Parent, incorporated in India is not in excess of the limit laid down under Section 197 of the Act.
19. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us as noted in the 'Other Matters' paragraph:
- 19.1. The Consolidated Financial Statements disclose the impact of pending litigations as at 31 March 2023 on the consolidated financial position of the Group – Refer Note 39.2 to the Consolidated Financial Statements.
- 19.2. Provision has been made in the Consolidated Financial Statements, as required under the applicable law or Ind AS, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 39.3 to the

Consolidated Financial Statements in respect of such items as it relates to the Group.

- 19.3. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Parent.
- 19.4. The management of the Parent whose financial statements have been audited under the Act have represented to us, to best of their knowledge and belief, that no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Parent to or in any other person(s) or entity(ies), including foreign entities ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Parent ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- 19.5. The management of the Parent, whose financial statements have been audited under the Act have represented to us to best of their knowledge and belief, that no funds have been received by the Parent from any person(s) or entity(ies), including foreign entities ('Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Parent shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- 19.6. Based on such audit procedures, that has been considered reasonable and appropriate in the circumstances, performed by us, nothing has come to our or other auditors' notice that has caused us or other auditors to believe that the representation under paragraphs 19.4 and 19.5 contain any material misstatement.
- 19.7. In our opinion and according to the information and explanations given to us,
- a) The final dividend paid by the Parent during the year, in respect of the same declared for the previous year, is in accordance with

Independent Auditors' Report (Contd.)

- Section 123 of the Act to the extent it applies to payment of dividend.
- b) The interim dividend declared and paid by the Parent during the year and until the date of this report is in compliance with Section 123 of the Act.
 - c) As stated in Note 58 to the consolidated financial statements, the Board of Directors of the Parent have proposed final dividend for the year which is subject to the approval of the members at the ensuing Annual General Meeting. The dividend declared is in accordance with Section 123 of the Act to the extent it applies to declaration of dividend.
- 19.8. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 (as amended), provides for the feature of recording of audit trail (edit log) facility in the accounting software used by the Parent for maintenance of books of account, which is applicable to the Parent from financial year beginning 1 April 2023. The reporting under clause (g) of Rule 11 of Companies (Audit and Auditors) Rules, 2014 would be done from financial year 2023-2024 onwards.

For B. K. Khare & Co.
Chartered Accountants
Firm Registration Number: 105102W

Sd/-
Padmini Khare Kaicker
Partner
ICAI Membership No: 044784
UDIN: 23044784BGXWNC2475

Place: Mumbai
Date: 15 April 2023

For KKC & Associates LLP
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firm Registration Number: 105146W/W-100621

Sd/-
Hasmukh B Dedhia
Partner
ICAI Membership No: 033494
UDIN: 23033494BGWSPT8806

Place: Mumbai
Date: 15 April 2023

Annexure 'A' to the Independent Auditors' report on the Consolidated Financial Statements of HDB Financial Services Limited for the year ended 31 March 2023

(Referred to in paragraph "18.6" under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls with reference to the aforesaid Consolidated Financial Statements under Clause (i) of sub-section (3) of Section 143 of the Companies Act, 2013 ("the Act")

OPINION

1. In conjunction with our audit of the Consolidated Financial Statements of HDB Financial Services Limited as of and for the year ended 31 March 2023, HDB Financial Services Limited we have audited the internal financial controls with reference to the Consolidated Financial Statements of ("the Parent Company") and its controlled structured entities as of that date.
2. In our opinion, the Parent Company and its structured control entities, have, in all material respects, an adequate internal financial controls with reference to the Consolidated Financial Statements and such internal financial controls were operating effectively as at 31 March 2023, based on the internal controls over financial reporting criteria established by the respective companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("the Guidance Note").

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

3. The Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the internal controls over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note. 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 the 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 Act.

AUDITORS' RESPONSIBILITY

4. Our responsibility is to express an opinion on the internal financial controls with reference to the Consolidated

Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing ("SA"), prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to the Consolidated Financial Statements. Those SAs 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 with reference to the Consolidated Financial Statements were established and maintained and if such controls operated effectively in all material respects.

5. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to the Consolidated Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to the Consolidated Financial Statements included obtaining an understanding of internal financial controls with reference to the Consolidated Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error.
6. We believe that the audit evidence we have obtained and also refer to 'Other Matters' paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to the Consolidated Financial Statements.

MEANING OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. A company's internal financial controls with reference to the Consolidated Financial Statements 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 controls with reference to the Consolidated Financial Statements includes those policies and procedures that (1) pertain

Annexure "A" to the Independent Auditors' Report on the Consolidated Financial Statements of HDB Financial Services Limited for the year ended 31 March 2023 (Contd.)

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 WITH REFERENCE TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Because of the inherent limitations of internal financial controls with reference to the Consolidated Financial

Statements, 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 with reference to the Consolidated Financial Statements to future periods are subject to the risk that the internal financial controls with reference to the Consolidated Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

OTHER MATTERS

9. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls system with reference to the Consolidated Financial Statements in so far as it relates to Parent Company, as Section 143(3)(i) of the Act is not applicable to controlled structured entities.

For **B. K. Khare & Co.**
Chartered Accountants
Firm Registration Number: 105102W

Sd/-
Padmini Khare Kaicker
Partner
ICAI Membership No: 044784
UDIN: 23044784BGXWNC2475

Place: Mumbai
Date: 15 April 2023

For **KKC & Associates LLP**
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firm Registration Number: 105146W/W-100621

Sd/-
Hasmukh B Dedhia
Partner
ICAI Membership No: 033494
UDIN: 23033494BGWSPT8806

Place: Mumbai
Date: 15 April 2023

Consolidated Balance Sheet

as at March 31, 2023

(Currency : Indian Rupees in Crore)

Particulars	Note No.	As at March 31, 2023	As at March 31, 2022
ASSETS:			
1 Financial Assets			
(a) Cash and cash equivalents	4	395.90	477.20
(b) Bank balances other than (a) above	5	257.92	206.77
(c) Derivative financial instruments	6	165.34	132.44
(d) Trade receivables	7	65.76	141.82
(e) Loans	8	66,382.67	57,162.45
(f) Investments	9	1,243.25	2,233.51
(g) Other financial assets	10	34.87	32.91
		68,545.71	60,387.10
2 Non-Financial Assets			
(a) Current tax assets (Net)	11	25.11	13.34
(b) Deferred tax assets (Net)	12	1,000.87	1,051.17
(c) Property, plant and equipment	13	122.37	78.14
(d) Capital work-in-progress		-	-
(e) Other intangible assets		20.41	12.01
(f) Right of use Assets	14	244.27	202.49
(g) Other non-financial assets	15	91.65	281.69
		1,504.68	1,638.84
TOTAL ASSETS		70,050.39	62,025.94
LIABILITIES AND EQUITY:			
Liabilities			
3 Financial Liabilities			
(a) Trade payables	16	-	-
(i) Total outstanding dues of micro enterprises and small enterprises		-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises		291.84	246.91
(b) Debt securities	17	27,096.41	25,332.31
(c) Borrowings (other than debt securities)	18	24,227.80	19,501.72
(d) Subordinated liabilities	19	3,541.10	4,139.05
(e) Other financial liabilities	20	2,778.43	2,708.72
		57,935.58	51,928.71
4 Non-Financial Liabilities			
(a) Current tax liabilities (net)	21	41.97	59.73
(b) Provisions	22	368.96	314.75
(c) Other non-financial liabilities	23	266.91	183.02
		677.84	557.50
5 Equity			
(a) Equity share capital	24	791.40	790.44
(b) Other equity	25	10,645.57	8,749.29
		11,436.97	9,539.73
TOTAL LIABILITIES AND EQUITY		70,050.39	62,025.94

Significant accounting policies and notes to the Consolidated Financial Statements.

2 - 59

The notes referred to above form an integral part of the Consolidated Financial Statements.

As per our report of even date attached

For **B. K. Khare & Co.**
Chartered Accountants
Firms' Registration No: 105102W

For **KKC & Associates LLP**
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firms' Registration No:
105146W/W-100621

For and on behalf of the Board of Directors of
HDB Financial Services Limited

Sd/-
Padmini Khare Kaicker
Partner
Membership No: 044784

Sd/-
Hasmukh B. Dedhia
Partner
Membership No: 033494

Sd/-
Arijit Basu
Chairman and Non-Executive Director
DIN: 06907779

Sd/-
G. Ramesh
Managing Director & CEO
DIN: 05291597

Place: Mumbai
Date: April 15, 2023

Sd/-
Dipti Khandelwal
Company Secretary
Membership No: F11340

Sd/-
Jaykumar P. Shah
Chief Financial Officer
Membership No: 106353

Consolidated Statement of Profit and Loss

for the year ended March 31, 2023

(Currency : Indian Rupees in Crore)

Particulars	Note No.	For the year ended March 31, 2023	For the year ended March 31, 2022
1 Revenue from operations			
(a) Interest income	26	8,927.78	8,362.97
(b) Sale of services		2,633.93	2,363.41
(c) Other financial charges		756.41	569.01
(d) Net gain on fair value changes	27	85.07	16.48
(e) Net gain / (loss) on derecognition of financial instruments under amortised cost category		(0.31)	(5.58)
Total Revenue from operations		12,402.88	11,306.29
2 Expenses			
(a) Finance Costs	28	3,511.92	3,325.50
(b) Impairment on financial instruments	29	1,330.40	2,465.73
(c) Employee Benefits Expenses	30	4,057.57	3,500.41
(d) Depreciation, amortisation and impairment	13,14	111.84	98.94
(e) Others expenses	31	763.75	568.15
Total Expenses		9,775.48	9,958.73
3 Profit/(loss) before tax		2,627.40	1,347.56
4 Tax Expense:	11,12		
(a) Current tax		621.30	663.40
(b) Deferred tax (credit)		46.75	(327.24)
Total Tax expense		668.05	336.16
5 Profit for the year		1,959.35	1,011.40
6 Other Comprehensive Income			
(a) Items that will not be reclassified to profit or loss			
- Remeasurement loss on defined benefit plan		(5.48)	(13.15)
- Income tax relating to items that will not be reclassified to profit or loss		1.38	2.25
Sub total (a)		(4.10)	(10.90)
(b) Items that will be reclassified to profit or loss			
- Movement in cash flow hedge reserve		19.59	33.00
- Income tax relating to items that will be reclassified to profit or loss		(4.93)	(8.31)
Sub total (b)		14.66	24.69
Other Comprehensive Income		10.56	13.79
7 Total Comprehensive Income for the year		1,969.91	1,025.19
8 Earnings per equity share (for continuing operations)	32		
Basic (₹)		24.78	12.81
Diluted (₹)		24.76	12.80
Significant accounting policies and notes to the Consolidated Financial Statements.	2-59		

The notes referred to above form an integral part of the Consolidated Financial Statements.

As per our report of even date attached

For B. K. Khare & Co.
Chartered Accountants
Firms' Registration No: 105102W

For KKC & Associates LLP
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firms' Registration No:
105146W/W-100621

For and on behalf of the Board of Directors of
HDB Financial Services Limited

Sd/-
Padmini Khare Kaicker
Partner
Membership No: 044784

Sd/-
Hasmukh B. Dedhia
Partner
Membership No: 033494

Sd/-
Arijit Basu
Chairman and Non-Executive Director
DIN: 06907779

Sd/-
G. Ramesh
Managing Director & CEO
DIN: 05291597

Place: Mumbai
Date: April 15, 2023

Sd/-
Dipti Khandelwal
Company Secretary
Membership No: F11340

Sd/-
Jaykumar P. Shah
Chief Financial Officer
Membership No: 106353

Consolidated Statement of Changes in Equity

as at March 31, 2023

(Currency : Indian Rupees in Crore)

A EQUITY SHARE CAPITAL

Particulars	As at March 31, 2023	As at March 31, 2022
Balance at the beginning of the period	790.44	789.19
- Changes in Equity Share Capital due to prior period errors	-	-
- Restated balance at the beginning of the current reporting period	-	-
- Changes in Equity Share Capital during the year	0.96	1.25
Balance at the end of the reporting period	791.40	790.44

B OTHER EQUITY

Particulars	Reserves and Surplus						Other Comprehensive Income (OCI)	Total
	Securities Premium Account	Employee stock Options Outstanding Account	Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations	Retained Earnings-Remeasurement of Post Employment Benefit Obligations	Cash Flow Hedges Reserve		
Balance as at April 01, 2022	3,055.19	35.53	1,293.22	4,427.10	(53.55)	(8.20)	8,749.29	
Profit for the year	-	-	-	1,959.35	-	-	1,959.35	
Other Comprehensive Income	-	-	-	-	(4.10)	14.66	10.56	
Total Comprehensive Income for the year	-	-	-	1,959.35	(4.10)	14.66	1,969.91	
Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	-	-	391.87	(391.87)	-	-	-	-
Premium on issue of shares	32.96	-	-	-	-	-	32.96	
Share based payment	-	43.64	-	-	-	-	43.64	
Transfer on allotment of shares pursuant to ESOP scheme	39.56	(39.56)	-	-	-	-	-	-
Dividends	-	-	-	(79.04)	-	-	(79.04)	
Interim Dividend	-	-	-	(71.20)	-	-	(71.20)	
Balance as at March 31, 2023	3,127.72	39.61	1,685.09	5,844.33	(57.65)	6.46	10,645.57	

**Consolidated Statement of Changes in Equity
as at March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)**

Particulars	Reserves and Surplus					Other Comprehensive Income (OCI)	Total
	Securities Premium Account	Employee stock Options Outstanding Account	Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	Retained Earnings- Other than Remeasurement of Post Employment Benefit Obligations	Retained Earnings- Remeasurement of Post Employment Benefit Obligations		
Balance as at April 01, 2021	2,960.70	62.97	1,090.94	3,617.98	(42.65)	(32.89)	7,657.05
Profit for the year	-	-	-	1,011.40	-	-	1,011.40
Other Comprehensive Income	-	-	-	-	(10.90)	24.69	13.79
Total Comprehensive Income for the year	-	-	-	1,011.40	(10.90)	24.69	1,025.19
Transfer to Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	-	-	202.28	(202.28)	-	-	-
Premium on issue of shares	36.63	-	-	-	-	-	36.63
Share based payment	-	30.42	-	-	-	-	30.42
Transfer on allotment of shares pursuant to ESOP scheme	57.86	(57.86)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
Dividend Distribution Tax	-	-	-	-	-	-	-
Balance As At March 31, 2022	3,055.19	35.53	1,293.22	4,427.10	(53.55)	(8.20)	8,749.29

As required by section 45-IC of the RBI Act 1934, the Group maintains a reserve fund and transfers there in a sum not less than twenty per cent of its net profit every year as disclosed in the statement of profit and loss and before any dividend is declared. The Group cannot appropriate any sum from the reserve fund except for the purpose specified by Reserve Bank of India from time to time. Till date RBI has not specified any purpose for appropriation of Reserve fund maintained under section 45-IC of RBI Act, 1984.

Significant accounting policies and notes to the Consolidated Financial Statements. Note 2 - 59

The notes referred to above form an integral part of the Consolidated Financial Statements.

As per our report of even date attached

For **B. K. Khare & Co.**
Chartered Accountants
Firms' Registration No: 105102W

For **KKC & Associates LLP**
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firms' Registration No:
105146W/W-100621

For and on behalf of the Board of Directors of
HDB Financial Services Limited

Sd/-
Padmini Khare Kaicker
Partner
Membership No: 044784

Sd/-
Hasmukh B. Dedhia
Partner
Membership No: 033494

Sd/-
Arijit Basu
Chairman and Non-Executive Director
DIN: 06907779

Sd/-
G. Ramesh
Managing Director & CEO
DIN: 05291597

Place: Mumbai
Date: April 15, 2023

Sd/-
Dipti Khandelwal
Company Secretary
Membership No: F11340

Sd/-
Jaykumar P. Shah
Chief Financial Officer
Membership No: 106353

Consolidated Cash Flow Statement

for the year ended March 31, 2023

(Currency : Indian Rupees in Crore)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	2,627.40	1,347.56
Adjustments for		
Interest Income	(8,927.78)	(8,362.97)
Interest Expenses	3,502.92	3,316.64
(Profit)/loss on sale of asset	(1.01)	(0.06)
Realised net loss/ (gain) on FVTPL investments	(90.67)	39.29
Unrealised gain on FVTPL investments	5.60	(22.81)
Discount on commercial paper	9.00	8.86
Provision for compensated absence and gratuity	6.59	3.52
Employee share based payment expenses	43.64	30.42
Depreciation, amortisation and impairment	111.84	98.94
Impairment on financial instruments	1,330.40	2,465.73
Operating cash flow before working capital changes	(1,382.07)	(1,074.88)
Adjustments for working capital changes:		
(Increase)/ decrease in Loans	(10,462.68)	(1,016.51)
(Increase)/ decrease in trade receivables	76.06	(24.50)
(Increase)/ decrease in other financial assets and others	(0.19)	(17.69)
Increase/(decrease) in other financial and non financial liabilities & provisions	(758.28)	(960.09)
Increase/(decrease) in trade payables	44.93	(87.34)
Cash generated from/(Used in) operations before adjustments for interest received and interest paid	(12,482.23)	(3,181.01)
Interest Paid	(3,842.14)	(3,699.47)
Interest Received	8,841.36	8,353.15
Cash generated from/(Used in) operations	(7,483.01)	1,472.67
Direct taxes paid (net of refunds)	632.41	514.43
Net cash flow generated from/(used in) operating activities (A)	(6,850.60)	1,987.10
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments	(49,267.66)	(24,583.62)
Sale of investments	50,350.80	23,920.20
Purchase of fixed assets	(111.32)	(41.13)
Sale of fixed assets	1.50	1.27
Net cash generated (used in)/ from investing activities (B)	973.32	(703.28)
C CASH FLOW FROM FINANCING ACTIVITIES		
Debt securities issued	10,099.18	8,876.00
Debt securities repaid	(8,210.60)	(7,274.50)
Borrowings other than debt securities issued	17,207.75	8,800.35
Borrowings other than debt securities repaid	(12,507.21)	(12,026.41)
Subordinated debt issued	-	150.00
Subordinated debt repaid	(600.00)	-
Proceeds from issue of shares and security premium	33.93	37.89
Repayment of lease liabilities	(76.81)	(62.87)
Dividend paid	(150.25)	-
Net cash generated (used in)/ from financing activities (C)	5,795.99	(1,499.54)

**Consolidated Cash Flow Statement
for the year ended March 31, 2023 (Contd.)**
(Currency : Indian Rupees in Crore)

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(81.30)	(215.72)
Add : Cash and cash equivalents as at the beginning of the year	477.20	692.92
Cash and cash equivalents as at the end of the year *	395.90	477.20
* Components of cash and cash equivalents		
Balances with banks	358.51	430.81
Demand drafts on hand	8.87	11.32
Cash on hand	28.52	35.07
	395.90	477.20

Significant accounting policies and notes to the Consolidated Financial Statements. Note 2 - 59

The notes referred to above form an integral part of the Consolidated Financial Statements.

The above Consolidated statement of cash flow has been prepared under the indirect method set out in Ind AS 7 - Statement of Cash Flow.

As per our report of even date attached

For B. K. Khare & Co.
Chartered Accountants
Firms' Registration No: 105102W

For KKC & Associates LLP
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firms' Registration No:
105146W/W-100621

For and on behalf of the Board of Directors of
HDB Financial Services Limited

Sd/-
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Partner
Membership No: 044784

Sd/-
Hasmukh B. Dedhia
Partner
Membership No: 033494

Sd/-
Arijit Basu
Chairman and Non-Executive Director
DIN: 06907779

Sd/-
G. Ramesh
Managing Director & CEO
DIN: 05291597

Place: Mumbai
Date: April 15, 2023

Sd/-
Dipti Khandelwal
Company Secretary
Membership No: F11340

Sd/-
Jaykumar P. Shah
Chief Financial Officer
Membership No: 106353

Notes to the Consolidated Financial Statements

for the year ended March 31, 2023

1 GROUP OVERVIEW

HDB Financial Services Limited ('the Group'), (Corporate Identity Number U65993GJ2007PLC051028) incorporated in Ahmedabad, India, is a Systemically Important Non Deposit taking Non-Banking Financial Group ('NBFC') as defined under section 45-IA of the Reserve Bank of India ('RBI') Act, 1934, is registered with the Reserve Bank of India (RBI) with registration no. N.01.00477.

It provides lending services and business process outsourcing services. It also provides services related to the marketing and promotion of various financial products.

Its registered registered office is situated at Radhika, 2nd floor, Law Garden Road, Navrangpura, Ahmedabad - 380009, India, while its corporate office is located in Mumbai, India. It is a subsidiary of HDFC Bank Limited.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance, Basis of Preparation and Presentation of Financial Statements

(A) Compliance with Ind AS

The financial statements comply in all material aspects with 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 relevant provisions of the Act. Any directions issued by the RBI or other regulators are implemented as and when they become applicable. The Regulatory disclosure as required by Master Direction - Non Banking Financial company - Systemically Important Non-Deposit taking Group and Deposit taking Group (Reserve Bank) Direction, 2016, further, it has complied with all the directions related to Implementation of Indian Accounting Standards prescribed for Non-Banking Financial Companies (NBFCs) in accordance with the RBI notification no. RBI/2019-20/170 DOR NBFC). CC.PD.No.109/22.10.106/ 2019-20 dated March 13, 2020, in addition to the Regulatory disclosure as required by Master Direction - Non Banking Financial Group - Systemically Important Non-Deposit taking Group and Deposit taking Group (Reserve Bank) Direction, 2016

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use. These consolidated financial statements have been subjected to audit by the Statutory Auditors, have been reviewed by the Audit Committee and approved by the Board of Directors and authorised for issue on April 15, 2023.

(B) Presentation of financial statements

The Balance Sheet, the Statement of Changes in Equity and the Statement of Profit and Loss are presented in the format prescribed under Division III of Schedule III of the Act, as amended from time to time, for Non-Banking Financial Companies ('NBFCs') that are required to comply with Ind AS. The Statement of Cash Flows has been presented as per the requirements of Ind AS 7 Statement of Cash Flows.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its controlled structured entities (collectively known as 'the Group') as at March 31, 2023. The Group consolidates an entity when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Consolidation of the entity begins when the Group obtains control over the entity and ceases when the Group loses control of the entity.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Notes to the Consolidated Financial Statements for the year ended March 31, 2023 (Contd.)

- The size of the Group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that Group member's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of structured entities to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statement of the following controlled structured trusts (all incorporated in India) have been consolidated as per Ind-AS 110 - Consolidated Financial Statements.

Name of the entity	Proportion of Ownership Interest (%)*	
	March 31, 2023	March 31, 2022
Venus Trust March 2022	3.65%	3.65%
Venus Trust March 2021	1.10%	1.10%
Venus Trust September 2020	0.84%	0.84%
Venus Trust March 2020	-	1.46%
Venus Trust December 2019	-	1.86%

* the Group's share of pass through certificates issued by the trust.

The above structured entities are the entities that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, but the relevant activities are directed by means of contractual agreements. The primary use of structured entities is to provide the Group access to liquidity through asset securitisations.

(C) Basis of preparation

The financial statements have been prepared under the historical cost convention on the accrual basis except for certain financial instruments and plan assets of defined benefit plans, which are measured at fair values at the end of each reporting period as explained in the accounting policies below. All amounts disclosed in the financial statements and notes have been rounded off to the nearest ₹ Crore in compliance with Schedule III of the Act, unless otherwise stated.

(D) Functional and presentation currency

These financial statements are presented in Indian Rupees ('INR' or '₹') which is also the Group's functional currency. All amounts are rounded-off to the nearest Crore, unless otherwise indicated.

(E) Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities (including contingent liabilities) and disclosures as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and could change from period to period. Appropriate changes in estimates are recognised in the periods in which the Group becomes aware of the changes in circumstances surrounding the estimates. Any revisions to accounting estimates are recognised prospectively in the period in which the estimate is revised and future periods. The estimates and judgements that have significant impact on the carrying amount of assets and liabilities at each balance sheet date are discussed at Note 3.

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for the year ended March 31, 2023 (Contd.)

2.2 Financial Instruments

(A) Date of recognition

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

(B) Initial measurement

Recognised financial instruments are initially measured at transaction price, which equates fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in statement of profit and loss.

(C) Classification and subsequent measurement

(i) Financial assets

Based on the business model, the contractual characteristics of the financial assets and specific elections where appropriate, the Group classifies and measures financial assets in the following categories:

- Amortised cost
- Fair value through other comprehensive income ('FVOCI')
- Fair value through profit and loss ('FVTPL')

(a) Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows ('Asset held to collect contractual cash flows'); and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

After initial measurement and based on the assessment of the business model as asset held to collect contractual cash flows and SPPI, such financial assets are subsequently measured at amortised cost using effective interest rate ('EIR') method. Interest income and impairment expenses are recognised in statement of profit and loss. Interest income from these financial assets is included in finance income using the EIR method. Any gain and loss on derecognition is also recognised in statement of profit and loss.

The EIR method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows (including all fees paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group records loans at amortised cost.

(b) Financial assets at fair value through other comprehensive income

Financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the assets, ('Contractual cash flows of assets collected through hold and sell model') and contractual cash flows that are SPPI, are subsequently measured at FVOCI. Movements in the carrying amount of such financial assets are recognised in Other Comprehensive Income ('OCI'), except dividend income which is recognised in statement of profit and loss. Amounts recorded in OCI are not subsequently transferred to the statement of profit and loss. Equity instruments at FVOCI are not subject to an impairment assessment.

(c) Financial assets at fair value through profit and loss

Financial assets, which do not meet the criteria for categorisation as at amortised cost or as FVOCI, are measured at FVTPL. Subsequent

Notes to the Consolidated Financial Statements
for the year ended March 31, 2023 (Contd.)

changes in fair value are recognised in statement of profit and loss.

The Group records investments in equity instruments, mutual funds and Treasury bills at FVTPL.

(ii) Financial liabilities and equity instrument

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(a) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of directly attributable transaction costs.

(b) Financial liabilities

Financial liabilities are measured at amortised cost. The carrying amounts are determined based on the EIR method. Interest expense is recognised in statement of profit and loss.

Any gain or loss on de-recognition of financial liabilities is also recognised in statement of profit and loss.

Undrawn loan commitments are not recorded in the balance sheet. However, these financial instruments are in the scope of expected credit loss ('ECL') calculation.

(D) Reclassification

Financial assets are not reclassified subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line or in the period the Group changes its business model for managing financial assets. Financial liabilities are not reclassified.

(E) Offsetting

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, the Group has a legally enforceable right to offset the recognised amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(F) Derecognition

(i) Financial assets

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 contractual rights to receive cash flows from the financial asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset and the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not de-recognised and the proceeds received are recognised as a collateralised borrowing.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in statement of profit and loss.

(ii) Financial liabilities

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 a derecognition of the original liability and the recognition of a new liability. In this case, a new

Notes to the Consolidated Financial Statements
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financial liability based on the modified terms is recognised at fair value. The difference between the carrying value of the original financial liability and the new financial liability with modified terms is recognised in statement of profit and loss.

(G) Impairment of financial assets

The Group applies the expected credit loss ('ECL') model in accordance with Ind AS 109 for recognising impairment loss on financial assets. The ECL allowance is based on the credit losses expected to arise from all possible default events over the expected life of the financial asset ('lifetime ECL'), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is calculated on a collective basis, considering the retail nature of the underlying portfolio of financial assets.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. When determining whether the risk of default on a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on a provision matrix which takes into account the Group's historical credit loss experience, current economic conditions, forward looking information and scenario analysis.

The expected credit loss is a product of exposure at default ('EAD'), probability of default ('PD') and loss given default ('LGD'). The Group has devised an internal model to evaluate the PD and LGD based on the parameters set out in Ind AS 109. Accordingly, the financial assets have been segmented into three stages based on the risk profiles. The three stages reflect the general pattern of credit deterioration of a financial asset. The Group categorises financial assets at the

reporting date into stages based on the days past due ('DPD') status as under:

- Stage 1: 0 to 30 days past due
- Stage 2: 31 to 90 days past due
- Stage 3: more than 90 days past due

Loan accounts where principal and/or interest are past due for more than 90 days continue to be classified as stage 3 till overdues across all loans are cleared.

LGD is an estimate of loss from a transaction given that a default occurs. PD is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12-month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD. EAD represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Group.

The Group incorporates forward looking information into both assessments of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of external actual and forecast information, the Group forms a 'base case' view of the future direction of relevant economic variables. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, 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 a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The

Notes to the Consolidated Financial Statements for the year ended March 31, 2023 (Contd.)

inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. The Group regularly reviews its models in the context of actual loss experience and makes adjustments when such differences are significantly material. Adjustments including reversal of ECL is recognised through statement of profit and loss.

After initial recognition, trade receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. The Group follows the simplified approach required by Ind AS 109 for recognition of impairment loss allowance on trade receivables, which requires lifetime ECL to be recognised at each reporting date, right from initial recognition of the receivables.

(H) Write offs

The gross carrying amount of a financial asset is written-off (either partially or in full) to the extent that there is no reasonable expectation of recovering the asset in its entirety or a portion thereof. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written-off could still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in statement of profit and loss.

2.3 Impairment of non-financial assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired due to events or changes in circumstances indicating that their carrying amounts may not be realised. If any such indication exists, the Group estimates the recoverable amount of the asset or the cash generating unit ('CGU'). If such recoverable amount of the asset or the recoverable amount of the CGU to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a

previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the revised recoverable amount, subject to maximum of the depreciated historical cost.

2.4 Foreign exchange transactions and translations

(A) Initial recognition

Transactions in foreign currencies are recognised at prevailing exchange rates between reporting currency and foreign currency on transaction date.

(B) Conversion

Transactions in foreign currencies are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in Statement of profit and loss. Foreign exchange differences regarded as an adjustment to borrowing costs are presented in the statement of profit and loss, within finance costs. All other foreign exchange gains and losses are presented in the Statement of profit and loss on a net basis.

2.5 Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held include foreign exchange forward contracts, interest rate swaps and cross currency interest rate swaps.

Derivatives are initially recognised at fair value at the date of a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in the statement of profit and loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the statement of profit and loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges). A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Notes to the Consolidated Financial Statements for the year ended March 31, 2023 (Contd.)

Hedge accounting policy

The Group makes use of derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Group applies hedge accounting for transactions that meet specific criteria. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Group's risk management objective and strategy for undertaking hedge, the hedging / economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Group would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group only has cashflow hedge during the financial year 2019-20.

Cash Flow Hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit and loss. For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in Finance Cost in the statement of profit and loss. When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss. When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction

is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the statement of profit and loss.

The Group's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind-AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

2.6 Cash and cash equivalents

Cash and cash equivalents includes cash at banks and on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

The Group follows the policy of crediting the customer's account only on receipt of amount in the bank and as such no cheques in hand are taken into consideration.

2.7 Upfront servicers fees booked on direct assignment

Servicer fees receivable for servicing loan contracts under direct assignment are discounted at the applicable rate entered into with the assignee and recognised upfront in the balance sheet and amortised on a straight line basis over the remaining contractual maturity of the underlying loans.

2.8 Property, plant and equipment

(A) Recognition and measurement

Tangible property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. The cost of property, plant and equipment comprise purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Advances paid towards acquisition of property, plant and equipment outstanding at each balance

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sheet date is classified as capital advances under other non-financial assets and cost of assets not put to use before such date are disclosed under Capital work-in-progress.

(B) Subsequent expenditure

Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future economic benefits / functioning capability from / of such assets.

(C) Depreciation, estimated useful lives and residual value

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives in the manner prescribed in Schedule II of the Act. The estimated lives used and differences from the lives prescribed under Schedule II are noted in the table below:-

Type of Assets	Estimated useful life as assessed by the Group	Estimated useful life under Schedule II of the Act
Computers	2-5 years	3 years
Software and system development	3 years	3 years
Office equipment	3-5 years	5 years
Motor cars	4 years	8 years
Furniture and fixtures	3-7 years	10 years
Building	60 years	60 years
Leasehold improvements	Tenure of lease agreements	Tenure of lease agreements

The Group uniformly estimates a zero residual value for all these assets. Items costing less than ₹ 5,000 are fully depreciated in the year of purchase. Depreciation is pro-rated in the year of acquisition as well as in the year of disposal.

The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. Consequently, the useful life of certain computer-related assets, furniture and fixtures, office equipment and motor cars differ from the life prescribed in Schedule II of the Act.

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.

Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate, and treated as changes in accounting estimates.

Property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition 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 de-recognised.

2.9 Other intangible assets

Software and system development expenditure are capitalised at cost of acquisition including cost attributable to readying the asset for use. Such intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. The useful life of these intangible assets is estimated at 3 years with zero residual value. Any expenses on such software for support and maintenance payable annually are charged to the statement of profit and loss.

2.10 Dividends

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed at the end of the reporting period, being appropriately authorised and no longer at the discretion of the Group. The final dividend on shares is recorded as a liability on the date of approval by the shareholders, and interim dividends are recorded as a liability on the date of declaration by the Group's Board of Directors.

2.11 Revenue recognition

Revenue (other than for those items to which Ind AS 109 Financial Instruments is applicable) is measured at transaction price based on fair value of the consideration received or receivable. Amounts disclosed as revenue are net of goods and services tax ('GST') and amounts collected on behalf of third parties. Ind AS 115 Revenue from Contracts with Customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

Notes to the Consolidated Financial Statements for the year ended March 31, 2023 (Contd.)

The Group recognises revenue from contracts with customers based on a five-step model as set out in Ind 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 Group 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 Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Specific policies for the Group's different sources of revenue are explained below:

(A) Income from lending business

Interest income

Interest income on a financial asset at amortised cost is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate ('EIR'). The EIR is the rate that exactly discounts estimated future cash flows of the financial asset through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. The internal rate of return on financial asset after netting off the fees received and cost incurred approximates the effective interest rate method of return for the financial asset. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for ECLs).

Other financial charges

Cheque bouncing charges, late payment charges, foreclosure charges and application money are recognised on a point-in-time basis, and are recorded when realised since the probability of collecting such monies is established when the customer pays.

(B) Income from BPO services and other financial charges

Income from BPO services comprise of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers. Performance obligations are satisfied over time and revenue is recorded on a monthly basis.

(C) Income from direct assignment

Gains arising out of direct assignment transactions comprise the difference between the interest on the loan portfolio and the applicable rate at which the direct assignment is entered into with the assignee, also known as the right of excess interest spread (EIS). The future EIS basis the scheduled cash flows on execution of the transaction, discounted at the applicable rate entered into with the assignee is recorded upfront in the statement of profit and loss. EIS evaluated and adjusted for ECL and expected prepayment.

2.12 Finance costs

Finance costs include interest expense computed by applying the effective interest rate on respective financial instruments measured at amortised cost. Financial instruments include bank term loans, non-convertible debentures, commercial papers, subordinated debts and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Finance costs are charged to the Statement of profit and loss.

Notes to the Consolidated Financial Statements
for the year ended March 31, 2023 (Contd.)

2.13 Employee benefits

(A) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(B) Provident fund

Retirement benefit in the form of provident fund, is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the provident fund. The Group recognises contribution payable to the provident fund scheme as an expense, when an employee renders the related service.

(C) ESIC and Labour welfare fund

The Group's contribution paid/payable during the year to ESIC and Labour welfare fund are recognised in the statement of profit and loss.

(D) Gratuity

The Group operates a defined benefit gratuity plan that provides for gratuity benefit to all employees. The Group makes annual contributions to a fund administered by trustees and managed by insurance companies for amounts notified by the said insurance companies. The benefit is in the form of lump sum payments to vested employees on resignation, retirement, or death while in employment or on termination of employment of an amount equivalent to 15 days basic salary payable for each completed year of service. Vesting occurs upon completion of five years of service.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised 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 statement of profit and loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

(E) Share-based payments

The Group recognises compensation expense relating to share-based payments in net profit using fair value in accordance with Ind AS 102 - Share-based Payment. The estimated fair value of awards is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in substance, multiple awards with a corresponding increase to share options outstanding amount.

2.14 Provisions and contingencies

The Group recognises a provision when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure is made in the financial statements.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that may arises from past events

Notes to the Consolidated Financial Statements for the year ended March 31, 2023 (Contd.)

but probably will not require an outflow of resources to settle the obligation.

When there is a possible obligation or a present obligation in respect of which likelihood of outflow of resource is remote, no provision or disclosure is made.

Contingent assets are neither recognised nor disclosed in the financial statements.

2.15 Leases

Effective April 01, 2019, the Group has adopted Ind AS 116 - Leases and applied it to all lease contracts existing on April 01, 2019 using the modified retrospective method. Based on the same and as permitted under the specific transitional provisions in the standard, the Group is not required to restate the comparative figures.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

The following policies apply subsequent to the date of initial application, April 01, 2019.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in statement of profit and loss.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

2.16 Goods and services tax paid on acquisition of assets or on incurring expenses

Expenses and assets are recognised net of the goods and services tax paid, except when the tax incurred on a purchase of assets or services is not recoverable from the tax 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.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables, respectively, in the balance sheet.

Notes to the Consolidated Financial Statements
for the year ended March 31, 2023 (Contd.)

2.17 Income tax

(A) Current tax

Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 in respect of taxable income for the year and any adjustment to the tax payable or receivable in respect of previous years.

(B) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year

when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit and loss is recognised outside profit and loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

2.18 Earnings per share

The Group reports basic and diluted earnings per equity share. Basic earnings per equity share have been computed by dividing net profit / loss attributable to the equity share holders for the year by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share have been computed by dividing the net profit attributable to the equity share holders after giving impact of dilutive potential equity shares for the year by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

2.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Group has been identified as the CODM as defined by Ind AS 108 Operating Segments, who assesses the financial performance and position of the Group and makes strategic decisions.

Operating segments identified by the Group comprises as under:

- Lending services
- BPO services

The accounting policies consistently used in the preparation of the financial statements are also applied to item of revenue and expenditure in individual segments. Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which

Notes to the Consolidated Financial Statements for the year ended March 31, 2023 (Contd.)

relate to enterprises as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'. Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

2.20 Collateral

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.

To the extent possible, the Group uses active market data and external valuers for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models or through external valuers. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

The Group physically repossess and take into custody properties or other assets and also engages external agents to recover funds, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

2.21 Statement of cash flows

Cash flows are reported using the indirect method, whereby profit for the period is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Group are segregated.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following estimates and judgements, which have a significant impact on the carrying amounts of assets and liabilities at each balance sheet date.

(A) Fair value of financial instruments

Some of the Group's assets and liabilities are measured at fair value for financial reporting

purposes. 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 regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value measurements under Ind AS are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at measurement date
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** inputs for the asset or liability that are not based on observable market data (unobservable inputs) that the Group can access at measurement date

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note - 43.

(B) Expected credit loss

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and credit assessment and including forward looking information.

The inputs used by the Group in determining the ECL have been detailed in Note - 45.

(C) Effective interest rate

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

This estimation, by nature, requires an element of judgement regarding the expected behaviour

Notes to the Consolidated Financial Statements
for the year ended March 31, 2023 (Contd.)

and life-cycle of the instruments, 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) as well expected changes to the base rate and other transaction costs and fees paid or received that are integral parts of the instrument.

(D) Business model assessment

Classification and measurement of financial assets depends on the results of the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular 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. Monitoring is part of the Group'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.

(E) Useful life and expected residual value of assets

Depreciation and amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired and reviewed periodically, including at each financial year end. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

(F) Leases

- The determination of lease term for some lease contracts in which the Group is a lessee, including whether the Group is reasonably certain to exercise lessee options.
- The determination of the incremental borrowing rate used to measure lease liabilities.

(G) Deferred Tax

Deferred tax is recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted at the reporting date. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences become deductible. The Group considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. The amount of the deferred tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry-forward period are reduced.

(H) Defined benefit plans

The cost of the defined benefit plans and the present value of the defined benefit obligation are based on actuarial valuation using the projected unit credit method. 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.

(I) Provisions and contingencies

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in statutory litigation in the ordinary course of the Group's business. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

Notes to the Consolidated Financial Statements
as at March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

4 CASH AND CASH EQUIVALENTS

	As at March 31, 2023	As at March 31, 2022
Cash on hand	28.52	35.07
Balances with banks	358.51	430.81
Demand drafts on hand	8.87	11.32
Total	395.90	477.20

5 BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

	As at March 31, 2023	As at March 31, 2022
Deposits with bank	101.92	1.89
Balances with banks to the extent held as margin money or security against the borrowings, guarantees, other commitments.	93.63	172.96
Collateral with Banks for Derivative	61.71	30.58
Interest accrued but not due on fixed deposits	0.66	1.34
Total	257.92	206.77

6 DERIVATIVE FINANCIAL INSTRUMENTS

	As at March 31, 2023			As at March 31, 2022		
	Notional amounts	Fair Value- Assets	Fair Value- Liabilities	Notional amounts	Fair Value- Assets	Fair Value- Liabilities
Part I						
(i) Currency derivatives:						
Currency swaps	1,889.91	166.17	-	4,017.00	132.44	-
Subtotal (i)	1,889.91	166.17	-	4,017.00	132.44	-
(ii) Interest rate derivatives						
Forward Rate Agreements and Interest Rate swaps	-	-	-	-	-	-
Subtotal (ii)	-	-	-	-	-	-
Less : Provision on derivative financial instruments	-	0.83	-	-	-	-
Total Derivative Financial Instruments (i)+(ii)	1,889.91	165.34	-	4,017.00	132.44	-
Part II						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging:						
Currency derivatives	-	-	-	-	-	-
Interest Rate derivatives	-	-	-	-	-	-
Subtotal (i)	-	-	-	-	-	-
(ii) Cash flow hedging:						
Currency derivatives	1,889.91	166.17	-	4,017.00	132.44	-
Interest rate derivatives	-	-	-	-	-	-
Subtotal (ii)	1,889.91	166.17	-	4,017.00	132.44	-
(iii) Undesignated Derivatives						
Currency Swaps	-	-	-	-	-	-
Subtotal (iii)	-	-	-	-	-	-
Less : Provision on derivative financial instruments	-	0.83	-	-	-	-
Total Derivative Financial Instruments (i)+(ii)+(iii)	1,889.91	165.34	-	4,017.00	132.44	-

The Group enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that either meet the hedge accounting requirements or hedges that are economic hedges. The table above shows

Notes to the Consolidated Financial Statements
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the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

7 TRADE RECEIVABLES

	As at March 31, 2023	As at March 31, 2022
Receivables Considered good - Secured	-	-
Receivables Considered good - Unsecured	59.10	124.20
Receivables which have significant increase in the credit risk	12.22	20.79
Receivables credit impaired	1.34	0.13
Unbilled Trade Receivables	-	-
	72.66	145.12
Less: Impairment loss allowance	6.90	3.30
Total	65.76	141.82

No trade or other receivable are due from directors or other officers of the Group either severally or jointly with any other person, or from firms or private companies respectively in which any director is a partner, a director or a member.

Reconciliation of impairment Loss allowance on trade receivables:

	As at March 31, 2023	As at March 31, 2022
Balance as at beginning of the year	3.30	4.56
Increase during the year	5.98	2.11
Decrease during the year	(2.38)	(3.37)
Balance at end of the year	6.90	3.30

Trade receivables ageing schedule :

Previous Year figures are in italics

Particulars	Less than 6 months	6 months - 1 year	1 - 2 years	2 - 3 years	More than 3 years	Total
(i) Undisputed Trade Receivables - Considered good	58.53	0.60	(0.03)	(0.00)	(0.00)	59.10
	(123.55)	(0.41)	0.05	(0.10)	(0.20)	(124.21)
(ii) Undisputed Trade Receivables - which have significant increase in credit risk	11.21	0.94	0.01	0.00	0.06	12.22
	(19.50)	(0.79)	(0.39)	(0.02)	(0.09)	(20.79)
(iii) Undisputed Trade Receivables- credit impaired	0.78	0.56	0.00	0.00	(0.00)	1.34
	-	-	(0.07)	(0.06)	-	(0.13)
(iv) Disputed Trade Receivables- considered good	-	-	-	-	-	-
	-	-	-	-	-	-
(v) Disputed Trade Receivables- which have significant increase in credit risk	-	-	-	-	-	-
(vi) Disputed Trade receivables - credit impaired	-	-	-	-	-	-
	-	-	-	-	-	-
(v) Unbilled Trade Receivables	-	-	-	-	-	-
	-	-	-	-	-	-
TOTAL	70.52	2.10	(0.02)	0.00	0.06	72.66
	(143.05)	(1.20)	(0.41)	(0.18)	(0.29)	(145.12)

Notes to the Consolidated Financial Statements
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8 LOANS (AT AMORTISED COST)

	As at March 31, 2023	As at March 31, 2022
A Term Loans in India	70,030.70	61,326.32
B Public sector	-	-
Others	70,030.70	61,326.32
Total	70,030.70	61,326.32
C Secured (Secured by tangible assets)	53,053.24	46,644.29
Unsecured	16,977.46	14,682.03
Total	70,030.70	61,326.32
Less: Impairment loss allowance	3,648.03	4,163.87
Total	66,382.67	57,162.45
D Term Loans in India - at amortised cost		
- Public sector	-	-
- Others	-	-
Secured (Secured by tangible assets)	53,053.24	46,644.29
Unsecured	16,977.46	14,682.03
Total Gross Loans	70,030.70	61,326.32
Less: Impairment loss allowance	3,648.03	4,163.87
Total	66,382.67	57,162.45

Credit quality of assets

The table below shows the credit quality and the maximum exposure to credit risk based on year-end stage classification. The amounts presented are gross of Impairment loss allowance.

Stage	As at March 31, 2023	As at March 31, 2022
Stage 1	66,793.02	56,142.18
Stage 2	1,322.83	2,125.38
Stage 3	1,914.85	3,058.76
Total	70,030.70	61,326.32

Loans or advances in the nature of loans are granted to promoters, directors, KMPs, and the related parties, either severally or jointly with any other person.

Particulars	As at March 31, 2023	% to the total Loans and Advances in the nature of loans	As at March 31, 2022	% to the total Loans and Advances in the nature of loans
Promoter	Nil	Nil	Nil	Nil
Directors	Nil	Nil	Nil	Nil
KMPs	Nil	Nil	Nil	Nil
Related parties	Nil	Nil	Nil	Nil

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9 INVESTMENTS

	As at March 31, 2023	As at March 31, 2022
Recorded at Fair value through statement of profit and loss		
Outside India	-	-
In India		
Mutual fund units	411.65	946.45
Treasury bills / G-Sec	773.66	1,197.57
Securities receipt of ARC	55.99	88.04
Unquoted equity shares	1.95	1.45
Total	1,243.25	2,233.51

10 OTHER FINANCIAL ASSETS

	As at March 31, 2023	As at March 31, 2022
Security deposits at amortised cost (Unsecured, considered good)	24.54	21.64
Prepaid rent (Security deposits, Unsecured, considered good)	7.14	7.19
Retained interest on assigned loan	2.81	3.12
Servicing assets on assigned loan	0.38	0.96
Total	34.87	32.91

11 CURRENT TAX ASSETS (NET)

	As at March 31, 2023	As at March 31, 2022
Current tax assets		
Advance tax and tax deducted at source(Net of provision for tax ₹ 621.30 Crore)(Previous Year: ₹ 663.40 Crore)	25.11	13.34
Total	25.11	13.34

12 DEFERRED TAX ASSETS (NET)

	Balance as at April 01, 2021	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at March 31, 2022	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at March 31, 2023
Deferred Tax Asset							
Depreciation and amortisation	20.82	14.78	-	35.60	13.82	-	49.42
Provision for employee benefits	10.00	2.04	2.25	14.30	5.68	1.38	21.35
Loans - Impairment	696.46	349.57	-	1,046.03	(93.91)	-	952.12
Loans - DSA	28.45	(15.45)	-	13.00	(11.44)	-	1.56
Lease	7.42	(10.87)	-	(3.45)	(13.99)	-	(17.44)
Cash Flow Hedges Reserve	11.07	-	(8.31)	2.76	-	(4.93)	(2.17)
Deferred Tax Asset	774.22	340.07	(6.06)	1,108.24	(99.84)	(3.55)	1,004.85

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	Balance as at April 01, 2021	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at March 31, 2022	Charge/ (credit) to profit and loss	Charge/ (credit) to OCI	Balance as at March 31, 2023
Deferred Tax Liabilities							
Borrowings	(11.47)	4.32	-	(7.15)	3.86	-	(3.29)
Investments - MTM and others	(2.00)	(16.84)	-	(18.84)	1.41	-	(17.43)
Securitisation and others	(30.76)	(0.32)	-	(31.08)	47.82	-	16.74
Deferred Tax Liabilities	(44.23)	(12.84)	-	(57.07)	53.09	-	(3.98)
Net Deferred Tax Assets	729.99	327.24	(6.06)	1,051.17	(46.75)	(3.55)	1,000.87
Movement in Net deferred tax Asset during the year						(50.30)	

The components of income tax expense for the years ended March 31, 2023 and 2022 are:

	As at March 31, 2023	As at March 31, 2022
Current tax:		
In respect of current year	621.30	663.40
In respect of prior years	-	-
Deferred Tax:		
Deferred tax relating to origination and reversal of temporary differences	46.75	(327.24)
In respect of prior years	-	-
Total Income Tax recognised in statement of profit or loss	668.05	336.16
Current tax	621.30	663.40
Deferred tax (Debit)	46.75	(327.24)

Income Tax recognised in Other comprehensive income

	As at March 31, 2023	As at March 31, 2022
Deferred tax related to items recognised in Other comprehensive income during the year:		
Income tax relating to items that will not be reclassified to profit or loss	1.38	2.25
Income tax relating to items that will be reclassified to profit or loss	(4.93)	(8.31)
Total Income tax recognised in Other comprehensive income (Debit)	(3.55)	(6.06)

The reconciliation of estimated income tax expense at tax rate to income tax expense reported in profit or loss is as follows:

	As at March 31, 2023	As at March 31, 2022
Profit before tax	2,627.40	1,347.56
Applicable income tax rate (%)	25.17	25.17
Income tax expense calculated at applicable income tax rate	661.26	339.15
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense:		
Effect of income exempt from tax	-	-
Effect of expenses/provisions not deductible in determining taxable profit	16.46	14.16
Effect of tax incentives (net)	(9.67)	(17.14)
Effects of income not considered as taxable on compliance of condition	-	-
Income tax for earlier year	-	-
Income tax expense recognised in profit and loss	668.05	336.16

13 PROPERTY, PLANT AND EQUIPMENT (PPE) AND OTHER INTANGIBLE ASSETS

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	Office equipment	Furniture and fixtures	Leasehold improvements	Computers	Building	Motor cars	Total PPE Tangibles	Software and System development	Total Other Intangibles	Total
Balance as at April 01, 2022	63.13	95.15	80.72	158.76	0.15	8.85	406.76	50.81	50.81	457.57
Additions during the year	9.81	4.03	11.69	62.66	-	4.53	92.72	18.59	18.59	111.31
Disposals/Adjustments during the year	1.93	1.46	3.83	11.18	-	4.33	22.72	0.01	0.01	22.73
Balance as at March 31, 2023	71.01	97.72	88.58	210.24	0.15	9.05	476.76	69.39	69.39	546.15
Accumulated Depreciation / impairment as at April 01, 2022	51.86	80.51	51.96	138.71	0.03	5.56	328.63	38.80	38.80	367.43
Depreciation charge during the year	6.29	5.68	11.28	23.02	0.00	1.73	48.01	10.19	10.19	58.20
Disposals/Adjustments during the year	1.93	1.45	3.75	11.18	-	3.93	22.23	0.01	0.01	22.24
Accumulated Depreciation / impairment as at March 31, 2023	56.22	84.74	59.49	150.55	0.03	3.36	354.41	48.98	48.98	403.39
Net carrying amount as at March 31, 2023	14.79	12.98	29.09	59.69	0.12	5.69	122.35	20.41	20.41	142.76
Balance as at April 01, 2021	61.62	93.46	79.06	142.88	0.15	8.03	385.21	39.23	39.23	424.43
Additions during the year	2.85	3.04	4.70	16.49	-	2.47	29.55	11.58	11.58	41.13
Disposals/Adjustments during the year	1.34	1.35	3.05	0.62	-	1.65	8.00	-	-	8.00
Balance as at March 31, 2022	63.13	95.15	80.72	158.76	0.15	8.85	406.76	50.81	50.81	457.57
Accumulated Depreciation / impairment as at April 01, 2021	47.23	73.50	45.36	122.45	0.02	5.13	293.69	31.25	31.25	324.93
Depreciation charge for the year	5.93	8.29	9.03	16.87	0.02	1.58	41.72	7.56	7.56	49.28
Disposals/Adjustments during the year	1.30	1.28	2.43	0.61	0.02	1.15	6.79	-	-	6.79
Accumulated Depreciation / impairment as at March 31, 2022	51.86	80.51	51.96	138.71	0.03	5.56	328.63	38.80	38.80	367.43
Net carrying amount as at March 31, 2022	11.27	14.64	28.76	20.05	0.12	3.29	78.13	12.01	12.01	90.14

Note : No revaluation of any class of asset is carried out during the year.

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(Currency : Indian Rupees in Crore)

14 RIGHT OF USE ASSETS

	As at March 31, 2023	As at March 31, 2022
Right of Use Assets (ROU) (Refer note 34)	244.27	202.49
Total	244.27	202.49

15 OTHER NON-FINANCIAL ASSETS

	As at March 31, 2023	As at March 31, 2022
Capital advances	9.02	0.43
Advances recoverable in cash or in kind (Unsecured, considered good)	82.63	281.26
Total	91.65	281.69

16 TRADE PAYABLES

	As at March 31, 2023	As at March 31, 2022
Trade payables		
i) total outstanding dues to micro and small enterprises	-	-
ii) total outstanding dues of creditors other than micro and small enterprises	291.84	246.91
Total	291.84	246.91

16.1 Trade Payables includes ₹ 0 Crore (Previous Years: ₹ 0 Crore) payable to "Suppliers" registered under the Micro, Small and Medium Enterprises Development Act, 2006. No interest has been paid / is payable by the Group during the year to "Suppliers" registered under this act. The above is based on the information available with the Group which has been relied upon by the auditors.

16.2 Trade payables ageing schedule :

Particulars	Previous Year figures are in (brackets)				
	Less than 1 months	1 - 2 years	2 - 3 years	More than 3 years	Total
i) MSME	-	-	-	-	-
	-	-	-	-	-
ii) Others	288.23	1.59	0.36	1.66	291.84
	(239.47)	(1.45)	(2.78)	(3.21)	(246.91)
iii) Disputed dues - MSME	-	-	-	-	-
	-	-	-	-	-
iv) Disputed dues - Others	-	-	-	-	-
	-	-	-	-	-
v) Unbilled Trade payables	-	-	-	-	-
	-	-	-	-	-
Total	288.23	1.59	0.36	1.66	291.84
	(239.47)	(1.45)	(2.78)	(3.21)	(246.91)

Notes to the Consolidated Financial Statements
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17 DEBT SECURITIES

	As at March 31, 2023	As at March 31, 2022
At Amortised Cost		
Secured		
Privately placed redeemable Non Convertible Debenture	27,246.28	25,357.70
Secured by pari passu charge by mortgage of Group's Office no.130, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and receivables under financing activity.		
Total	27,246.28	25,357.70
Less: Unamortised borrowing cost	149.87	25.39
Debt Securities (Net of unamortised cost)	27,096.41	25,332.31
Debt securities in India	27,246.28	25,357.70
Debt securities outside India	-	-
Total	27,246.28	25,357.70
Less: Unamortised borrowing cost	149.87	25.39
Debt Securities (Net of unamortised cost)	27,096.41	25,332.31

17.1 - No non convertible debentures, non convertible perpetual debentures and any other borrowing is guaranteed by directors and/or others.

17.2 - Terms of repayment of privately placed redeemable non convertible debenture.

Previous Year figures are in (brackets)

Rate of interest (%)	0-1 years	1-3 years	3-5 years	>5 years	Total
4.5-5.5	2,423.00	1,593.00	-	-	4,016.00
	(1,380.00)	(2,616.00)	-	-	(3,996.00)
5.5-6.5	1,910.00	5,203.00	1,060.00	-	8,173.00
	(1,510.00)	(6,470.00)	(1,390.00)	-	(9,370.00)
6.5-7.5	5,341.10	1,286.00	130.00	-	6,757.10
	-	(5,691.10)	-	-	(5,691.10)
7.5-8.5	-	4,368.00	1,364.00	1,200.00	6,932.00
	(3,189.00)	(280.00)	-	(900.00)	(4,369.00)
8.5-9.5	-	1,045.00	-	-	1,045.00
	(1,931.60)	-	-	-	(1,931.60)
9.5-10.5	-	-	323.18	-	323.18
	-	-	-	-	-
Total	9,674.10	13,495.00	2,877.18	1,200.00	27,246.28
	(8,010.60)	(15,057.10)	(1,390.00)	(900.00)	(25,357.70)

17.3 - All the above non convertible debentures are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year (Refer Note 53)

Notes to the Consolidated Financial Statements
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18 BORROWINGS (OTHER THAN DEBT SECURITIES)

	As at March 31, 2023	As at March 31, 2022
At Amortised Cost		
Borrowings (other than debt securities)		
Secured		
(a) External commercial borrowings (ECB)	1,889.91	4,017.00
(b) Term loan against hypothecation of Receivables under financing activity	21,968.00	14,291.45
(c) Borrowing under Securitisation	370.86	1,205.64
Total	24,228.77	19,514.09
Less: Unamortised borrowing cost	0.97	12.37
Borrowings (Other than Debt Securities) net of unamortised cost	24,227.80	19,501.72
 Borrowings in India	 22,338.86	 15,497.09
Borrowings outside India	1,889.91	4,017.00
Total	24,228.77	19,514.09
Less: Unamortised borrowing cost	0.97	12.37
Borrowings (Other than Debt Securities) net of unamortised cost	24,227.80	19,501.72

18.1 - No term loans, external commercial borrowings , commercial paper and any other borrowing is guaranteed by directors and / or others.

18.2 - During the period presented there were no defaults in the repayment of principal and interest.

18.3 - Terms of repayment of External commercial borrowings in foreign currency

Previous Year figures are in (brackets)

Rate of interest (%)	0-3 years	3-5 years	>5 years	Total
6-9	1,889.91	-	-	1,889.91
	(4,017.00)	-	-	(4,017.00)

The Group had availed total External Commercial Borrowing (ECBs) of US\$ 530 Mn for financing prospective borrower as per the ECB guidelines issued by Reserve Bank of India ("RBI") from time to time. Out of same US\$ 230 Mn was raised in FY 2020-21. The borrowing had a maturity of three years. In terms of the RBI guidelines, borrowings have been swapped into rupees and fully hedged for the entire maturity by way of cross currency swaps. The charges for raising of the aforesaid ECB has been amortised over the tenure of the ECB.

18.4 - Terms of repayment of Term loans from Banks.

Previous Year figures are in (brackets)

Marginal Cost of Funds Based Lending Rate (MCLR) (a)	0-1 years	1-3 years	3-5 years	>5 years	Total
Overnight MCLR + (0.00% to 0.75%)	200.00	200.00	200.00	-	600.00
	-	(100.00)	-	-	(100.00)
1 Month MCLR + (0.00% to 0.75%)	41.67	-	-	-	41.67
	(41.67)	(41.67)	-	-	(83.33)
3 Month MCLR + (0.00% to 1.5%)	998.39	2,088.81	526.13	20.00	3,633.33
	(75.00)	(75.00)	-	-	(150.00)
6 Month MCLR + (0.00% to 0.75%)	200.00	400.00	400.00	-	1,000.00
	-	-	-	-	-
Total (a)	1,440.06	2,688.81	1,126.13	20.00	5,275.00
	(116.67)	(216.67)	-	-	(333.33)

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Previous Year figures are in (brackets)

	0-1 years	1-3 years	3-5 years	>5 years	Total
Rate linked to T-Bills rates (b)					
7 Days T-Bills rates (0.00% to 4.00%)	80.00	80.00	-	-	160.00
-	-	-	-	-	-
1 Month T-Bills rates (0.00% to 4.00%)	566.66	1,291.67	452.08	-	2,310.41
-	-	-	-	-	-
3 Month T-Bills rates (0.00% to 4.00%)	875.83	1,618.33	73.97	-	2,568.13
(1,579.53)	(1,562.28)	(136.67)			(3,278.47)
6 Month T-Bills rates (0.00% to 3.50%)	-	-	-	-	-
(109.09)	-	-			(109.09)
12 Month T-Bills rates (0.00% to 3.50%)	-	-	-	-	-
(431.67)	(772.50)	-			(1,204.17)
Repo Rate (0.00% to 3.50%)	2,820.88	4,463.22	390.62	-	7,674.72
(1,061.46)	(2,286.39)	(1,473.21)			(4,821.06)
Mumbai Interbank Offer rate (MIBOR) (0.00% to 3.50%)	30.00	37.50	-	-	67.50
(725.00)	(252.08)	-			(977.08)
Total (b)	4,373.37	7,490.72	916.67	-	12,780.76
(3,906.75)	(4,873.25)	(1,609.88)			(10,389.88)
Fixed Interest rate (c)					
4.50% - 8.35%	1,725.21	1,903.21	283.82	-	3,912.24
(1,018.70)	(2,187.40)	(362.14)			(3,568.24)
Total (a)+(b)+(c)	7,538.64	12,082.74	2,326.62	20.00	21,968.00
(5,042.12)	(7,277.32)	(1,972.01)			(14,291.45)

18.4.1 - Term loans includes ₹ 7,082.45 Crore (Previous year ₹ 6,067.14 Crore) from related parties.

18.5 - All the above Term loans are secured by specific charge on receivables under financing activities. Minimum security cover of 1.1 times is required to be maintained throughout the year.

18.6 - Terms of repayment of Borrowing under Securitisation.

Previous Year figures are in (brackets)

Rate of interest (%)	0-1 years	1-3 years	3-5 years	Total
3.50% to 6.00%	285.09	85.77	-	370.86
	(763.50)	(429.25)	(12.89)	(1,205.64)

18.7 - Term Loans were used fully for the purpose for which the same were obtained.

18.8- Periodic Statements of securities filed with lending banks are as per book of accounts.

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19 SUBORDINATED LIABILITIES

	As at March 31, 2023	As at March 31, 2022
At Amortised Cost		
Unsecured		
(a) Privately placed subordinated (Tier II) redeemable bonds	2,900.00	3,500.00
(b) Redeemable non convertible perpetual bonds	650.00	650.00
Total	3,550.00	4,150.00
Less: Unamortised borrowing cost	8.90	10.95
Subordinated Liabilities net of unamortised cost	3,541.10	4,139.05
Subordinated Liabilities in India	3,550.00	4,150.00
Subordinated Liabilities outside India	-	-
Total	3,550.00	4,150.00
Less: Unamortised borrowing cost	8.90	10.95
Subordinated Liabilities net of unamortised cost	3,541.10	4139.05

19.1 - No subordinate debts and any other borrowing is guaranteed by directors and / or others.

19.2 - Terms of repayment of Privately placed unsecured subordinated (Tier II) redeemable bonds and redeemable non convertible perpetual bonds

Previous Year figures are in (brackets)

Rate of interest (%)	<5 years	>5 years	Total
7.35-10.50	1,400.00	2,150.00	3,550.00
	(4,000.00)	(150.00)	(4,150.00)

20 OTHER FINANCIAL LIABILITIES

	As at March 31, 2023	As at March 31, 2022
Interest accrued	1,172.43	1,511.65
Overdrawn balances in current account with banks	1,220.95	850.59
Deposits (not as defined in Section 2(31) of Companies Act, 2013)	10.19	10.22
Creditors for other expenses	14.09	18.31
Statutory liabilities	81.80	78.82
Unclaimed Dividend	0.01	-
Lease Liability (ROU)	278.96	239.13
Total	2,778.43	2,708.72

21 CURRENT TAX LIABILITIES (NET)

	As at March 31, 2023	As at March 31, 2022
Provisions for tax (Net of advance tax ₹405.00 Crore, Previous Year ₹ 440.00 Crore)	41.97	59.73
Total	41.97	59.73

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22 PROVISIONS

	As at March 31, 2023	As at March 31, 2022
Provision for employee benefits		
Gratuity (funded)	78.03	71.44
Salary, bonus and reimbursements	255.07	208.10
Contribution to provident fund	35.86	35.21
Total	368.96	314.75

23 OTHER NON-FINANCIAL LIABILITIES

	As at March 31, 2023	As at March 31, 2022
Provision for expenses	266.91	183.02
Total	266.91	183.02

24 EQUITY SHARE CAPITAL

	Face Value ₹ each	As at March 31, 2023	As at March 31, 2022	As at March 31, 2023	As at March 31, 2022
		Number of shares	Number of shares		
Authorised equity shares	10	1,00,15,50,000	1,00,15,50,000	1001.55	1001.55
Issued, Subscribed & Paid up equity shares fully paid up	10	79,13,99,083	79,04,40,031	791.40	790.44
Total				791.40	790.44

24.1 Reconciliation of the number of shares

	As at March 31, 2023		As at March 31, 2022	
	Number	Amount	Number	Amount
Equity shares of ₹10 fully paid up				
Shares outstanding at the beginning of the year	79,04,40,031	790.44	78,91,85,216	789.19
Shares issued - exercised for ESOP scheme	9,59,052	0.96	12,54,815	1.25
Shares outstanding at the end of the year	79,13,99,083	791.40	79,04,40,031	790.44

24.2 Terms/rights attached to equity shares.

The Group has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Group, the holders of equity shares will be entitled to receive remaining assets of the Group, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by shareholders at the Annual General Meeting.

Notes to the Consolidated Financial Statements
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24.3 Details of shareholders holding more than 5% of the aggregate shares in the Company

Particulars	As at March 31, 2023			As at March 31, 2022		
	No. of Shares held	% of Holding	% Change during the year	No. of Shares held	% of Holding	% Change during the year
Equity shares of ₹10 fully paid up						
HDFC Bank Limited (Holding Company and promoter)	75,05,96,670	94.84	0.00%	75,05,96,670	94.96	0.00%

24.4 Number of shares reserved for ESOPs

Particulars	As at March 31, 2023	As at March 31, 2022
Equity shares of ₹10 fully paid up		
Number of Shares reserved for ESOPs (Refer note 35)	75,79,538	40,69,315

25 OTHER EQUITY

	As at March 31, 2023	As at March 31, 2022
Other equity		
(i) Securities Premium Account	3,127.72	3,055.19
(ii) Employee Stock Options Outstanding Account	39.61	35.53
(iii) Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934	1,685.09	1,293.22
(iv) Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations	5,844.33	4,427.10
(v) Retained Earnings- Remeasurement of Post Employment Benefit Obligations	(57.65)	(53.55)
(vi) Cash Flow Hedges Reserve	6.46	(8.20)
	10,645.57	8,749.29

(i) Securities Premium Account

Securities premium is used to record the premium on issue of shares. It can be utilised only for limited purposes in accordance with the provisions of the Companies Act, 2013.

(ii) Employee Stock Options Outstanding Account

Under IND AS 102, fair value of the options granted is required to be accounted as expense over the life of the vesting period as employee compensation costs, reflecting the period of receipt of service.

(iii) Reserve Fund U/S 45-IC (1) Of Reserve Bank Of India Act, 1934

Reserve fund is created as per the terms of section 45-IC(1) of the Reserve Bank of India Act, 1934 as a statutory reserve.

(iv) Retained Earnings-Other than Remeasurement of Post Employment Benefit Obligations

Retained earnings represents the surplus in Profit and Loss Account and appropriations.

(v) Retained Earnings- Remeasurement of Post Employment Benefit Obligations

The Group recognises change on account of remeasurement of the net defined benefit liability (asset) as part of retained earnings.

(vi) Cash Flow Hedges Reserve

It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

Notes to the Consolidated Financial Statements
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26 INTEREST INCOME

	For the year ended March 31, 2023	For the year ended March 31, 2022
On Financial Assets measured at Amortised Cost :		
Interest on Loans	8,853.58	8,293.64
Interest on deposits with Banks	9.30	11.39
On Financial Assets measured at fair value through profit or loss (FVTPL) :		
Interest income from Investment	64.90	57.94
Total	8,927.78	8,362.97

27 NET GAIN/ (LOSS) ON FAIR VALUE CHANGES

	For the year ended March 31, 2023	For the year ended March 31, 2022
Net gain/ (loss) on financial instruments at fair value through profit or loss (FVTPL)		
Investments	85.07	16.48
	85.07	16.48
Net gain/ (loss) on financial instruments at fair value through profit or loss (FVTPL)		
Realised	90.67	39.29
Unrealised	(5.60)	(22.81)
Total	85.07	16.48

28 FINANCE COSTS

	For the year ended March 31, 2023	For the year ended March 31, 2022
Interest expenses on financial liabilities measured at amortised cost		
Interest on borrowings (includes Interest on lease liabilities ₹ 21.23 Crore, Previous Year ₹ 19.68 Crore)	1,460.89	1,248.83
Interest on debt securities	1,661.90	1,671.08
Interest on subordinated liabilities	352.39	369.15
Discount on commercial paper	9.00	8.86
Other borrowing costs	27.74	27.58
Total	3,511.92	3,325.50

29 IMPAIRMENT ON FINANCIAL INSTRUMENTS

	For the year ended March 31, 2023	For the year ended March 31, 2022
Impairment on financial instruments at amortised cost		
Loans	1,326.80	2,466.99
Trade receivables	3.60	(1.26)
Total	1,330.40	2,465.73

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30 EMPLOYEE BENEFITS EXPENSES

	For the year ended March 31, 2023	For the year ended March 31, 2022
Salaries and wages (including bonus)	3,667.39	3,162.38
Contribution to provident and other funds	306.08	277.92
Employee share based payment expenses	43.64	30.42
Staff welfare expenses	40.46	29.69
Total	4,057.57	3,500.41

31 OTHER EXPENSES

	For the year ended March 31, 2023	For the year ended March 31, 2022
Rent	7.56	5.53.
Rates and taxes	1.93	0.78
Telephone	38.12	30.70
Power and fuel	32.69	24.50
Repairs and maintenance- premises	7.17	4.79
Repairs and maintenance-others	3.00	4.47
Credit report charges	49.49	37.65
Commission and brokerage	2.48	2.56
Auditor's remuneration (Refer Note No. 33)	1.50	1.16
Insurance	1.54	0.71
Loss on sale of asset	(1.01)	(0.06)
Expenses towards Corporate Social Responsibility Initiative (Refer Note No. 41)	21.78	25.83
Others administrative expenses	597.50	429.53
Total	763.75	568.15

32 EARNING PER SHARE

	For the year ended March 31, 2023	For the year ended March 31, 2022
Net Profit (₹ in Crore)	1,959.35	1,011.40
Weighted average number of equity shares		
Basic	79,07,12,391	78,94,77,686
Diluted	79,14,93,138	78,99,39,967
Earnings per share (₹)		
Basic	24.78	12.81
Diluted	24.76	12.80
Face value per share (₹)	10.00	10.00

The dilutive effect on the earnings per share is caused by the potential shares that would be issued upon the exercise of the ESOP Options. As a result of the dilution, the denominator increased by 7,80,747 shares (Previous Year 4,62,281 shares).

33 AUDITOR'S REMUNERATION

	For the year ended March 31, 2023	For the year ended March 31, 2022
As Auditor	1.30	1.05
For taxation matters	-	-
For company law matters	-	-
For other services	-	-
For reimbursement of expenses	0.08	0.02
Sub Total	1.38	1.07
GST	0.12	0.09
Total	1.50	1.16

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34 LEASES

The Group has entered into leasing arrangements for premises. Majority of the leases are cancellable by the Group. ROU has been included after the line 'Property, Plant and Equipment' and Lease Liability has been included under 'Other Financial Liabilities' in the Balance Sheet.

I. Lease disclosures under Ind-AS 116 for the current year ended March 31, 2023

(i) Amounts recognised in the Balance sheet

Sr No.	Particulars	March 31, 2023	March 31, 2022
a)	Right-of-use assets (net)	244.27	202.49
b)	Lease liabilities		
	Current	52.61	45.64
	Non-current	226.35	193.49
	Total Lease liabilities	278.96	239.13
c)	Additions to the Right-of-use assets	94.57	37.42

(ii) Amounts recognised in the Statement of Profit and Loss

Sr No.	Particulars	March 31, 2023	March 31, 2022
a)	Depreciation charge for right-of-use assets	53.64	49.67
b)	Interest expense (included in finance cost)	21.23	19.68
c)	Expense relating to short-term leases	7.56	5.53

(iii) Cash Flows

Particulars	March 31, 2023	March 31, 2022
The total cash outflow of leases	69.89	62.87

(iv) Future Commitments

Particulars	March 31, 2023	March 31, 2022
Future undiscounted lease payments to which leases is not yet commenced	10.38	23.72

(v) Maturity analysis of undiscounted lease liability

Particulars	March 31, 2023	March 31, 2022
Not later than one year	72.89	62.93
Later than one year and not later than five years	196.62	173.91
Later than five years	86.70	62.31
Total	356.21	299.15

35 ACCOUNTING FOR EMPLOYEE SHARE BASED PAYMENTS

In accordance with resolution approved by the shareholders, the Group has reserved shares, for issue to employees through Employee Stock Option Scheme (ESOP). On the approval of Nomination and Remuneration Committee (NRC), each ESOP is issued. The NRC has approved ESOP-10 on October 13, 2017, ESOP-11 on January 15, 2019, ESOP-12 on October 05, 2020, ESOP-13 on January 14, 2021, ESOP-13A on August 31, 2021, ESOP-14 on October 27, 2021, ESOP-15A on May 18, 2022 and ESOP-15B on October 31, 2022. Under the term of the ESOP, the Group may issue stock options to employees and directors of the Group, each of which is convertible into one equity share.

Such options vest at a definitive date, save for specific incidents, prescribed in the scheme as framed/approved by the NRC. Such options are exercisable for a period following vesting at the discretion of the NRC, subject to a maximum of four years from the date of vesting.

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Description of share based payments plans

Particulars	Vesting requirements	Maximum term of option	Method of settlement	Modifications to share based payment plans	Any other details as disclosed in the audited Ind-AS financials
i. ESOP - 10	30% at the end of each 12 and 24 months and 40% at the end of 36 months from October 31, 2017	7 years	Equity settled	NA	NA
ii. ESOP - 11	30% at the end of each 12 and 24 months and 40% at the end of 36 months from January 31, 2019	7 years	Equity settled	NA	NA
iii. ESOP - 12	60% at the end of 12 months and 40% at the end of 24 months from October 31, 2020	6 years	Equity settled	NA	NA
iv. ESOP - 13	30% at the end of each 12 and 24 months and 40% at the end of 36 months from January 31, 2021	7 years	Equity settled	NA	NA
v. ESOP - 13A	30% at the end of each 12 and 24 months and 40% at the end of 36 months from August 31, 2021	7 years	Equity settled	NA	NA
vi. ESOP - 14	30% at the end of each 12 and 24 months and 40% at the end of 36 months from October 31, 2021	7 years	Equity settled	NA	NA
vii. ESOP - 15A	30% at the end of each 12 and 24 months and 40% at the end of 36 months from May 31, 2022	7 years	Equity settled	NA	NA
viii. ESOP - 15B	30% at the end of each 12 and 24 months and 40% at the end of 36 months from October 31, 2022	7 years	Equity settled	NA	NA

Method used for accounting for shared based payment plan.

The Group uses fair value to account for the compensation cost of stock options to employees of the Group.

Movement in the options outstanding under the Employees Stock Option Plan for the year ended March 31, 2023

Particulars	Outstanding, beginning of year	Granted during the year	Exercised during the year	Forfeited / lapsed during the year	Outstanding, end of year	Options exercisable, end of year
ESOP - 10	42,000	-	-	-	42,000	42,000
ESOP - 11	1,06,430	-	32,410	-	74,020	74,020
ESOP - 12	7,02,910	-	3,94,140	30,680	2,78,090	2,78,090
ESOP - 13	9,33,155	-	2,13,570	52,190	6,67,395	2,64,275
ESOP - 13A	50,000	-	13,000	-	37,000	2,000
ESOP - 14	22,34,820	-	3,05,932	1,29,165	17,99,723	3,40,916
ESOP - 15A	-	11,83,140	-	-	11,83,140	-
ESOP - 15B	-	35,81,490	-	83,320	34,98,170	-
Total	40,69,315	47,64,630	9,59,052	2,95,355	75,79,538	10,01,301
Weighted average exercise price (₹)	383.81	496.09	353.71	425.60	456.57	352.60

Notes to the Consolidated Financial Statements
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Movement in the options outstanding under the Employees Stock Option Plan for the year ended March 31, 2022

Particulars	Outstanding, beginning of year	Granted during the year	Exercised during the year	Forfeited / lapsed during the year	Outstanding, end of year	Options exercisable, end of year
ESOP - 10	48,150	-	5,500	650	42,000	42,000
ESOP - 11	3,94,000	-	2,69,610	17,960	1,06,430	1,06,430
ESOP - 12	15,58,900	-	7,73,130	82,860	7,02,910	1,23,570
ESOP - 13	11,75,600	-	2,06,575	35,870	9,33,155	1,41,245
ESOP - 13A	-	50,000	-	-	50,000	-
ESOP - 14	-	22,44,730	-	9,910	22,34,820	-
Total	31,76,650	22,94,730	12,54,815	1,47,250	40,69,315	4,13,245
Weighted average exercise price (₹)	313.22	432.48	301.93	317.09	383.81	300.52

Following summarises the information about stock options outstanding as at March 31, 2023

Plan	Exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)
ESOP - 10	213	42,000	1.53
ESOP - 11	274	74,020	2.79
ESOP - 12	300	2,78,090	3.52
ESOP - 13	348	6,67,395	4.64
ESOP - 13A	409	37,000	5.42
ESOP - 14	433	17,99,723	5.58
ESOP - 15A	457	11,83,140	6.13
ESOP - 15B	509	34,98,170	6.59

Following summarises the information about stock options outstanding as at March 31, 2022

Plan	Exercise price (₹)	Number of shares arising out of options	Weighted average remaining contractual life (in years)
ESOP - 10	213	42,000	2.53
ESOP - 11	274	1,06,430	3.79
ESOP - 12	300	7,02,910	4.52
ESOP - 13	348	9,33,155	5.64
ESOP - 13A	409	50,000	6.42
ESOP - 14	433	22,34,820	6.58

Fair Value methodology

The fair value of options have been estimated on the dates of each grant using the Black-Scholes model. The shares of Group are not listed on any stock exchange. Accordingly, the Group had considered the volatility of the Group's stock price based on historical volatility of similar listed enterprises. The various assumptions considered in the pricing model for the stock options granted by the Group are:

Particulars	ESOP 15A	ESOP 15B
Dividend yield	0.22%	0.20%
Expected volatility	52.59%	40.92%
Risk-free interest rate	6.10%	6.82%
Expected life of the option	2.33	2.30

The Group recorded an employee stock compensation expense of ₹ 43.64 Crore (previous year ₹ 30.42 Crore) in Statement of Profit and Loss.

Notes to the Consolidated Financial Statements
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36 SEGMENT REPORTING

Sr No.	Particulars	March 31, 2023	March 31, 2022
i.	Segment Revenue		
	Lending business	9,768.95	8,942.88
	BPO Services	2,633.93	2,363.41
	Unallocated	-	-
	Income from Operations	12,402.88	11,306.29
ii.	Segment Results		
	Lending business	2,508.48	1,238.71
	BPO Services	140.70	134.69
	Unallocated	(21.78)	(25.84)
	Profit before tax	2,627.40	1,347.56
	Income Tax expenses		
	Current tax	621.30	663.40
	Deferred tax Asset	46.75	(327.24)
	Net Profit	1,959.35	1,011.40
iii.	Capital Employed		
	Segment assets		
	Lending business	68,921.03	60,812.70
	BPO Services	103.38	148.72
	Unallocated	1,025.98	1,064.51
	Total Assets	70,050.39	62,025.94
	Segment Liabilities		
	Lending business	58,216.53	52,009.27
	BPO Services	180.38	95.61
	Unallocated	216.52	381.33
	Total Liabilities	58,613.43	52,486.21
	Net Segment assets / (liabilities)	11,436.96	9,539.73
iv.	Capital Expenditure (including net CWIP)		
	Lending business	86.48	36.25
	BPO Services	24.83	4.88
	Unallocated	-	-
	Total	111.31	41.13
v.	Depreciation		
	Lending business	86.49	79.17
	BPO Services	25.35	19.77
	Unallocated	-	-
	Total	111.84	98.94
vi.	Other non cash expenditure		
	Lending business	1,330.40	2,465.73
	BPO Services	-	-
	Unallocated	-	-
	Total	1,330.40	2,465.73

Notes to the Consolidated Financial Statements
for the year ended March 31, 2023 (Contd.)
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a) Chief Operating Decision Maker

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker (CODM). The Managing Director ('MD') of the Group has been identified as the CODM as defined by Ind AS 108 Operating Segments, who assesses the financial performance and position of the Group and makes strategic decisions.

b) Operating Segment

Primary Segment (Business Segment)

The Group is organised primarily into two operating segments, i.e. Lending business and BPO services. Lending business includes providing finance to retail customers for a variety of purposes like purchase of commercial equipment and commercial vehicles, personal purposes, enterprise loans, etc. Revenue from lending business includes (i) interest income and processing fees net of loan origination costs, (ii) collection-related charges like cheque bouncing charges, late payment charges and foreclosure charges, and (iii) insurance commission. BPO services comprises of sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers.

Secondary Segment (Geographical Segment)

Since the business operations of the Group are primarily concentrated in India, the Group is considered to operate only in the domestic segment and therefore there is no reportable geographic segment.

c) Segment Revenue and Expense

Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on a reasonable basis have been disclosed as 'Unallocated'.

d) Segment Assets and Liabilities

Segment assets and segment liabilities represent assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as 'Unallocated'.

e) Accounting Policies

The accounting policies consistently used in the preparation of the financial statements are also applied to items of revenue and expenditure in individual segments.

37 RELATED PARTY DISCLOSURES

Name of the related Party and Nature of Relationship

Holding Company :

HDFC Bank Limited

Enterprise under common control of Holding Company :

HDFC Securities Limited.

Key Management Personnel (KMP) :

Arijit Basu (Chairman & Non Executive Director)

Arundhati Mech (Independent Director)

Smita Affinwalla (Independent Director)

Venkatraman Srinivasan (Independent Director)

Dr. Amla Samanta (Independent Director)

Adayapalam Viswanathan (Independent Director)

G Ramesh (Managing Director & CEO)

Notes to the Consolidated Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Other related parties :

HDFC Ergo General Insurance Company Limited
HDFC Life Insurance Company Limited
HDFC Asset Management Company Limited
HDBFS Employees Welfare Trust

Details of Related Party Transactions for the Year:

Related Party	Nature Of Transaction	March 31, 2023	March 31, 2022
HDFC Bank Limited	Bank charges	15.35	12.20
	Charges for back office support services received / recoverable	984.41	921.26
	Charges for sales support services received / recoverable	1,821.96	1,607.28
	Commission Expenses	-	1.71
	Corporate logo license fees	17.19	14.63
	Dividend paid	142.61	-
	Fixed deposits placed	-	17.77
	Interest paid on non-convertible debentures	301.45	185.85
	Interest paid on term loan and OD account	376.36	312.90
	Interest received on fixed deposits	2.71	5.47
	Investment banking fees paid	0.01	0.56
	IPA charges	0.00	-
	Reimbursement of IT expense, secondment charge & other common expenses	1.51	0.89
	Rent paid for premises taken on sub-lease	2.83	2.37
	Securities purchased during the year	-	1,310.00
HDFC Securities Limited	Term loan availed during the year	3,350.00	4,050.00
	Tele collection charges / field collection charges received / recoverable for collection services rendered	255.65	220.58
	Commission on sourcing of loans	0.01	-
Key Management Personnel	Rent income for premises given on sub-lease	0.10	0.07
	Recovery of expenses	0.01	-
	Director sitting fees and commission paid	1.40	1.25
HDFC Life Insurance Company Limited	Salary including perquisites and allowances	5.36	4.53
	Stock Options#	0.37	0.48
HDFC Ergo General Insurance Company Limited	Income from Insurance commission	7.45	6.19
	Insurance Premium Expense (Car & Group policy)	13.72	9.89
	Insurance Premium Expense (Car & Group policy)	0.55	1.86

The intrinsic value of the stock options granted is Nil. However, the Group in compliance with Ind-AS 102 has been charged to the statement of profit and loss of ₹ 3.81 Crore (previous year ₹ 2.62 Crore) with a corresponding credit to the reserves.

Notes to the Consolidated Financial Statements
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(Currency : Indian Rupees in Crore)

Balances outstanding:

Related Party	Nature Of Transaction	March 31, 2023	March 31, 2022
HDFC Bank Limited	Securitisation	53.71	454.03
	Balance in current accounts	327.51	409.00
	Balance receivable	16.50	95.95
	Balance payable	0.05	0.12
	Fixed deposit	47.73	88.51
	Security deposit paid	0.16	0.11
	Security deposit received	9.85	9.85
	Term loan outstanding	7,082.45	6,067.14
	Non convertible debentures issued	4,155.00	5,080.00
	WCDL Loan Outstanding	4.16	-
HDFC Securities Limited	Balance receivable	0.04	-
HDFC Life Insurance Company Limited**	Balance payable - Securities	1,156.60	920.00
	Balance payable - Expenses	-	0.01
	Balance receivable	2.24	0.72
HDFC Asset Management Company Limited	Balance payable	640.00	346.00
HDFC Ergo General Insurance Company Limited**	Balance payable	70.00	120.00
	Balance receivable	1.98	1.36

** excludes amounts pertaining to insurance premiums payable that are in the nature of pass through.

38 EMPLOYEE BENEFITS

A) Defined contribution plan

The contribution made to various statutory funds is recognised as expense and included in Note 30 'Employee benefits expense' under 'Contribution to provident and other funds' in Statement of Profit and Loss.

B) Defined benefit plan (Gratuity)

The Group contributes to the group gratuity fund based on the actuarial valuation determined as at the year-end through the HDFC Life Insurance Group ('HDFC Life') Limited and Life Insurance Corporation of India Limited (LIC). HDFC Life and LIC have certified the Fair Value of the Plan Assets .

Details of Actuarial Valuation as at March 31, 2023.

Particulars	March 31, 2023	March 31, 2022
A. Change in defined benefit obligation		
1 Defined benefit obligation at beginning of period	166.90	149.09
2 Service cost		
a. Current service cost	19.16	17.17
b. Past service cost	-	1.49
c. (Gain) / loss on settlements	-	-
3 Interest expenses	7.96	5.75
4 Cash flows		
a. Benefit payments from plan	(33.07)	(19.88)
b. Benefit payments from employer	-	-
c. Settlement payments from plan	-	-
d. Settlement payments from employer	-	-

Notes to the Consolidated Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

Particulars	March 31, 2023	March 31, 2022
5 Remeasurements		
a. Effect of changes in demographic assumptions	(5.91)	2.51
b. Effect of changes in financial assumptions	(4.03)	(3.08)
c. Effect of experience adjustments	13.70	13.85
6 Transfer In /Out		
a. Transfer In	-	-
b. Transfer out	-	-
7 Defined benefit obligation at end of period	164.71	166.90
B. Change in fair value of plan assets		
1 Fair value of plan assets at beginning of period	95.57	81.51
2 Interest income	4.56	3.15
3 Cash flows		
a. Total employer contributions		
(i) Employer contributions	21.36	30.66
(ii) Employer direct benefit payments	-	-
(iii) Employer direct settlement payments	-	-
b. Participant contributions	-	-
c. Benefit payments from plan assets	(33.07)	(19.88)
d. Benefit payments from employer	-	-
e. Settlement payments from plan assets	-	-
f. Settlement payments from employer	-	-
4 Remeasurements		
a. Return on plan assets (excluding interest income)	(1.73)	0.13
5 Transfer In /Out		
a. Transfer In	-	-
b. Transfer out	-	-
6 Fair value of plan assets at end of period	86.68	95.57
C. Amounts recognised in the Balance Sheet		
1 Defined benefit obligation	164.71	166.90
2 Fair value of plan assets	(86.68)	(95.57)
3 Funded status	78.03	71.33
4 Effect of asset ceiling	-	-
5 Net defined benefit liability (asset)	78.03	71.33
D. Components of defined benefit cost		
1 Service cost		
a. Current service cost	19.16	17.17
b. Past service cost	-	1.49
c. (Gain) / loss on settlements	-	-
d. Total service cost	19.16	18.66

Notes to the Consolidated Financial Statements
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Particulars	March 31, 2023	March 31, 2022
2 Net interest cost		
a. Interest expense on DBO	7.96	5.75
b. Interest (income) on plan assets	4.56	3.15
c. Interest expense on effect of (asset ceiling)	-	-
d. Total net interest cost	3.40	2.60
3 Remeasurements (recognised in OCI / Retained Earnings)		
a. Effect of changes in demographic assumptions	(5.91)	2.51
b. Effect of changes in financial assumptions	(4.03)	(3.08)
c. Effect of experience adjustments	13.70	13.85
d. Return on plan assets (excluding interest income)	(1.73)	0.13
e. Changes in asset ceiling (excluding interest income)	-	-
f. Total remeasurements included in OCI / Retained Earnings	5.48	13.15
4 Total defined benefit cost recognised in P&L and OCI	28.04	34.41
E. Re-measurement		
a. Actuarial Loss/(Gain) on DBO	3.75	13.28
b. Returns above Interest Income	1.73	(0.13)
c. Change in Asset ceiling	-	-
Total Re-measurements (OCI / Retained Earnings)	5.48	13.15
F. Employer Expense (P&L)		
a. Current Service Cost	19.16	17.17
b. Interest Cost on net DBO	3.40	2.60
c. Past Service Cost	-	1.49
d. Total P&L Expenses	22.56	21.26
G. Net defined benefit liability (asset) reconciliation		
1 Net defined benefit liability (asset)	71.33	67.58
2 Defined benefit cost included in P&L	22.56	21.26
3 Total remeasurements included in OCI / Retained Earnings	5.48	13.15
4 a. Employer contributions	(21.36)	(30.66)
b. Employer direct benefit payments	-	-
c. Employer direct settlement payments	-	-
5 Net transfer	-	-
6 Net defined benefit liability (asset) as of end of period	78.02	71.33
H. Reconciliation of OCI (Re-measurement)		
1 Recognised in OCI at the beginning of period	70.26	57.11
2 Recognised in OCI during the period	5.48	13.15
3 Recognised in OCI / Retained Earnings at the end of the period	75.74	70.26

Notes to the Consolidated Financial Statements
for the year ended March 31, 2023 (Contd.)
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Particulars	March 31, 2023	March 31, 2022
I. Sensitivity analysis - DBO end of Period		
1 Discount rate +100 basis points	(3.19)	(4.38)
2 Discount rate -100 basis points	3.43	4.77
3 Salary Increase Rate +1%	3.36	4.57
4 Salary Increase Rate -1%	(3.18)	(4.29)
5 Attrition Rate +1%	(0.66)	(1.34)
6 Attrition Rate -1%	0.69	1.42
J. Significant actuarial assumptions		
1 Discount rate Current Year (p.a.)	7.42%	4.77%
2 Discount rate Previous Year (p.a.)	4.77%	3.86%
3 Salary increase rate (p.a.)	3.00% - 10.00%	6.00% - 11.00%
4 Attrition Rate (%)	9.00% - 71.00%	9.00% - 74.00%
5 Retirement Age (years)	60	60
6 Pre-retirement mortality	IALM (FY 2012-14) Urban	IALM (FY 2012-14) Urban
7 Disability	Nil	Nil
K. Data		
1 No.	1,15,137	1,15,490
2 Average age (yrs.)	29.11	28.99
3 Average past service (yrs.)	2.47	2.42
4 Average salary monthly (₹)	9,159.64	9,046.16
5 Future service (yrs.)	30.89	31.01
6 Weighted average duration of DBO	3.00	4.00
L. Expected cash flows for following year		
1 Expected contributions / Addl. Provision Next Year	36.85	29.61
2 Expected total benefit payments		
Year 1	64.60	51.64
Year 2	37.29	33.72
Year 3	22.65	24.02
Year 4	15.34	16.99
Year 5	11.09	12.79
Next 5 years	27.97	32.29

Category of Plan assets	% of Fair value to total planned assets (as at March 31, 2023)
Government securities and corporate bonds/debentures	8.48%
Money market instruments and fixed deposits	92.62%
Net current assets and other approved security	(1.10%)
Total	100.00%

The Group's gratuity plan obligation is determined by actuarial valuation and is funded by investments in government securities. As such, the valuation and the funding are exposed to certain risks, including mainly salary increments, attrition levels, interest rates and investment yields. If salaries and interest rates rise faster than assumed or if the attrition rates are lower than assumed, then the Group's gratuity obligation would rise faster in future periods and an increase in market yields

Notes to the Consolidated Financial Statements
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of government securities would reduce the value of the plan's investments, leading to higher future funding requirements. The Group monitors plan obligations and investments regularly with a view to ensuring that there is adequate funding on an ongoing basis, thus mitigating any potential adverse consequences of the risks described.

C) Compensated absences

The Group neither has a policy of encashment of unavailed leaves for its employees nor allow the leaves to be carry forward to next year.

- D)** The Parliament has approved the Code on Social Security, 2020 ('Code') which may impact the contribution by the Group 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 Group 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.

39 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

Sr No.	Particulars	March 31, 2023	March 31, 2022
1	Claims against the Company not acknowledged as debt (Refer Note 39.1)	99.53	90.59
2	Estimated amount of contracts remaining to be executed on capital account and not provided for: (Net of Advances amounting to ₹ 9.02 Crore, previous year ₹0.43 Crore)	45.00	13.27
3	Undrawn committed sanctions to borrowers	134.31	59.40

39.1 Claims against the Group not acknowledged as debt

Particulars	March 31, 2023	March 31, 2022
Suit filed by borrowers	13.88	5.25
Other contingent liabilities in respect of :		
1. Provident Fund matter - (see (a) below)	50.14	50.14
2. Payment of Bonus (Amendment) Act, 2015 - (see (b) below)	34.88	34.88
3. Payment of Labour Welfare Fund	0.32	0.32
4. Maharashtra Professional Tax Assessment	0.31	-
Total	99.53	90.59

a) Provident Fund matter

The Group has received a notice of demand from the Provident Fund department amounting to ₹ 50.14 Crore. The Group had filed an appeal challenging the Provident Fund Commissioner's order before the Provident Fund Appellate Tribunal, wherein the Group had received a favourable outcome. However, a sum of ₹ 1 Crore has been deposited under protest with the Provident Fund Appellate Authority. This amount is shown under Other financial assets.

The Provident Fund department has challenged order of the appellate authority in the High Court. The management of the Group is of the view that no material losses will arise in respect of the legal claim and accordingly the same has been disclosed as a contingent liability. In the eventuality of any claim arising out of this case, the same will be billed to the customer in the year the claim is final and accordingly no provision has been made.

b) Payment of Bonus (Amendment) Act, 2015

As per the amendment to the Payment of Bonus (Amendment) Act, 2015 vide notification number DL-(N)04/70007/2003-16 issued on January 01, 2016 by Government of India, the Group would be required to pay statutory bonus to all eligible employees as per the amendments specified thereunder, with effect from April 01, 2014. However, various High Courts have granted a stay on retrospective effect of Payment of Bonus (Amendment) Act, 2015 from financial year 2014-15. In light of the above, the Group has decided to disclose such bonus amounting to ₹ 34.88 Crore as a contingent liability.

Notes to the Consolidated Financial Statements
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39.2 The Group's pending litigations comprise of claims against the Group by the customers and proceedings pending with other authorities. The Group has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in the financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial results.

39.3 The Group has a process whereby periodically all long term contracts are assessed for material foreseeable losses. At the year end, the Group has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts has been made in the books of account.

40 MATURITY ANALYSIS OF ASSETS & LIABILITIES

Particulars	March 31, 2023		March 31, 2022	
	Within 12 months	After 12 months	Within 12 months	After 12 months
ASSETS				
Financial Assets				
(a) Cash and cash equivalents (CCE)	395.90	-	477.20	-
(b) Bank balances other than CCE	257.92	-	176.19	30.58
(c) Derivative financial instruments	165.34	-	-	132.44
(d) Trade receivables	65.76	-	141.82	-
(e) Loans	24,418.76	41,963.91	21,299.76	35,862.69
(f) Investments	1,185.31	57.94	2,144.02	89.49
(g) Other financial assets	-	34.87	-	32.91
	26,488.99	42,056.72	24,238.99	36,148.11
Non-financial Assets				
(a) Current tax assets (Net)	25.11	-	13.34	-
(b) Deferred tax assets (Net)	-	1,000.87	-	1,051.17
(c) Property, plant and equipment	-	122.37	-	78.14
(d) Capital work-in-progress	-	-	-	-
(e) Other intangible assets	-	20.41	-	12.01
(f) Right of Use Assets	54.03	190.24	49.00	153.49
(g) Other non-financial assets	50.40	41.25	58.99	222.70
	129.54	1,375.14	121.33	1,517.51
TOTAL ASSETS	26,618.53	43,431.86	24,360.32	37,665.62
LIABILITIES				
Financial Liabilities				
(a) Derivative financial instruments	-	-	-	-
(b) Trade payables	291.84	-	246.91	-
(c) Debt securities	9,620.89	17,475.52	8,003.83	17,328.48
(d) Borrowings other than debt securities	9,663.25	14,564.55	8,752.04	10,749.68
(e) Subordinated liabilities	229.42	3,311.68	599.23	3,539.82
(f) Other financial liabilities	2,310.87	467.57	2,344.47	364.25
	22,116.27	35,819.32	19,946.48	31,982.23
Non-Financial Liabilities				
(a) Current tax liabilities (net)	41.97	-	59.73	-
(b) Provisions	314.34	54.62	264.61	50.14
(c) Other non-financial liabilities	266.91	-	183.02	-
	623.22	54.62	507.36	50.14
TOTAL LIABILITIES	22,739.49	35,873.94	20,453.84	32,032.37
NET	3,879.04	7,557.92	3,906.48	5,633.25

Notes to the Consolidated Financial Statements
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41 CORPORATE SOCIAL RESPONSIBILITY

The average profit before tax of the Group for last three financial years was ₹ 1,107.64 Crore, basis which the Group's Prescribed CSR Budget for FY 2022-23 was ₹ 22.15 Crore. In FY 2021-22 an excess amount of ₹ 1.13 Crore was spent against the Prescribed CSR Budget for FY 2021-22, hence after adjusting the excess spend, the Group's CSR Obligation for FY 2022-23 was ₹ 21.02 Crore.

a) Amount spent during the year on:

Particulars	March 31, 2023			March 31, 2022		
	Amount Spent	Amount Unpaid/provision	Total	Amount Spent	Amount Unpaid/provision	Total
Construction / acquisition of any asset	-	-	-	-	-	-
On purpose other than above	21.78	Not Applicable	21.78	25.83	Not Applicable	25.83

b) In case of Section 135(5) unspent amount:

Opening Balance	Amount deposited in Specified Fund of Sch. VII within 6 months	Amount required to be spent during the year	Amount spent during the year	Closing Balance
Not Applicable				

c) In case of Section 135(5) Excess amount spent

Opening Balance	Amount required to be spent during the year	Amount spent during the year	Closing Balance
(1.13)	22.15	21.78	(0.76)

Note:

₹ 0.76 Crore was spent over and above the CSR Obligation of ₹ 21.02 Crore for the financial year 2022-23.

d) In case of Section 135(6) Details of ongoing projects

With Company	In Separate CSR Unspent Account	Amount required to be spent during the year	Amount spent during the year		Closing Balance	
			From Company's Bank Account	From Separate CSR Unspent A/c	With Company	In Separate CSR Unspent Account
(1.13)	2.28	22.15	21.78	2.28	(0.76)	-

e) Nature of CSR activities

CSR activities conducted during the year was focused on promoting healthcare, enhancing employability skills for unemployed individuals, supporting restoration of waterbodies and other water conservation activities, among other interventions.

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42 DETAILS OF DUES TO MICRO, SMALL AND MEDIUM ENTERPRISES

As per the confirmation received from the parties following is the status of MSME parties.

Particulars	As at March 31, 2023	As at March 31, 2022
The Principal amount remaining unpaid at the end of the year	-	-
The Interest Amount remaining unpaid at the end of the year	-	-
Interest paid along with amount of payment made to the supplier beyond the appointed day	-	-
Amount of interest due and payable for the period of delay on payments made beyond the appointed day	-	-
Amount of interest accrued and remaining unpaid	-	-
Further interest due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small enterprises	-	-
Balance of MSME parties at the end of the year	-	-

Note - The above is based on the information available with the Group which has been relied upon by the auditors.

43 FAIR VALUE MEASUREMENT

a) Valuation principles

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, as explained below:

b) Total financial assets measured at fair value on a recurring basis :

The following tables show an analysis of the fair value of financial assets by level of the fair value hierarchy.

Particulars	Category	Fair value hierarchy	Fair value	
			March 31, 2023	March 31, 2022
Mutual fund units	FVTPL	Level 1	411.65	946.45
Unquoted equity shares	FVTPL	Level 3	1.95	1.45
Treasury bills	FVTPL	Level 1	773.66	1,197.57
Securities receipt of ARC	FVTPL	Level 2	55.99	88.04
Derivative financial instruments	FVTPL	Level 2	165.34	132.44

Level 1:

Units held in mutual funds are measured based on their published net asset value (NAV), taking into account redemption and/or other restrictions.

Treasury bills are valued based on market quotes.

Level 2:

Fair value of debt securities, borrowings other than debt securities and subordinated liabilities have estimated by discounting expected future cash flows discounting rate near to report date based on comparable rate / market observable data.

Level 3:

Fair value of loans have estimated by discounting expected future cash flows using discount rate equal to the rate near to the reporting date of the comparable product.

Unquoted equity shares are measured at fair value using suitable valuation models viz., net asset value technique.

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- c) The table below presents information pertaining to the fair values and carrying values of the Group's financial assets and liabilities.

Particulars	Category	Fair value hierarchy	March 31, 2023		March 31, 2022	
			Carrying value	Fair value	Carrying value	Fair value
Financial Assets						
(a) Cash and cash equivalents (CCE)	Amortised cost		395.90	395.90	477.20	477.20
(b) Bank balances other than CCE	Amortised cost		257.92	257.92	206.77	206.77
(c) Derivative financial instruments	FVTPL	Level 2	165.34	165.34	132.44	132.44
(d) Trade receivables	Amortised cost		65.76	65.76	141.82	141.82
(e) Loans	Amortised cost	Level 3	66,382.67	63,647.52	57,162.45	54,511.90
(f) Investments - Mutual funds and Treasury bills	FVTPL	Level 1	1,185.31	1,185.31	2,144.02	2,144.02
Investments - In Security Receipts	FVTPL	Level 2	55.99	55.99	88.04	88.04
Investments - Unquoted equity shares	FVTPL	Level 3	1.95	1.95	1.45	1.45
(g) Other financial assets	Amortised cost		34.87	34.87	314.60	314.60
			68,545.71	65,810.56	60,668.79	58,018.24
Financial Liabilities						
(a) Derivative financial instruments	FVTPL	Level 2	-	-	-	-
(b) Trade payables	Amortised cost		291.84	291.84	246.91	246.91
(c) Debt securities	Amortised cost	Level 2	27,096.41	27,322.07	25,332.31	26,356.46
(d) Borrowings other than Securitisation	Amortised cost	Level 2	23,856.94	23,087.21	18,296.08	17,976.30
Borrowings under Securitisation	Amortised cost	Level 2	370.86	364.45	1,205.64	1,193.88
(e) Subordinated liabilities	Amortised cost	Level 2	3,541.10	3,623.40	4,139.05	4,429.21
(f) Other financial liabilities	Amortised cost		2,778.42	2,778.42	2,708.72	2,708.72
			57,935.57	57,467.39	51,928.71	52,911.47

(i) Short-term and other financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than twelve months) and for other financial assets and other financial liabilities that are insignificant in value, the carrying amounts, net of impairment, if any, are a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, bank balances other than cash and cash equivalents, trade receivables, trade payables, other financial assets and other financial liabilities.

(ii) Loans

These financial assets are recorded at amortised cost, the fair values of which are estimated at portfolio level using a discounted cash flow model based on contractual cash flows discounted using market rates incorporating the counterparties' credit risk.

(iii) Debt securities, borrowings and subordinated liabilities

Fair value is estimated at portfolio level by a discounted cash flow model incorporating market interest rates and the Group's own credit risk or based on market-observable data such as secondary market prices for its traded debt, as relevant.

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44 CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to ensure compliance with regulatory capital requirements. In line with this objective, the Group ensures adequate capital at all times and manages its business in a way in which capital is protected, satisfactory business growth is ensured, cash flows are monitored, borrowing covenants are honoured and ratings are maintained.

Regulatory capital-related information is presented as part of the RBI mandated disclosures. The RBI norms require capital to be maintained at prescribed levels. In accordance with such norms, Tier I capital of the Group comprises of share capital, share premium, reserves and perpetual debt, Tier II capital comprises of subordinated debt and provision on loans that are not credit-impaired. There were no changes in the capital management process during the periods presented.

45 RISK MANAGEMENT

While risk is inherent in the Group's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The Board of Directors are responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Supervisory Board.

The Group'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 Group.

a) Credit risk

The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

Financial assets measured on a collective basis

The Group splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristics, as described below in the following order:

- Secured / unsecured i.e. based on whether the loans are secured
- Nature of security i.e. the nature of the security if the loans are determined to be secured
- Nature of loan i.e. based on the nature of loan

Significant increase in credit risk

The Group considers an exposure to have significantly increased in credit risk when the borrower crosses 30 DPD but is within 90 DPD.

Impairment assessment

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower crosses 90 days past due on its contractual payments. Further, the borrower is retained in Stage 3 (credit-impaired) till all the overdue amounts are repaid i.e. borrower becomes 0 days past due on its contractual payments.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that incorporates the probability of default and subsequent recoveries, discounted.

Current economic data and forward-looking economic forecasts and scenarios are used in order to determine the Ind AS 109 LGD rate. The Group uses data obtained from third party sources and combines such data with inputs to the Group's ECL models including determining the weights attributable to the multiple scenarios.

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Credit quality of assets

- a) The table below shows credit quality and maximum exposure to credit risk based on year-end stage classification. The amounts presented are gross of Impairment loss allowance.

Stage	March 31, 2023	March 31, 2022
Stage 1	66,793.73	56,142.18
Stage 2	1,322.12	2,125.38
Stage 3	1,914.85	3,058.76
Total	70,030.70	61,326.32

- b) An analysis of changes in the gross carrying amount and corresponding ECL allowances in relations to loans is as under:

	March 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - opening balance	56,142.18	2,125.38	3,058.76	61,326.32
Originated or new	44,483.31	210.59	107.86	44,801.76
Matured or repaid	(31,096.12)	(1,099.72)	(2,059.75)	(34,255.59)
Transfers to Stage 1	875.26	(572.33)	(302.93)	-
Transfers to Stage 2	(1,346.94)	1,407.22	(60.28)	-
Transfers to Stage 3	(2,264.67)	(748.31)	3,012.98	-
Amounts written off (net of recovery)	-	-	(1,841.79)	(1,841.79)
Gross carrying amount - closing balance	66,793.02	1,322.83	1,914.85	70,030.70

	March 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - opening balance	55,263.27	3,300.87	2,760.86	61,325.00
Originated or new	28,624.70	251.85	156.66	29,033.21
Matured or repaid	(24,958.69)	(1,099.41)	(1,818.27)	(27,876.37)
Transfers to Stage 1	1,964.69	(1,394.17)	(570.52)	-
Transfers to Stage 2	(2,016.03)	2,097.54	(81.51)	-
Transfers to Stage 3	(2,735.76)	(1,031.30)	3,767.06	-
Amounts written off (net of recovery)	-	-	(1,155.52)	(1,155.52)
Gross carrying amount - closing balance	56,142.18	2,125.38	3,058.76	61,326.32

	March 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance - opening balance	1,996.81	511.25	1,655.81	4,163.87
Originated or new	711.35	74.53	86.91	872.79
Increase / (decrease) in provision on existing financial assets (Net of recovery)	(489.95)	(0.68)	943.79	453.16
Transfers to Stage 1	200.90	(102.26)	(98.64)	-
Transfers to Stage 2	(102.61)	122.39	(19.78)	-
Transfers to Stage 3	(287.57)	(232.73)	520.30	-
Amounts written off (net of recovery)	-	-	(1,841.79)	(1,841.79)
Impairment loss allowance - closing balance	2,028.93	372.50	1,246.60	3,648.03

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	March 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance - opening balance	1,306.11	542.71	874.74	2,723.56
Originated or new	362.16	50.74	82.96	495.86
Increase / (decrease) in provision on existing financial assets (Net of recovery)	333.52	202.97	1,563.48	2,099.97
Transfers to Stage 1	335.24	(176.84)	(158.40)	-
Transfers to Stage 2	(108.83)	133.96	(25.13)	-
Transfers to Stage 3	(231.39)	(242.29)	473.68	-
Amounts written off (net of recovery)	-	-	(1,155.52)	(1,155.52)
Impairment loss allowance - closing balance	1,996.81	511.25	1,655.81	4,163.87

c) Modified financial assets

The Group renegotiates loans given to customers in financial difficulties (referred to as forbearance activities, restructuring or rescheduling) to maximise collection opportunities and minimise the risk of default. Under the Companies forbearance policy, loan forbearance is granted on a selective basis if the customer is currently in default on its debt or if there is a high risk of default, there is evidence that the customer made all reasonable efforts to pay under the original contractual terms and the customer is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Risk Management Committee regularly reviews reports on forbearance activities.

Upon renegotiation, such accounts are classified as Stage 3. Such accounts are upgraded to Stage 1 only upon observation of satisfactory repayments of one year from the date of such down-gradation and accordingly loss allowance is measured using 12 month PD.

Exposure to modified financial assets	March 31, 2023	March 31, 2022
Gross carrying amount	2,384.91	5,100.35
Impairment allowance	1,091.00	1,975.22
Net carrying amount	1,293.91	3,125.13

Analysis of risk concentration

The following table shows risk concentration of the Group's loans basis risk exposure into smaller homogeneous portfolios, based on shared credit risk characteristics as under:

	March 31, 2023	March 31, 2022
Carrying value of Loans	66,382.67	57,162.44
Mortgage backed loans	17,676.86	16,404.30
Other assets backed loans	28,669.31	24,290.68
Personal loans	15,828.13	13,143.46
Others	4,208.37	3,324.00
Total	66,382.67	57,162.44

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Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees
- For retail lending, mortgages over residential properties

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement.

Collateral coverage - credit impaired loans

Loan to Value (LTV) range	March 31, 2023	March 31, 2022
Upto 50 % Coverage	659.53	1,259.26
51-75 % Coverage	8.58	139.87
76-100 % Coverage	0.02	3.75
Above 100% Coverage	-	0.07
Total	668.13	1,402.95

b) Liquidity risk and funding management

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. To limit this risk, management has arranged for diversified funding sources, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

Maturity profile of financial liabilities

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at March 31.

March 31, 2023	Less than 1 year	1 years to 3 years	3 years to 5 years	5 years and above	Total
Trade payables	291.84	-	-	-	291.84
Debt securities	11,287.03	15,700.20	3,220.45	1,393.20	31,600.88
Borrowings	10,257.28	13,961.22	2,628.58	41.07	26,888.15
Borrowings under Securitisation	293.82	86.99	-	-	380.81
Subordinated liabilities	545.86	1,036.75	1,125.54	2,490.14	5,198.29
Total	22,675.83	30,785.16	6,974.57	3,924.41	64,359.97

March 31, 2022	Less than 1 year	1 years to 3 years	3 years to 5 years	5 years and above	Total
Trade payables	246.91	-	-	-	246.91
Debt securities	9,999.33	16,693.39	1,684.16	1,117.35	29,494.22
Borrowings	8,182.18	10,532.33	932.43	12.56	19,659.50
Borrowings under Securitisation	774.09	408.48	11.31	-	1,193.88
Subordinated liabilities	975.04	1,338.21	878.57	2,981.50	6,173.32
Total	20,177.55	28,972.40	3,506.47	4,111.41	56,767.84

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c) Market risk

Market risk represents the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

i) Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) of the Group's statement of profit and loss.

	% Increase/decrease in rate		Increase/decrease in profit	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Borrowings that are re-priced	0.25%	0.25%	48.75	31.69
Loans that are re-priced	0.25%	0.25%	41.78	35.63

ii) Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency risk for the Group arise majorly on account of foreign currency borrowings. The Group manages this foreign currency risk by entering into cross currency swaps and forward contract. When a derivative is entered into for the purpose of being as hedge, the Group negotiates the terms of those derivatives to match with the terms of the hedge exposure. The Group's policy is to fully hedge its foreign currency borrowings at the time of drawdown and remain so till repayment.

The Group holds derivative financial instruments such as cross currency interest rate swap to mitigate risk of changes in exchange rate in foreign currency and floating interest rate. The counterparty for these contracts is generally a bank. These derivative financial instruments are valued based on quoted prices for similar assets and liabilities in active markets or inputs that are directly or indirectly observable in market place.

d) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or from external events.

The operational risks of the Group are managed through comprehensive internal control systems and procedures and key back up processes. This enables the management to evaluate key areas of operational risks and the process to adequately mitigate them on an ongoing basis. The Group also undertakes Risk based audits on a regular basis across all business units / functions. While examining the effectiveness of control framework through self-assessment, the risk-based audit would assure effective implementation of self-certification and internal financial controls adherence, thereby, reducing enterprise exposure.

The Group has put in place a robust Disaster Recovery (DR) plan, which is periodically tested. Business Continuity Plan (BCP) is further put in place to ensure seamless continuity of operations including services to customers, when confronted with adverse events such as natural disasters, technological failures, human errors, terrorism, etc. Periodic testing is carried out to address gaps in the framework, if any. DR and BCP audits are conducted on a periodical basis to provide assurance regarding the effectiveness of the Group's readiness.

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46 IMPACT OF HEDGING ACTIVITIES

a) Disclosure of effects of hedge accounting on financial position:

March 31, 2023								
Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness	Line item in Balance Sheet
Cash flow hedge	Assets	Liabilities	Assets	Liabilities				
Foreign exchange forward contracts (Cross currency interest rate swaps)	1,889.91		165.34		June 18, 2023	33.73	33.73	Borrowings

March 31, 2022								
Type of hedge and risks	Nominal value		Carrying amount of hedging instrument		Maturity date	Changes in fair value of hedging instrument	Change in the value of hedged item used as the basis for recognising hedge effectiveness	Line item in Balance Sheet
Cash flow hedge	Assets	Liabilities	Assets	Liabilities				
Foreign exchange forward contracts (Cross currency interest rate swaps)	4,017.00		132.44		October 30, 2022, November 29, 2020, December 10, 2022 & June 18, 2023	175.17	175.17	Borrowings

b) Disclosure of effects of hedge accounting on financial performance

March 31, 2023					
Type of hedge	Change in the value of the hedging instrument recognised in other comprehensive Income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedge reserve to statement of profit or loss	Line item affected in statement of profit and loss because of the reclassification	
Cash flow hedge					
Foreign exchange risk and interest rate risk	33.73	-	(14.13)	Finance cost	

March 31, 2022					
Type of hedge	Change in the value of the hedging instrument recognised in other comprehensive Income	Hedge ineffectiveness recognised in statement of profit and loss	Amount reclassified from cash flow hedge reserve to statement of profit or loss	Line item affected in statement of profit and loss because of the reclassification	
Cash flow hedge					
Foreign exchange risk and interest rate risk	175.17	-	(142.17)	Finance cost	

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47 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Particulars	April 01, 2022	Cash flows	Exchange Difference	Other	March 31, 2023
Debt securities	25,332.31	1,738.71	-	25.39	27,096.41
Borrowings other than debt securities	18,296.08	5,534.35	-	26.51	23,856.94
Borrowings under Securitisation	1,205.64	(834.78)	-	-	370.86
Subordinated liabilities	4,139.05	(608.90)	-	10.95	3,541.10
Total	48,973.08	5,829.38	-	62.85	54,865.31

Particulars	April 01, 2021	Cash flows	Exchange Difference	Other	March 31, 2022
Debt securities	23,802.07	1,555.63	-	(25.39)	25,332.31
Borrowings other than debt securities	20,532.66	(2,248.95)	-	12.37	18,296.08
Borrowings under Securitisation	2,036.41	(830.77)	-	-	1,205.64
Subordinated liabilities	3,987.61	140.49	-	10.95	4,139.05
Total	50,358.75	(1,383.60)	-	(2.07)	48,973.08

- (i) Other column includes the effect of accrued but not paid interest on borrowing, amortisation of processing fees etc.
- (ii) Total Liabilities comprises of Debt securities, Borrowings (other than debt securities) and Subordinated Liabilities

48 EXPENDITURE / REMITTANCES IN FOREIGN CURRENCIES

a) Expenditure in Foreign Currencies

Particulars	March 31, 2023	March 31, 2022
Professional charges	0.05	0.14
Annual software application fee	4.16	0.20

b) There is no dividend paid in foreign currency.

49 EVENT AFTER REPORTING DATE

Subsequent events are tracked and evaluated by the Group. Necessary adjustments / disclosures have been provided in the financial statements for significant subsequent events.

50 TRANSFER OF FINANCIAL ASSETS

50.1 Transferred financial assets that are not derecognised in their entirety

The following details provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

A) Securitisation

The Group has transferred certain pools of fixed rate loan receivables backed by underlying assets by entering into securitisation transactions with the Special Purpose Vehicle Trusts (SPV Trust) sponsored by commercial banks for consideration received in cash at the inception of the transaction.

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The Group, being Originator of these loan receivables, also acts as Servicer with a responsibility of collection of receivables from its borrowers and depositing the same in Collection and Payout Account maintained by the SPV Trust for making scheduled payouts to the investors in Pass Through Certificates (PTCs) issued by the SPV Trust. These securitisation transactions also requires the Group to provide for first loss credit enhancement in various forms, such as corporate guarantee, cash collateral, subscription to subordinated PTCs etc. as credit support in the event of shortfall in collections from underlying loan contracts. By virtue of existence of credit enhancement, the Group is exposed to credit risk, being the expected losses that will be incurred on the transferred loan receivables to the extent of the credit enhancement provided.

In view of the above, the Group has retained substantially all the risks and rewards of ownership of the financial asset and thereby does not meet the derecognition criteria as set out in Ind AS 109. Consideration received in this transaction is presented as 'Borrowing under Securitisation' under Note 18.

The details of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

Particulars	March 31, 2023	March 31, 2022
Carrying amount of transferred assets measured at amortised cost	356.14	1,211.85
Carrying amount of associated liabilities (Debt securities - measured at amortised cost)	370.86	1,205.64
Fair value of assets	337.98	1,154.16
Fair value of associated liabilities	364.45	1,193.88
Net position at Fair Value	(26.47)	(39.72)

B) Assignment

The Group has sold some loans (measured at amortised cost) by way of direct bilateral assignment, as a source of finance.

As per the terms of these deals, since substantial risk and rewards related to these assets were transferred to the buyer, the assets have been de-recognised from the Group's balance sheet.

The table below summarises the carrying amount of the derecognised financial assets measured at amortised cost and the gain/(loss) on derecognition, per type of asset.

Particulars	March 31, 2023	March 31, 2022
Carrying amount of de-recognised financial asset	55.84	117.98
Carrying amount of retained assets at amortised cost*	6.09	13.41
Gain on sale of the de-recognised financial asset	Nil	Nil

*excludes Excess Interest Spread (EIS) on de-recognised financial assets

50.2 Transferred financial assets that are derecognised in their entirety but where the Group has continuing involvement

The Group has not transferred any assets that are derecognised in their entirety where the Group continues to have continuing involvement.

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(Currency : Indian Rupees in Crore)

51 RELATIONSHIP WITH STRUCK OFF COMPANIES ON THE BASIS OF AVAILABLE DATA ON THE DATE OF REPORTING

Sr No.	Name of Struck off Company	Nature of transactions	As at March 31, 2023 (Amt in Crore)	As at March 31, 2022 (Amt in Crore)	Relationship with the struck off company, if any, to be disclosed
1	Goldman Venture Private limited	Shareholder	*	*	Shareholder
2	Anish Projects Developers (I) Private Limited	Loan	-	0.06	Borrower
3	Foxmind Connect Private Limited	Loan	-	0.69	Borrower
4	Galaxy Park Hospitality Private Limited	Loan	0.48	0.55	Borrower
5	Glamoroso Family Saloon And Spa Private Limited	Loan	0.28	0.32	Borrower
6	Gravitee Concepts Private Limited	Loan	-	0.01	Borrower
7	GVK Alliance Networks Private Limited	Loan	0.53	0.58	Borrower
8	Onus Labs Private Limited	Loan	0.30	0.35	Borrower
9	Peesscon India Reality Private Limited	Loan	0.13	0.16	Borrower
10	Satkar Security Provider Private Limited	Loan	-	(0.00)	Borrower
11	Shanti Sarup And Sons Private Limited	Loan	0.70	0.78	Borrower
12	Shiv Bhole India Travels Private Limited	Loan	-	0.51	Borrower
13	Sunrise Build Structure Private Limited	Loan	-	0.24	Borrower
14	Tapobhumi Real Estate & Marketing Private Limited	Loan	-	0.15	Borrower
15	Arun Electrochemical Systems Private Limited	Loan	0.19	0.25	Borrower
16	Rushi Herbal Private Limited	Loan	(0.02)	1.27	Borrower
17	A S P Appliances P Limited	Loan	1.01	-	Borrower
18	Natkhat Agro Foods Private Limited	Loan	0.20	-	Borrower
19	Jeevan Jyothi General And Maternity Hospital Private Limited	Loan	0.69	-	Borrower
20	Deli Carrier Pack And Move Private Limited	Loan	0.21	-	Borrower
21	DRS Enterprises Private Limited	Loan	0.15	-	Borrower
22	NMG Food And Beverages Private Limited	Loan	0.05	-	Borrower
23	R S Vegetable Exporters India Private Limited	Loan	0.09	-	Borrower
24	Brand X Zone Private Limited	Loan	0.04	-	Borrower
25	Prarabdhan Bharti Bhawan Opc Private Limited	Loan	0.03	-	Borrower
26	Shri Ganesha Global Gulal Private Limited	Loan	0.15	-	Borrower
27	Royal Friends Enterprises Private Limited	Loan	(0.00)	-	Borrower
28	Raj Kumar And Sons Ornaments Private Limited	Loan	(0.01)	-	Borrower
29	Grahalaya Constructions Private Limited	Loan	(0.00)	-	Borrower
30	Indonex Services Private Limited	Loan	(0.00)	-	Borrower
31	Trilogy Krikos Private Limited	Loan	-	(0.00)	Borrower

Note:- In the absence of purchase price of share held by Goldman Venture Private Limited face value is considered for reporting purpose.

* Less than ₹ 1,000/-.

Notes to the Consolidated Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)

52 DISCLOSURE PURSUANT TO REGULATION 53(F) READ WITH SCHEDULE V OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

Sr. No	Particulars	March 31, 2023	March 31, 2022
a)	Loans and advances in the nature of loans to subsidiaries	-	-
	Name of the Company	-	-
	Amount	-	-
b)	Loans and advances in the nature of loans to associates	-	-
	Name of the Company	-	-
	Amount	-	-
c)	Loans and advances in the nature of loans to firms/companies in which directors are interested	-	-
	Name of the Company	-	-
	Amount	-	-
d)	Investments by the loanee in the shares of parent company and subsidiary company, when the company has made a loan or advance in the nature of loan.	-	-

53 DISCLOSURE PURSUANT TO REGULATION 54 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

The Debentures are secured by way of a first and pari passu mortgage in favour of the Security Trustee on the Company's Office no 319, 3rd Floor, Heera Panna Complex, Dr. Yagnik Road, Rajkot and/or further secured by way of hypothecation of receivables under financing activity with a minimum requirement of asset cover of 1.1 times. Assets cover as on March 31, 2023 is 1.1 times.

54 DETAILS OF REVENUE FROM INSURANCE SEGMENT

Particulars	As at March 31, 2023	As at March 31, 2022
Commission Income	40.89	24.70

55 THE DISCLOSURE ON THE FOLLOWING MATTERS REQUIRED UNDER SCHEDULE III AS AMENDED NOT BEING RELEVANT OR APPLICABLE IN CASE OF THE COMPANY, SAME ARE NOT COVERED SUCH AS

- a) The Company has not traded or invested in crypto currency or virtual currency during the financial year
- b) There are no undisclosed transaction which have not been recorded in the books.
- c) No proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.
- d) The Company has not been declared willful defaulter by any bank or financial institution or government or any government authority
- e) The Company has not entered into any scheme of arrangement
- f) No Registration or satisfaction of charges are pending to be filed with ROC.

**Notes to the Consolidated Financial Statements
for the year ended March 31, 2023 (Contd.)
(Currency : Indian Rupees in Crore)**

- 56** a) No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend to or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- b) No funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend to or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.
- 57** Previous year numbers have been regrouped / reclassified, wherever considered necessary, to correspond with current year presentation. There are no significant regrouping / reclassifications during the year under report.

58 DIVIDEND DISTRIBUTED TO EQUITY SHAREHOLDERS

The Company has paid an interim dividend of ₹ 0.90 per equity share during the year. Further, the Board has proposed a final dividend of ₹ 1.10 per equity share for financial year ended March 31, 2023 in the Board of Directors meeting held on April 15, 2023.

Accounting Period	Net Profit for the accounting period (₹ in Crore)	Rate of dividend (%)	Amount of Dividend (₹ in Crore)	Dividend Payout ratio (%)
FY 2022-23	1,959.35	20%	158.26	8.08%
FY 2021-22	1,011.40	10%	79.04	7.82%

59 STANDARDS ISSUED BUT NOT YET EFFECTIVE

On March 31, 2023, the Ministry of Corporate Affairs ('MCA') through a notification, The amendments rules the Companies (Indian Accounting Standards) Amendment Rules, 2023 are applicable from April 01, 2023 (Financial Year 2023-24).

As per our report of even date attached

For **B. K. Khare & Co.**
Chartered Accountants
Firms' Registration No: 105102W

Sd/-
Padmini Khare Kaicker
Partner
Membership No: 044784

Place: Mumbai
Date: April 15, 2023

For **KKC & Associates LLP**
Chartered Accountants
(formerly Khimji Kunverji & Co LLP)
Firms' Registration No:
105146W/W-100621

Sd/-
Hasmukh B. Dedhia
Partner
Membership No: 033494

For and on behalf of the Board of Directors of
HDB Financial Services Limited

Sd/-
Arijit Basu
Chairman and Non-Executive
Director
DIN: 06907779

Sd/-
Dipti Khandelwal
Company Secretary
Membership No: F11340

Sd/-
G. Ramesh
Managing Director & CEO
DIN: 05291597

Sd/-
Jaykumar P. Shah
Chief Financial Officer
Membership No: 106353

Notes

Notes

Notes

Indian Map indicating HDBFS Branches as on 31st March 2023.



Disclaimer : All efforts have been made to make this image accurate. However, the Company and it's Directors do not own the responsibility for the correctness or the authenticity of the same.

CORPORATE INFORMATION

Key Managerial Personnel

Mr. Ramesh G.,
Managing Director & Chief Executive Officer

Mr. Jaykumar P. Shah,
Chief Financial Officer

Ms. Dipti Khandelwal,
Company Secretary & Head - Legal

Joint Statutory Auditors

M/s. KKC & Associates LLP
(formerly Khimji Kunverji & Co LLP)
(ICAI Reg. no. 105146W/W100621)

M/s. B. K. Khare & Co
(ICAI Reg. no. 105102W)

Secretarial Auditors

M/s. Mehta & Mehta, Company Secretaries
(ICSI Unique Code P1996MH007500)

Registered Office

Radhika, 2nd Floor, Law Garden Road,
Navrangpura, Ahmedabad - 380 009
Tel No.: +91 7045054829
Website: www.hdbfs.com
Email: compliance@hdbfs.com

Corporate Identification Number

U65993GJ2007PLC051028

Corporate Office

Ground Floor, Zenith House, Keshavrao Khadye
Marg, Mahalaxmi, Mumbai - 400 034
Tel No.: +91 22 49116300
Fax: +91 22 49116666

Bankers

- * Axis Bank * Bank of Baroda * Bank of India
- * BNP Paribas * Canara Bank
- * Central Bank of India
- * Citibank NA * CSB Bank * CTBC Bank
- * Deutsche Bank * Dhanlaxmi Bank
- * Federal Bank * HDFC Bank
- * HSBC Bank * ICICI Bank * IDBI Bank
- * Indian Bank * IndusInd Bank
- * J P Morgan Chase Bank
- * Jammu & Kashmir Bank * Karnataka Bank
- * Karur Vysya Bank * Kotak Mahindra Bank
- * Punjab National Bank * State Bank of India
- * Union Bank of India

Registrar and Share Transfer Agent

M/s. Link Intime India Private Limited
C 101, 247 Park, L.B.S. Marg, Vikhroli (West),
Mumbai - 400 083

Debenture Trustees

M/s. IDBI Trusteeship Services Limited
Universal Insurance Building,
Ground Floor, Sir P.M. Road,
Fort, Mumbai – 400 001
Tel.: +91 22 40807000
Fax: +91 22 66311776
Email: itsl@idbitrustee.com

M/s. Axis Trustee Services Limited
Axis House, Wadia International Centre,
Pandurang Budhkar Marg, Worli,
Mumbai - 400 025
Tel.: +91 22 62300446
Fax: +91 22 62300700
Email: debenturetrustee@axistrustee.in



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