DIRECTORS' REPORT

To,
The Members,
Fincare Business Services Limited ("The Company")
(Formerly known as Fincare Business services Private Limited)

Your Directors take pleasure in presenting the 9th Annual Report together with the Audited Financial Statements of your Company for the financial year ended March 31, 2023.

1. FINANCIAL HIGHLIGHTS

The summary of your Company's financial performance, both on a Standalone and Consolidated basis for the Financial Year 2022-23 is given below:

Particulars	Standalone* (amounts in INR thousands)		Consolidated* (amounts in INR millions)	
	FY 2022-23	FY 2021-22	FY 2022-23	FY 2021-22
Total Income	2,940	3,879	18,966	17,079
Total Expenses	88,364	47,104	17,938	17,525
Profit/(Loss) before tax	**(85,424)**	**(43,225)**	**1,028**	**(446)**
Tax Expenses:				
Current Tax	-	-	80	240
MAT expense	-	-	-	-
Deferred Tax	-	-	79	(394)
Prior Period Tax	-	6,119	46	-
Profit/ (Loss) after Tax	**(85,424)**	**(49,345)**	**823**	**(292)**
Other Comprehensive Income (OCI) – net of taxes	-	-	**495**	**(506)**
Net Profit/(Loss) After Tax (Inclusive of OCI)	**(85,424)**	**(49,345)**	**1,317**	**(798)**
Earnings Per Share (in Rs.)				
- Basic (face value Rs 1/ share)	(0.26)	(0.15)	(1.91)	(0.73)
- Diluted (face value Rs 1/ share)	(0.26)	(0.15)	(1.87)	(0.73)

** as per Indian Accounting Standards (Ind-AS)*

2. FINANCIAL PERFORMANCE

Standalone

As a Core Investment Company, the Company's investments are in the securities of its subsidiary company. Accordingly, most of its standalone revenue depends on income from investments made in its subsidiary company.

The gross revenue of the Company stood at Rs.2,940 thousands (Rupees Two Thousand Nine Hundred and Forty Thousands) for the year ended March 31, 2023, as against Rs.3,879 thousands (Rupees Three Thousand Eight Hundred and Seventy-Nine Thousands) in the previous year. The Company incurred in total a net loss of Rs.85,424 thousands (Rupees Eighty-Five Thousand Four Hundred and Twenty-Four Thousands) for the year ended March 31, 2023, as compared to the net loss of Rs.43,225 thousands (Rupees Forty-Three Thousand Two Hundred and Twenty-Five Thousands) in the previous year.

Consolidated

The Consolidated gross revenue of Fincare Group ('Fincare Group' shall mean Fincare Business Services Limited along with its subsidiary) was at Rs.18,966 million (Rupees Eighteen Thousand Nine Hundred and Sixty-Six Million) as against Rs.17,079 million (Rupees Seventeen Thousand and Seventy-Nine Million) during the previous financial year. The Fincare Group has a consolidated net profit (including OCI) amount of Rs.1,317 million (Rupees One Thousand Three Hundred and Seventeen Million) as against net loss (including OCI) amount of Rs.798 million (Rupees Seven Hundred and Ninety-Eight Million) in the previous year.

The consolidated financial statement for the financial year 2022-23 reflects the cumulative performances of 'Fincare Business Services Limited' along with its subsidiary, i.e., Fincare Small Finance Bank Limited. Detailed description about the business carried on by its subsidiary is contained in the Management Discussion and Analysis report of the subsidiary company enclosed herewith as 'Annexure – I' to this report.

3. DIVIDEND

In order to conserve financial resources as well as to support the ongoing business needs of the Company, the Directors do not recommend any dividend for the Financial Year 2022-23.

4. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

During the year under review, the Company did not have any outstanding amount that was required to be transferred to the Investor Education and Protection Fund in pursuance of provisions of section 125 of the Companies Act, 2013.

5. AMOUNTS TRANSFERRED TO RESERVES

As per the Standalone Financial Statements for the year ended March 31, 2023, during the period under review, no amount was appropriated from the profit after tax to statutory reserves.

6. CHANGE IN NATURE OF BUSINESS

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

7. THE STATE OF AFFAIRS OF THE COMPANY

The Company continues to be registered with RBI as a Non-Deposit taking Systemically Important Core Investment Company (NBFC-ND-SI-CIC). The Company is in compliance with the conditions of the Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016, as amended from time to time. The Company is primarily engaged in the business of a Core Investment Company and for that purpose to acquire and hold either in the name of the Company or in that of any nominee, shares, stocks, debentures, debenture stock, bonds, notes and to invest or to deposit or to hold funds in such group companies.

Our Company is the promoter of 'Fincare Small Finance Bank Limited' (hereinafter referred to as "FSFB/Bank") and being a CIC, the Company has its investments primarily in FSFB. As on March 31, 2023, our Company holds 78.56% equity in FSFB. Further, FSFB had refiled Draft Red Herring Prospectus (DRHP) on May 02, 2023, and awaiting approval from Securities and Exchange Board of India (SEBI).

8. SHARE CAPITAL

During the year under review, there was no increase in the Authorized Share Capital of the Company. The Authorized Share Capital of the Company as on March 31, 2023, was Rs. 115,50,00,000 (Rupees One hundred Fifteen Crores and Fifty lakhs) divided in to 105,50,00,000 (One Hundred Five crore and Fifty lakhs) Equity Shares of Re. 1/- (Rupee One) each and 1,00,00,000 (One Crore) Preference Shares of Rs. 10/- (Rupees Ten) each.

The issued, subscribed, and paid-up capital of the Bank as on March 31, 2023, stood at Rs. 32,97,50,096 (Rupees Thirty-Two Crores Ninety-Seven Lakhs Fifty Thousand and Ninety-Six) divided into 32,97,50,096 (Thirty-Two Crores Ninety-Seven Lakhs Fifty Thousand and Ninety-Six) equity shares of Re. 1 /- (Rupee One) each.

The ESOP details as of the Financial Year 2022-23 are mentioned as below:

Particulars	Details as on 31st March, 2023
Options granted	Total Grant: 84,02,900 Grant1:21,77,200 Grant 2: 28,85,300 Grant 3: 33,40,400
Options vested at the beginning of the year	5,940,600
Options exercised during the year	-
The total number of shares arising as a result of exercise of option	-
Options lapsed during the year	24,500
Exercise price	Grant 1 : ₹ 30.50 Grant 2 : ₹ 40.50 Grant 3 : ₹ 52.50
Variation of terms of options	1. Grant 1&2 : FV of underlying shares changed from FV=10 to FV=1, hence number of options increased and Exercise Price reduced, by a factor of 10 2. Grant 1&2: vesting schedule revised from 2/3rd and 1/3rd at end of 12 & 24 months respectively to 100% at end of 12 months
Money realized by exercise of options during the year	-
Total number of options in force	5,916,100
Employee wise details **of options granted to:**	
(i) Key Managerial Personnel	
(ii) Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year	

Employee Name	Current Designation	FY-18		FY-19		FY-20	
		Grant Pool	% of Total Grant	Grant Pool	% of Total Grant	Grant Pool	% of Total Grant

KEYUR DOSHI	CHIEF FINANCIAL OFFICER	2,73,400	11.60%	2,71,000	9.2%	2,36,800	7.09%
PRAKASH SUNDARAM S	CHIEF STRATEGY & DIGITAL OFFICER	2,73,400	11.60%	2,71,000	9.2%	2,36,800	7.09%
SOHAM SHUKLA	CHIEF OPERATING OFFICER - RURAL BANKING	2,73,400	11.60%	2,71,000	9.2%	2,36,800	7.09%
PANKAJ GULATI	CHIEF MARKETING OFFICER AND COO - CORPORATE SERVICES	1,65,900	7.04%	1,64,000	5.5%	-	-
ASHISH MISRA	COO - RETAIL BANKING	1,59,000	6.75%	1,61,000	5.4%		-
CHANDAR RAO V [1]	CHIEF TECHNOLOGY OFFICER	1,65,900	7.04%	-	-	-	-
MAHENDER RAMCHAND CHAWLA [2]	COO - LOAN AGAINST GOLD, SUSTAINABILITY AND QUALITY	1,34,500	5.71%	-	-	-	-
VENKATA JAYARAMAN M [3]	CHIEF RISK OFFICER (SERVING NOTICE PERIOD)	1,35,600	5.76%	-	-	-	-
DEEPABH JAIN	COO – MORTGAGES	-	-	1,98,000	6.7%	1,99,200	5.96%
NILESH SANGOI	CHIEF INFORMATION OFFICER	-	-	-	-	1,99,200	5.96%

(iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding	Nil

outstanding warrants and conversions) of the company at the time of grant	

1. Mr. Chandar Rao V ceased from the post of Chief Technology Officer w.e.f. October 30, 2022.
2. Mr. Mahender Ramchand Chawla ceased from the post of COO - Loan Against Gold, Sustainability and Quality w.e.f. May 31, 2023.
3. Venkata Jayaraman M ceased from the post of Chief Risk Officer (Serving Notice Period) w.e.f. September 19, 2022.

During the Financial Year 2022-23, the Company has not issued any shares with differential rights or Sweat Equity Shares. Also, the Company has not bought back any of its securities.

9. ANNUAL RETURN

In terms of the provisions of Sections 92(3) and 134(3) of the Companies Act, 2013 the draft of the Annual Return for the financial year ended March 31, 2023, is available on your Company's website and can be accessed at www.fincare.com

10. NOMINATION AND REMUNERATION POLICY

In terms of Section 178(3) of the Companies Act, 2013 your Company has in place a Nomination and Remuneration Policy which is available on our website i.e. www.fincare.com.

11. RISK MANAGEMENT POLICY

Your Company is a non-operating holding Company, and its main objects are to carry on the business of making investments in group company(ies) in the form of securities and providing financial assistance as guarantees, etc. and to carry on such other activities as may be permitted and prescribed by the relevant statutory authorities for core investment companies from time to time.

Since FSFB is a proposed to be listed entity, the Company can only have a distant oversight on the risk management practices adopted by FSFB. Your Company expects that the risk management committee of FSFB adopts the best risk practices, reviews its risk management framework and verifies adherence to various risk parameters and compliances in the best possible way.

The Company has a duly constituted Risk Management Committee of the Board and has in place its risk management policy which highlights the functions, implementation and the role of the committee and the board.

Please refer to the Corporate Governance section for the Composition and terms of reference of the Risk Management Committee of your Company.

12. NUMBER OF MEETINGS OF THE BOARD HELD DURING THE FINANCIAL YEAR 2022-23

The Board of Directors of the Company met 8 times in the Financial Year 2022-23. The maximum interval between any two meetings did not exceed 120 days and the minutes of all the Board Meetings were duly recorded in the Minutes Book as prescribed in the Companies Act, 2013. The details of the meeting held during the year are mentioned hereunder: -

Quarter 1 (April – June)	**Quarter 2 (July – September)**	**Quarter 3 (October- December)**	**Quarter 4 (January- March)**
April 6, 2022	July 18, 2022	December 22, 2022	March 13, 2023
June 27, 2022	September 08, 2022	December 28, 2022	-
June 29, 2022	-	-	-
	-	-	-

The Details of Attendance of Directors are cited in the Corporate Governance Report annexed as '**Annexure II**' to this report.

13. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013

Being a Core Investment Company, disclosure of information pertaining to loans extended, guarantees given, securities provided, acquisition of securities etc. are not required to be made.

Details of Investments as covered under Section 186 of the Act are provided in the Standalone Financial Statements forming part of this Annual Report.

14. DETAILS OF LOANS FROM DIRECTORS AND THEIR RELATIVES

During the financial year 2022-23, the Company has not taken any loans from the Directors and their relatives of the Company.

15. PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES

As there are no material related party transactions, Form AOC-2 is not required to be given pursuant to Section 134(3) (h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules 2014 for the Financial Year ended on March 31, 2023.

Your directors draw the attention of the members to Note 29 to the Standalone Financial Statements for the year ended March 31, 2023, which sets out other related party disclosures.

16. STATUTORY AUDITORS AND THEIR REPORT THEREON

The Company had appointed M/s Bhushan Khot & Company, Chartered Accountants (Firm Registration No.: 116888W) as the Statutory Auditors of the Company for a term of 3 (three) consecutive financial years from 2021-22 to 2023-24 with the approval of the shareholders in the 7th Annual General Meeting held on September 28, 2021.

Further, there is no qualification, reservation, disclaimer, or adverse remark made by the Statutory Auditors in the Audit report for FY 2022-23. Also, no frauds are reported by auditors under sub-section (12) of section 143.

17. MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

There are no material changes and commitments affecting the financial position of the Bank that have occurred between the end of the financial year i.e., March 31, 2023, and the date of Boards' Report.

18. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO IN THE MANNER AS PRESCRIBED IN RULE 8(3) OF THE COMPANIES (ACCOUNTS) RULES, 2014:

a) Conservation of Energy:

There are no matters to be reported under this head as the company is not engaged in power intensive activities and hence not applicable to this company.

b) Technology Absorption:

There are no matters to be reported under this head as the company is not entered into any technical collaboration agreements.

c) Foreign Exchange Earnings or Expenses during the year:

During the year the company has neither earned nor incurred any expense in foreign currency.

19. SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE COMPANIES

Your Company has one subsidiary viz. Fincare Small Finance Bank Limited ('FSFB/ the Bank'), which is registered as a Small Finance Bank (earlier as Non-Banking Financial Company) with the Reserve Bank of India.

As on March 31, 2023, the Company is holding 17,34,89,568 (Seventeen crore thirty-four lakhs eighty-nine thousand five hundred and sixty-eight) equity shares i.e. 78.58% in FSFB.

Your Company does not have any joint ventures or associate companies. Further, none of the Company became or ceased to become subsidiaries, joint ventures, or associate Companies during the year.

The salient features of the Subsidiary companies are disclosed in '**Annexure III**' (Form AOC-1).

20. DEPOSITS

Your Company being a non-deposit taking Core Investment Company, requirements on disclosures of information in pursuance of Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014, read with Sections 73 and 74 of the Companies Act, 2013 are not applicable.

21. DIRECTORS & KMPs

The Company's Board consists of professionals who are having knowledge and experience required in the industry. The responsibilities of the Board include, inter alia, formulation of policies, taking new initiatives, reviewing performance, monitoring plans, and pursuing policies and procedures, and ensuring that the Company operates within the regulatory framework laid down by the regulator.

A) Change in Directors

During the financial year under review, following changes took place in the composition of the Board of Directors:

Mr. Dasarathareddy Gunnamreddy (DIN 01760054) was re-appointed as the Managing Director of the Company w.e.f. June 6, 2022, for a further period of 5 years, subject to the approval of shareholders in the ensuing Annual General Meeting of the Company.

A detailed composition of the Board of Directors along with number of meetings held during the year is provided in the Corporate Governance Report annexed as '**Annexure II**' which forms part of this report.

Mr. Bhavya Gulati (DIN: 02897200), Non-Executive, Nominee Director, retires by rotation this year, and being eligible, offers himself for re-appointment. The Board recommends his re-appointment as Director of the Company liable to retire by rotation. An appropriate resolution in this regard shall be placed for approval of the shareholders at the ensuing Annual General Meeting.

B) **Changes in Key Managerial Personnel**

Ms. Gigyasa Agrawal (Membership No. F10686) was appointed as the Company Secretary of the Company w.e.f. May 31, 2023, in place of Ms. Karishma Chandani (Mem. No. ACS45657) who resigned from the position of the Company Secretary of the Company w.e.f. March 31, 2023.

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

There are no material orders passed by the Regulators/Courts/Tribunals during FY 2022-23, which would impact the going concern status of the Company and its future operations. The Company has complied with the applicable requirements and no penalties were imposed on the Company by any regulatory authority.

23. UPDATE ON INTERNAL FINANCIAL CONTROL OVER FINANCIAL REPORTING

Your Company has deployed mechanism to ensure adequacy of Internal Financial Controls with reference to the Financial Statements. The management periodically reviews the financial performance of your Company against the approved plans and takes necessary actions, as required from time to time. These measures help in ensuring adequacy of internal financial controls commensurate with the nature and scale of operations of the Company.

24. DECLARATION OF INDEPENDENT DIRECTORS

The Company has received necessary declarations of independence from each of its Independent Directors under section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independent director envisaged in section 149 (6) of the Companies Act, 2013.

All Independent Directors have submitted the declaration of Independence, as required pursuant to Section 149(7) of the Act stating that they meet the criteria of Independence as provided in Section 149(6) of the Companies Act, 2013 and they are not disqualified from continuing as Independent Directors of our Company.

In the opinion of the Board, all the Independent Directors meet the criteria with regards to integrity, expertise and experience as required under applicable laws.

25. DETAILS OF POLICY DEVELOPED AND IMPLEMENTED BY THE COMPANY ON ITS CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

In compliance with section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has adopted a Corporate Social Responsibility Policy. The

CSR policy of the Company is framed in line with the Guidelines on Corporate Social Responsibility for Private and Public enterprises.

Statutory disclosures with respect to the CSR Committee and a Report on CSR Activities form part of this Report as '**Annexure IV'.**

26. COMMITTEES OF THE BOARD

The Board has constituted various Committees to take informed decisions in the interest of the Company and to establish best corporate governance practices. The Board Committees deal with specific matters as per powers delegated and monitor the activities falling under different functional areas of the Company in acquiescence of provisions of Companies Act, 2013, the relevant rules made thereunder, other guidelines issued by RBI from time to time and the Articles of Association of the Company.

Details of Composition of various committees are specified in the Corporate Governance Report forming part of this report as '**Annexure II**'.

Further, there were no instances when the Board had not accepted any recommendation of the Audit Committee.

27. STATEMENT INDICATING THE MANNER IN WHICH FORMAL ANNUAL EVALUATION HAS BEEN MADE BY THE BOARD OF ITS OWN PERFORMANCE AND THAT OF ITS COMMITTEES AND INDIVIDUAL DIRECTORS

The Board of directors has carried out an annual evaluation of its own performance, Board committees and individual directors pursuant to the provisions of the Companies Act, 2013.

Performance Evaluation criteria for Board, Committees of the Board and Directors were adopted by the Nomination Committee of the Board at its meeting held on December 22, 2022.

The Board was evaluated comprehensively inter alia on the structure of the Board, competency, experience and qualification of directors, diversity in board, regularity of the board meetings, effectiveness of Board processes, independence of Board, information sharing and overall functioning of the Board.

The performance of the Board was evaluated by the board after seeking inputs from all the directors on each of the above parameters of evaluation and the performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the above parameters of evaluation.

The Board committees were evaluated inter alia on the basis of their mandate, composition, attendance, functioning and independence.

28. SEPARATE MEETING OF INDEPENDENT DIRECTORS:

The Independent Directors of the Company have met separately on March 02, 2023, without the presence of other directors and / or management team members as required under Schedule IV of the Companies Act, 2013 and other applicable provisions of the Act.

29. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Your Company has in place a policy in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Also, your Company has always been committed to provide a safe and dignified work environment, which is free of discrimination, intimidation and abuse. During the year under review the Company has not received any complaint of sexual harassment.

No. of Complaints Pending at the Beginning of the year	Nil
No. of Complaints received during the year	Nil
No. of Complaints resolved during the year	Nil
No. of Complaints Pending at the End of the year	Nil

30. MANAGEMENT DISCUSSION & ANALYSIS

The Management Discussion and Analysis report is annexed to this report as '**Annexure I' to this report.**

31. PROCEEDING PENDING UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016

There are no ongoing proceedings under the Insolvency and Bankruptcy Code, 2016 against the Company.

32. DIRECTORS RESPONSIBILITY STATEMENT

In accordance with the provisions of section 134(5) of the Companies Act, 2013, the Board hereby submits its responsibility Statement:

a. in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

b. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that 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 and of the loss of the Company for that period;

c. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d. the Directors have prepared the annual accounts on a going concern basis;

e. the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

f. the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

33. CORPORATE GOVERNANCE REPORT

A Report on Corporate Governance is attached as **Annexure II** and forms part of the Directors' Report. Details on the number of Meetings of Board and Committees and the Composition of various Committees of the Board are given in the Corporate Governance Report.

34. COMPLIANCE OF SECRETARIAL STANDARDS

The Company has complied with the provisions of Secretarial Standards as issued by the Institute of Company Secretaries of India along with the other requirements of the Companies Act, 2013 and other applicable provisions.

35. DISCLOSURE ON MAINTAINANCE OF COST RECORDS

The maintenance of cost records as specified by the Central Government under sub-section (1) of section 148 of the Companies Act, 2013, is not applicable to the Company and hence, the same is not maintained.

36. MAINTENANCE OF BOOKS OF ACCOUNTS AT CORPORATE OFFICE

The Company keeps the books of accounts at the Corporate Office of the Company as decided by the Board of Directors. Statutory Filing of form AOC 5 has been filed to intimate the same to the Registrar of Companies

(RoC).

37. CAUTIONARY STATEMENT

Statements in this Directors' Report and Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations or predictions may be "forward-looking statements" within the meaning of applicable RBI guidelines and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make difference to the Company's operations include raw changes in Government regulations, Tax regimes, economic developments within India and the countries in which the Company conducts business and other ancillary factors.

38. ACKNOWLEDGMENTS

The Directors take this opportunity to thank all investors, business partners, vendors, banks, auditors, regulatory and governmental authorities for their continued support during the year. Your Directors place on record their appreciation of the contribution made by the employees at all levels for their commendable teamwork, dedicated and wholehearted effort.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Sd/-	**Sd/-**
Dasarathareddy Gunnamreddy	**Maninder Singh Juneja**
Managing Director	**Director**
DIN: 01760054	**DIN: 02680016**
Date: September 08, 2023	**Date September 08, 2023**
Place: Bengaluru	**Place: Mumbai**

ECONOMIC LANDSCAPE OF INDIA

The Indian economy continues to exhibit remarkable resilience despite undergoing a period of slight moderation, as highlighted in the most recent India Development Update provided by the World Bank.

Despite considerable global challenges, India remains firmly positioned among the world's swiftest expanding economies. The comprehensive growth projection for the current year stands at 6.9%, with the real Gross Domestic Product (GDP) experiencing a 7.7% year-on-year expansion in the initial three quarters of Fiscal Year 2022-23.

Nonetheless, moderation was observed during the latter half of Fiscal Year 2022-23. This growth trend was propelled by robust investments and substantial private consumption, particularly noticeable within the higher-income segments of the population. The inflation metric maintained an average of approximately 6.7% throughout Fiscal Year 2022-23. Notably, the third quarter witnessed an improvement in the current account deficit, attributed to the upsurge in service exports and the decrease in global commodity prices.

OUTLOOK FOR FY 2023-24

The GDP projection for Fiscal Year 2023-24 has been revised by the World Bank, down from 6.6% (as of December 2022) to 6.3%. This adjustment is rooted in the anticipation of a deceleration in consumption growth and the emergence of challenging external conditions.

Rising borrowing costs coupled with limited income expansion are poised to curtail private consumption. Moreover, a decrease in fiscal assistance will result in a deceleration of government expenditures.

In terms of inflation, the forecast indicates a decline, with an average of 5.2% anticipated in Fiscal Year 2023-24. This trend will be driven by the influence of reduced global commodity prices as well as a contraction in domestic demand. The Reserve Bank of India has implemented measures to tighten the economy and manage inflation.

While inflationary pressures persist, prompting the Reserve Bank of India (RBI) to incrementally raise its policy rates by a cumulative 250 basis points, reaching 6.5% by March 2023 from the initial 4% in April 2022, the most recent Monetary Policy Committee (MPC) gatherings in both April and June 2023 have seen a pause in the rate hikes. This pause follows a series of six consecutive rate increases. However, the RBI Governor has made it clear that the withdrawal of accommodative measures is an ongoing process, and the current pause is a temporary measure. This temporary pause is attributed to several factors, including a moderation in the hawkish stance of the US Federal Reserve, a weaker US dollar, and the recent improvement in India's current account position.

The RBI Governor emphasised that despite the current pause, the MPC remains vigilant and ready to take further rate hikes if concerns regarding Indian inflation intensify. The decision to maintain an unchanged policy rate stance is accompanied by non-committal forward guidance, which introduces additional complexity to the already fluid and uncertain global scenario. This implies that macro assessments may necessitate adjustments from a policy perspective to ensure a calibrated response to evolving conditions.

Looking ahead, the RBI has projected inflation for the fiscal year to fall within the range of 5.2% to 5.3%. This projection takes into account the prevailing economic dynamics and serves as a reference point for the central bank's policy considerations.

India's financial sector remains sturdy, characterised by enhanced asset quality and notable growth in credit activity within the private sector.

The central government is on track to attain its fiscal deficit objective, targeting 5.9% of GDP for Fiscal Year 2023-24. In parallel, consolidation efforts by state governments are expected to contribute to an overall reduction in the general government deficit, thereby stabilising the debt-to-GDP ratio.

A positive trajectory is foreseen for the current account deficit, projected to narrow to 2.1% of GDP from an estimated 3% in Fiscal Year 2022-23. This outlook is supported by the continued expansion of service exports and a reduction in the merchandise trade deficit.

GLOBAL BANKING SECTOR

In the global banking sector, 2022 unfolded as a tumultuous period characterised by numerous shocks and escalating uncertainty. Following the pandemic, banks demonstrated remarkable resilience, showcasing robust margins and Tier 1 capital ratios reaching their highest levels in two decades. However, persistent geopolitical and pandemic-related economic and social aftershocks prompted central banks worldwide to take proactive measures by aggressively raising interest rates to curb inflation. Consequently, there has been a noticeable cooling of inflation, although concerns linger about the potential for sustained inflationary pressures.

As the calendar turned to 2023, global financial stability became shrouded in uncertainty due to the collapse of two prominent US banks and UBS's subsequent rescue of Credit Suisse, a beleaguered Swiss Bank. This collapse was primarily triggered by the mass exodus of uninsured depositors, who realised that elevated interest rates had inflicted substantial losses upon these banks' securities portfolios. The swift unravelling of SVB Financial Group compounded concerns about contagion, prompting Moody's to downgrade the rating of the US financial system from stable to negative, citing heightened sector risks.

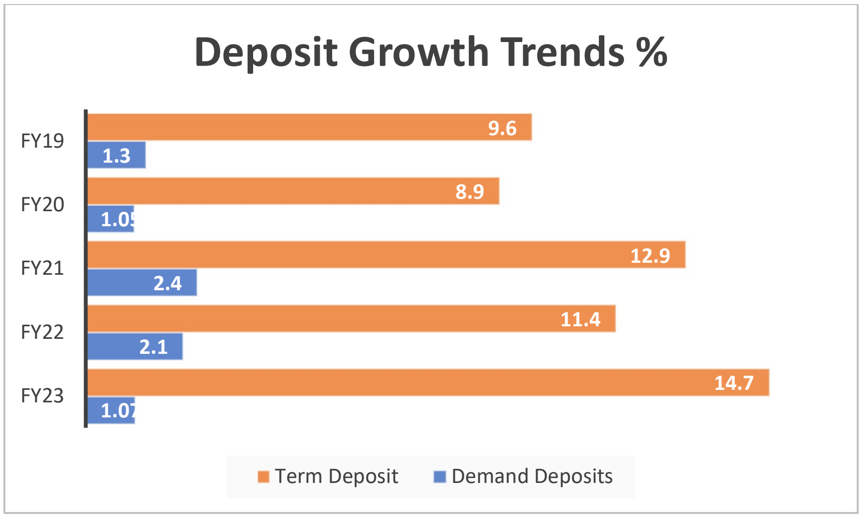
Nonetheless, the US Financial Stability Oversight Council alleviated apprehensions surrounding the stability of the US banking system by affirming its "sound and resilient" state despite the strains experienced by certain institutions. In response to the crisis, central banks intervened by deploying deposit insurance and injecting additional liquidity to ensure the continuity of financial transactions. Notably, this crisis does not appear to mirror the systemic issues witnessed in 2008. Despite this assurance, investors remain cautious, exercising prudence in their approach to the situation.

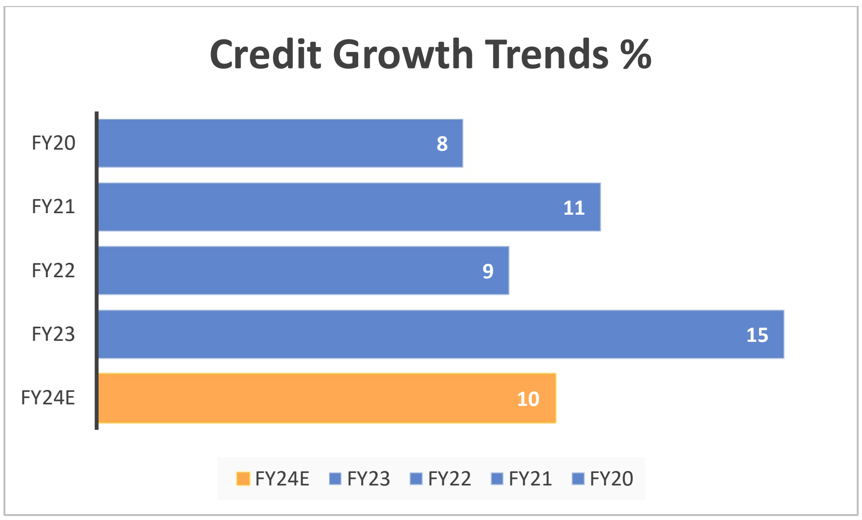
INDIAN BANKING SECTOR

While concerns of financial contagion grip the global banking sector, Indian banks stand resilient with well-capitalized structures, robust balance sheets, and a progressive enhancement in asset quality, all attributed to the implementation of stringent regulatory measures, vigilant supervision, and elevated capital thresholds. These concerted efforts have paved the way for a positive trajectory.

In line with the projections outlined in the PwC report titled "Banking in 2050," the Indian banking landscape is anticipated to burgeon, positioning itself as the world's third-largest domestic banking sector by 2050. This anticipated growth underscores the sector's potential and the efficacy of the strategies in place.

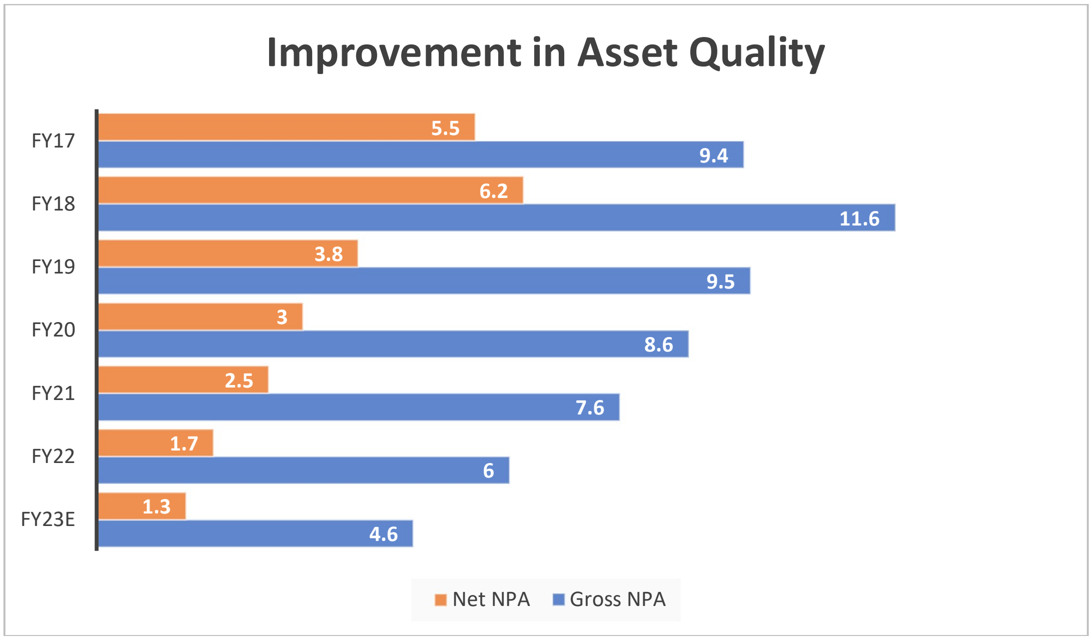
In FY2023, both incremental deposit and credit growth achieved unprecedented levels. Incremental credit amounted to Rs.17.83 Lakh Crore, while incremental deposits reached Rs.15.78 Lakh Crore. This surge resulted in an incremental credit-deposit ratio of 113%, marking a 15-year pinnacle. Over the fiscal year, the banking sector recorded deposits of Rs.180.44 Lakh Crore and loans totalling Rs.136.75 Lakh Crore, leading to a credit-deposit ratio of 75.8%, the highest in the last three years, surpassing the previous year's 72.2%. In the upcoming fiscal year FY2024, a strong growth momentum is anticipated, with incremental credit growth projected at Rs.15.0-16.0 trillion. The impetus for credit expansion in the following year is expected to stem from the government's infrastructure initiatives, a budgetary allocation of Rs.10 trillion, and an elevated demand for working capital due in part to increased inflation and corporate credit requirements.





As indicated by CRISIL, retail loans, constituting 26% of total advances, are poised to exhibit the most rapid growth at 17%-19%. The demand for home loans is projected to remain robust. The MSME portfolio is predicted to grow by a reasonable 16%-18%, while agricultural growth is anticipated to reach around 10%, buoyed by a regular monsoon harvest. In contrast, corporate credit, which accounts for 45% of overall credit, is foreseen to achieve a 2-year CAGR of 10%-12% until FY 2024, reflecting a modest increase compared to FY 2019-22.

Non-performing assets (NPAs) have declined to multi-year lows, and asset quality is expected to further improve, with Gross NPAs (GNPAs) and Net NPAs projected to decline to 3.9%-4.3% and 1.1%-1.3%, respectively, by March 2024. The emergence of fresh slippages has focused on specific areas, contributing to superior recoveries and upgrades, which have reduced net slippages and credit losses. The potential sale of NPAs through asset reconstruction companies (ARCs), including the National Asset Reconstruction Company Limited (NARCL), might moderate these headline metrics.



Regarding capital adequacy, PSU banks possess a buffer of over 100 basis points above the Tier 1 capital requirement of 7.6%, while 80% of private sector banks enjoy a capital adequacy cushion of 300 basis points over Tier I capital requirements. Bolstered by expectations of robust internal capital generation, banks are poised to meet their capital requirements autonomously largely. With enhanced growth prospects and improved asset quality driving profitability, Return on Assets (RoA) and Return on Equity (RoE) are anticipated to improve to 1.2%-1.3% and 16.1%-16.8%, respectively, by FY 2024, in contrast to 0.9%-1.0% and 12.9%-13.9% in FY 2023.

Until March 31, 2023, debt funds enjoyed a significantly lower effective taxation rate, with long-term capital gains tax on a debt fund held for three years or more levied at only 20%, coupled with indexation benefits. However, under the new rule, returns from debt funds will be included in taxpayers' income and subject to the applicable tax slab. This change aligns debt mutual funds with fixed deposits in terms of taxation and is expected to lead to a resurgence of bank deposits as an appealing investment option.

SMALL FINANCE BANKS

Small Finance Banks (SFBs) are a unique category of banks in India that was introduced by the Reserve Bank of India (RBI) with the aim of promoting financial inclusion and providing banking services to underserved and unserved segments of the population. These banks primarily cater to the needs of small businesses, microenterprises, unorganized sectors, and low-income households. The establishment of SFBs is based on the philosophy of "outreach and inclusiveness" to address the banking needs of the marginalized and economically weaker sections of society.

Small Finance Banks were introduced as part of the RBI's efforts to enhance financial inclusion and provide basic banking services in areas with limited traditional banking infrastructure. The RBI issued guidelines for the licensing and operations of SFBs in 2014, and the first batch of SFBs received licenses in 2015. These banks are regulated under the provisions of the Banking Regulation Act, 1949.

The primary objective of Small Finance Banks is to provide a range of basic banking services, such as deposit accounts, credit facilities, remittance services, and payment solutions, to the target segments. They also focus on financial literacy programs to educate customers about banking products and services, promoting financial literacy and awareness.

SFBs have certain key features that distinguish them from other categories of banks in India. Some of these features include:

- Target Customer Base: SFBs specifically target the unserved and underserved sections of society, including small and marginal farmers, micro and small enterprises, low-income households, and individuals with limited banking access.

- Area of Operation: SFBs are required to primarily operate in a specific area or region to ensure focused outreach and effective delivery of banking services. Initially, they were required to set up at least 25% of their branches in unbanked rural areas.

- Limited Banking Activities: SFBs are restricted from engaging in complex financial activities like investment banking and large corporate lending. They primarily focus on basic banking services and lending to the target segments.

- Priority Sector Lending: SFBs are mandated to meet the priority sector lending targets set by the RBI. They are required to allocate a significant portion of their lending to sectors such as agriculture, microenterprises, small businesses, and other priority sectors to promote inclusive growth.

- Capital Requirements: SFBs are required to maintain a minimum capital adequacy ratio of 15% of their risk-weighted assets, ensuring a strong capital base for stable operations.

- Regulatory Oversight: SFBs are subject to regular regulatory oversight by the RBI to ensure compliance with banking regulations, prudential norms, and consumer protection guidelines.

Since their inception, Small Finance Banks have played a crucial role in expanding access to formal banking services and promoting financial inclusion in India. They have provided a platform for individuals and businesses in rural and semi-urban areas to access basic financial services, avail credit facilities, and become part of the formal banking system. Their presence has facilitated financial empowerment, improved savings habits, and encouraged entrepreneurship.

Annexure-II

Report on Corporate Governance

Fincare Business Services Limited ('your Company') has put in place a Corporate Governance process that aims to meet stakeholders' aspirations and societal expectations. It is not a discipline imposed by a regulator, but is a culture that guides the Board, Management and Staff to function towards the best interest of stakeholders. The Corporate Governance philosophy stems from the belief that Corporate Governance is a key element in improving efficiency and growth as well as enhancing investor confidence. Your Company strongly believes in ethical values and self-discipline to achieve a higher standard of Corporate Governance and continues to strive for excellence in business operations through transparency and accountability to its stakeholders.

FINCARE'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company's Corporate Governance Philosophy is based on the phrase "Total commitment to ethical practices in the conduct of business." At the core of its Corporate Governance practice is the Board, which oversees how the management serves and protects the long-term interests of all the stakeholders of the Company. The Company believes that an active, well informed and independent Board is necessary to ensure the highest standards of Corporate Governance. Our Corporate Governance practices are aimed at meeting the Corporate Governance requirements as per the Reserve Bank of India ("RBI"), and other Regulators besides good practices either recommended by professional bodies or practiced by leading Companies in India.

BOARD OF DIRECTORS

The Company has optimal combination of Executive Director, Non-Executive Directors and Independent Directors in compliance with the provisions of the Companies Act, 2013, and the Directions issued by the Reserve Bank of India Master Directions applicable to NBFC-CIC from time to time, in connection with the following:

a) the Board of Directors (the "Board");
b) the Independent directors on the Board;
c) the Audit Committee;
d) the Nomination and Remuneration Committee;
e) the Corporate Social Responsibility Committee;
f) the Risk Management Committee;
g) IT Strategy Committee;
h) Group Risk Management Committee;
i) Asset Liquidity Management Committee.

The Board's actions and decisions are aligned with the Company's best interests. It is committed to the goal of sustainably elevating the Company's value creation. The Board critically evaluates the Company's strategic direction, management policies and their effectiveness. In terms of the Corporate Governance philosophy, all statutory and other significant material information is placed before the Board to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders.

Annexure-II

1. COMPOSITION OF THE BOARD DURING THE FINANCIAL YEAR 2022-23:

Name of the Director	Category	Designation	Number of Board meetings during the FY 2022-23		Attendance at Last AGM	Other Directorships
			Held during their tenure	Attended		
Mr. Dasarathareddy Gunnamreddy *	Executive Director	Managing Director	*8*	*8*	*Yes*	*Nil*
Mr. Satyanarayana Peravali	Independent Director	Independent Director	*8*	*8*	*Yes*	*Nil*
Ms. Nandini Jashvantlal Parekh	Independent Director	Independent Director	*8*	*8*	*Yes*	*3*
Mr. Maninder Singh Juneja	Non-Executive Director	Nominee Director	*8*	*7*	*No*	*4*
Mr. Bhavya Gulati	Non-Executive Director	Nominee Director	*8*	*7*	*No*	*2*
Mr. Satyaki Rastogi	Non-Executive Director	Nominee Director	*8*	*6*	*NA*	*1*

** Mr. Dasarathareddy Gunnamreddy was re-appointed as the Managing Director of the Company for his second term for a period of 5years w.e.f. June 6, 2022.*

2. DISCLOSURE OF RELATIONSHIPS BETWEEN DIRECTORS INTER-SE:

The Directors do not have any relationship inter-se as on this date of the report.

3. NUMBER OF SHARES AND CONVERTIBLE INSTRUMENTS HELD BY NON-EXECUTIVE DIRECTORS:

None of the Non-Executive Directors of the Company holds equity shares or convertible instruments in the Company.

4. BOARD MEETINGS:

The Board of Directors of the Company met 8 times during the Financial Year 2022-23. The maximum interval between any two meetings did not exceed 120 days and the minutes of all the Board Meetings were duly recorded in the Minutes Book as prescribed in the Companies Act, 2013. The details of the meetings held in the year are mentioned hereunder: -

Quarter 1 (April – June)	**Quarter 2 (July – September)**	**Quarter 3 (October- December)**	**Quarter 4 (January- March)**
April 6, 2022	July 18, 2022	December 22, 2022	March 13, 2023
June 27, 2022	September 08, 2022	December 28, 2022	-
June 29, 2022	-	-	-
	-	-	-

The Minutes of all the Board Meetings were duly recorded in the Minutes Book.

Prior to each meeting of Board of Directors, agenda items along with detailed background information were circulated to the Board Members in compliance with Secretarial Standards (SS-1) and applicable provisions of the Companies Act, 2013. In addition to items which were required to be placed before the Board for its noting and /or approval, information on various other significant items was also provided.

5. COMMITTEES OF THE BOARD:

During the period under review, the Board had 4 (four) Committees, namely,

- Audit Committee.
- Nomination and Remuneration Committee.
- Corporate Social Responsibility Committee; and
- Risk Management Committee

Further, after the year under review, the Board had constituted the following Committees of the Board in their meeting held on April 06, 2022, as per the directions of RBI:

- Group Risk Management Committee
- IT Strategy Committee
- Asset Liquidity Management Committee

As on March 31, 2023, your Company's Board has in total 7 (seven) Committees of the Board.The Committees assist the Board of Directors by focusing on specific responsibilities in greater detail than what is achievable for the Board as a whole, reporting to the Board and making any necessary recommendations.

A. AUDIT COMMITTEE:

Composition:

The Audit Committee has been constituted in accordance with provisions of Section 177 of the Companies Act, 2013 and RBI Master Direction Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The Committee was further re-constituted at the Board Meeting held on April 06, 2022.

The Composition of the Audit Committee as on March 31, 2023 is as follows:

1. Mr. Bhavya Gulati – Nominee Director
2. Mr. Satyanarayana Peravali – Independent Director

3. Ms. Nandini Jashvantlal Parekh- Independent Director
4. Mr. Satyaki Rastogi-Nominee Director

During the year under review the Audit Committee of the Board met 2 (two) times viz. June 29, 2022, and September 08, 2022.

Audit Committee Meeting Attendance:

Name of the Member	Nature of Directorship	No. of meetings attended
Mr. Bhavya Gulati	Nominee Director	2
Mr. Satyanarayana Peravali	Independent Director	2
Ms. Nandini Jashvantlal Parekh	Independent Director	2
Mr. Satyaki Rastogi*	Nominee Director	1

** Mr. Satyaki Rastogi was appointed as Nominee Director of the Company w.e.f. January 19, 2022, and subsequently, as the Member of the Committee w.e.f. April 06, 2022.*

Functioning of the Audit Committee:

The Board of Directors has formed and approved Audit Committee Policy setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the provisions of the Companies Act, 2013, applicable guidelines of the Reserve Bank of India and all other applicable regulatory requirements, the terms of reference of the Audit Committee are covered by its policy. Its functioning inter alia broadly includes the following:

- Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommendation for appointment, remuneration and terms of appointment of statutory auditors of the Company;
- Reviewing with the Management financial statements before submission to the Board for approval;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Reviewing with the Management, performance of the statutory and internal auditors and adequacy of the internal control systems;
- To review the functioning of the Whistle Blower mechanism/Vigil mechanism.

B. NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee ("the NRC") has been constituted in accordance with provisions of section 178 of the Companies Act, 2013 and RBI Master Direction Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The functioning of the Nomination and Remuneration Committee is governed by the terms of reference of the Nomination and Remuneration Committee as defined in the Companies Act, 2013 and Nomination and Remuneration Policy adopted by the Company.

Annexure-II

Composition:

The Nomination and Remuneration Committee consisted of the following members as on March 31, 2023:

1. Mr. Satyanarayana Peravali – Independent Director
2. Ms. Nandini Jashvantlal Parekh- Independent Director
3. Mr. Maninder Singh Juneja- Nominee Director

The Nomination and Remuneration Committee of the Board met 2 (two) times viz June 14, 2022, and December 14, 2022, during the year under review:

Nomination and Remuneration Committee Meeting Attendance:

Name of the Member	Nature of Directorship	No. of meetings attended
Mr. Satyanarayana Peravali	Independent Director	1
Ms. Nandini Jashvantlal Parekh	Independent Director	2
Mr. Maninder Singh Juneja	Nominee Director	2

The Board of Directors has formed and approved the Nomination and Remuneration Policy setting out the roles, responsibilities and functioning of this Committee. In addition to adherence to the provisions of the Companies Act, 2013 and applicable RBI guidelines, the terms of reference of Nomination and Remuneration Committee is covered by the said policy.

Functioning of the Nomination and Remuneration Committee:

The Board of Directors has formed and approved Nomination and Remuneration Committee setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the provisions of the Companies Act, 2013, applicable guidelines of the Reserve Bank of India and all other applicable regulatory requirements, the terms of reference of the Nomination and Remuneration Committee are covered by its policy. Its functioning inter alia broadly includes the following:

- The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- The Company shall not appoint or continue the employment of any person as Whole-time Director/ Managing Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.
- The Committee to ensure that every person appointed/ to be appointed as director of the company fulfills the criteria of fit and proper as stipulated by the RBI guidelines and adopted by the company in the Policy of Fit and Proper Criteria of Directors.

- The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
- An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

  No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

- The Committee shall carry out evaluation of performance of every Director and KMP and Senior Management on yearly basis or any other frequency as decided by the Board from time to time.
- Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations and or any other conditions at the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the Companies Act, rules and regulations.
- The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

C. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (‘CSR’):

The Corporate Social Responsibility Committee (the “CSR Committee”) has been constituted in accordance with Section 135 of the Companies Act, 2013 read with applicable rules as amended from time to time. The functioning of the Corporate Social Responsibility Committee is governed by the terms of reference of the Corporate Social Responsibility Committee as defined in the Companies Act, 2013 and as defined by the Board from time to time. The committee was further re-constituted at the Board Meeting held on 6th April 2022.

The CSR Committee consisted of the following members as on March 31, 2023:

1. Ms. Nandini Jashvantlal Parekh- Independent Director
2. Mr. Dasarathareddy Gunnamreddy- Managing Director
3. Mr. Maninder Singh Juneja- Nominee Director
4. Mr. Bhavya Gulati- Nominee Director
5. Mr. Satyaki Rastogi – Nominee Director

During the year under review the Corporate Social Responsibility Committee of the Board met once on August 29, 2022.

Corporate Social Responsibility Committee Meeting Attendance:

Name of the Member	Nature of Directorship	No. of meetings attended
Mr. Bhavya Gulati	Nominee Director	1
Mr. Maninder Singh Juneja	Nominee Director	1
Mr. Dasarathareddy Gunnamreddy	Managing Director	-
Ms. Nandini Jashvantlal Parekh	Independent Director	1
Mr. Satyaki Rastogi*	Nominee Director	NA

** Mr. Satyaki Rastogi was appointed as a Nominee Director of the Company w.e.f. January 19, 2022, and subsequently, as the Member of the CSR Committee w.e.f. April 06, 2022.*

A detailed Report on Corporate Social Responsibility (CSR) Activities for FY 2022-23 is enclosed as **Annexure IV**.

Functioning of the Corporate Social Responsibility Committee:

The Board of Directors has formed and approved Corporate Social Responsibility Committee setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the provisions of the Companies Act, 2013, applicable guidelines of the Reserve Bank of India and all other applicable regulatory requirements, the terms of reference of the Corporate Social Responsibility Committee are covered by its policy. Its functioning inter alia broadly includes the following:

- The Company shall undertake the activities as recommended by the CSR committee and approved by the Board in accordance with the provisions of Section 135 of the Companies Act, 2013 read with Schedule VII and Companies (CSR Policy) Rules, 2014.
- The CSR activities (either new or ongoing) shall be undertaken by the Company in accordance with the CSR policy and shall exclude activities undertaken in pursuance of its normal course of business.
- Subject to the provisions of section 135(5) of the Act, the CSR projects or programs or activities undertaken in India only shall qualify for CSR expenditure.
- The CSR programs or projects or activities that benefit only the employees of the Company and their families shall not be considered as CSR activities in accordance with the Act.
- Contribution of any amount directly or indirectly to any political party under section 182 of the Act shall not be considered as CSR activity.
- Companies may build CSR capacities of their own personnel as well as those of their implementing agencies through Institutions with established track records of at least three financial years but such expenditure including expenditure on administrative overheads shall not exceed five percent of total CSR expenditure of the company in one financial year.

D. RISK MANAGEMENT COMMITTEE:

The Company has formed a Risk Management Committee of the Board pursuant to Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 at the Meeting of the Board held on September 26, 2019 for assisting the Board to establish a risk culture and risk governance framework in the organization to manage the integrated risk. The committee was further re-constituted at the Board Meeting held on March 18, 2020.

The Risk Management Committee consisted of the following members as on March 31, 2023:

1. Mr. Satyanarayana Peravali - Independent Director
2. Mr. Maninder Singh Juneja- Nominee Director
3. Mr. Bhavya Gulati- Nominee Director

During the year under review the Risk Management Committee of the Board met once on March 2, 2023.

Risk Management Committee Meeting Attendance:

Name of the Member	Nature of Directorship	No. of meetings attended
Mr. Bhavya Gulati	Nominee Director	1
Mr. Maninder Singh Juneja	Nominee Director	1
Mr. Satyanarayana Peravali	Independent Director	1

Functioning of the Risk Management Committee:

The Board of Directors has formed and approved Risk Management Committee setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the applicable guidelines of the Reserve Bank of India and all other applicable regulatory requirements, the terms of reference of the Risk Management Committee are covered by its policy. Its functioning inter alia broadly includes the following:

- To continuously thrive for available risks in the organization which directly or indirectly effect the functioning of the organization.
- To ensure the protection of rights & values of Stakeholders by establishing a well-organized Risk Management Framework.
- To Select, maintain and enhance the risk management tools used by the Company to provide analysis that inform and support the investment actions of the entire Organization.
- Identification, Measurement and Assessment of Risk

i. Management's responsibility, as delegated by the Board, is to operationalize the Risk Management Program and ensure that formal procedures are put in place to identify and define risk.

ii. Measurement of risk is completed considering both quantitative and qualitative means using the likelihood and impact criteria as developed by Management as and when required and as reviewed by the Board.

iii. The management shall identify certain inherent and residual risks which have been divided in accordance with likelihood and its impact on the business.

E. GROUP RISK MANAGEMENT COMMITTEE:

The Company has formed a Group Risk Management Committee of the Board pursuant to Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 at the Meeting of the Board held on April 06, 2022 for assisting the

Board to establish a group risk culture and risk governance framework in the organization to manage the integrated risk.

The Group Risk Management Committee consisted of the following members as on March 31, 2023:

1. Mr. Satyanarayana Peravali - Independent Director
2. Ms. Nandini Parekh - Independent Director
3. Mr. Dasarathareddy Gunnamreddy- Managing Director
4. Mr. Maninder Singh Juneja- Nominee Director
5. Mr. Bhavya Gulati- Nominee Director

During the year under review the Group Risk Management Committee of the Board met 4 times viz. June 29, 2022, September 29, 2022, December 14, 2022, and March 2, 2023.

Group Risk Management Committee Meeting Attendance:

Name of the Member	Nature of Directorship	No. of meetings attended
Mr. Satyanarayana Peravali	Independent Director	4
Ms. Nandini Parekh	Independent Director	4
Mr. Dasarathareddy Gunnamreddy	Managing Director	3
Mr. Bhavya Gulati	Nominee Director	4
Mr. Maninder Singh Juneja	Nominee Director	4

Functioning of the Group Risk Management Committee:

The Board of Directors has formed and approved Group Risk Management Committee setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the applicable guidelines of the Reserve Bank of India and all other applicable regulatory requirements, the terms of reference of the Group Risk Management Committee are covered by its policy. Its functioning inter alia broadly includes the following:

- Analyze the material risks to which the group, its businesses and subsidiaries are exposed. It must discuss all risk strategies both at an aggregated level and by type of risk and make recommendations to the Board in accordance with the group's overall risk appetite.
- Identify potential intra-group conflicts of interest.
- Assess whether there are effective systems in place to facilitate exchange of information for effective risk oversight of the group.
- Assess whether the corporate governance framework addresses risk management across the group.
- Carry out periodic independent formal review of the group structure and internal controls.
- Articulate the leverage of the Group and monitor the same.

F. IT STRATEGY COMMITTEE:

The Company has formed an IT Strategy Committee of the Board pursuant to Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 at the Meeting of the Board held on April 06, 2022.

The IT Strategy Committee consisted of the following members as on March 31, 2023:

1. Ms. Nandini Parekh - Independent Director
2. Mr. Dasarathareddy Gunnamreddy- Managing Director
3. Mr. Maninder Singh Juneja- Nominee Director

During the year under review the IT Strategy Committee of the Board met 2 times viz. September 29, 2022 and March 2, 2023.

IT Strategy Committee Meeting Attendance:

Name of the Member	Nature of Directorship	No. of meetings attended
Ms. Nandini Parekh	Independent Director	2
Mr. Dasarathareddy Gunnamreddy	Managing Director	2
Mr. Maninder Singh Juneja	Nominee Director	2

Functioning of the IT Strategy Committee:

The Board of Directors has formed and approved IT Strategy Committee setting out the roles, responsibilities and functioning of the Committee. In addition to adherence to the applicable guidelines of the Reserve Bank of India and all other applicable regulatory requirements, the terms of reference of the IT Strategy Committee are covered by its policy. Its functioning inter alia broadly includes the following:

- Providing input to other Board committees and Senior Management on IT related matters, wherever necessary.
- Carrying out review and amending the IT strategies in line with the corporate strategies, IT related Board Policy reviews, cyber security arrangements and any other matter related to IT Governance, as and when required.
- Ensuring IT investments, if any, represent a balance of risks and benefits and those budgets are acceptable;
- 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; Ensuring proper balance of IT investments for sustaining Company's growth and becoming aware about exposure towards IT risks and controls.
- To provide oversight and monitoring of the progress of a project, as and when applicable, including deliverables to be realized at each phase of the project and milestones to be reached according to the project.

G. ASSET LIABILITY MANAGEMENT COMMITTEE:

The Company has formed an Asset Liability Management Committee of the Board pursuant to Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 at the Meeting of the Board held on April 06, 2022.

The Asset Liability Management Committee consisted of the following members as on March 31, 2023:

1. Mr. Dasarathareddy Gunnamreddy- Managing Director
2. Mr. Gautam Gupta – Chief financial officer
3. Mrs. Karishma Chandani- Company Secretary

During the year under review the Asset Liability Management Committee of the Board met 4 times viz. June 28, 2022, September 29, 2022, December 14, 2022 and March 2, 2023.

Asset Liability Management Committee Meeting Attendance:

Name of the Member	Nature of Directorship	No. of meetings attended
Mr. Dasarathareddy Gunnamreddy	Managing Director	4
Mrs. Karishma Chandani-	Company Secretary	4
Mr. Gautam Gupta	Nominee Director	4

Functioning of the Asset Liability Management Committee:

The ALCO shall be responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy. ALCO with respect to liquidity risk should inter alia, decide on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities, and controls for managing liquidity risk, and overseeing the liquidity positions.

6. GENERAL BODY MEETINGS OF SHAREHOLDERS:

a) **Annual General Meeting:**

The Annual General Meetings (AGM) is the principal forum for interaction with shareholders, where the Board answers specific queries raised by the shareholders. The Board acknowledges its responsibility towards its shareholders and therefore encourages open and active dialogue with all its shareholders - be it individuals, domestic institutional investors or foreign investors.

The Annual General Meeting of the Company was held on September 30, 2022 at the Registered Office of the Company, i.e. 301 & 302, Abhijeet - V Opp. Mayor Bungalow, Law Garden Road, Mithakhali, Ahmedabad, Gujarat, India, 380006.

Further, the Annual Forms were filed in time with the Registrar of Companies.

Form No.	Type of Form	Relevant Section of Companies Act, 2013
MGT-7	Annual Return	92(1)
AOC-4	Standalone Balance Sheet and Profit and loss A/c	137
AOC-4 CFS	Consolidated Balance Sheet and Profit and loss A/c	137

b) Extra-Ordinary General Meeting:

During the Financial Year 2022-23, there was no Extra-Ordinary General Meeting held.

c) Postal Ballot:

During the Financial Year 2022-23, there was no postal ballot.

7. REMUNERATION TO THE DIRECTORS

The Company has in place a Nomination and Remuneration Policy which is guided by the principles and objectives as enumerated in Section 178 of the Companies Act 2013 which is also disclosed on our website www.fincare.com. The Compensation to the Executive Director of the Company is within the limits as prescribed under the aforesaid Act. The details of the same are provided in the Annual Return available on Company's website at www.fincare.com. No Sitting fee was paid to the Executive Director for attending any Board/Committee meeting.

During the year under review, no remuneration/commission was paid to Non-executive Directors. However, the Company has paid the sitting fees to the Independent Directors, details of which are provided in Annual Return available on Company's website at www.fincare.com .

The Independent Directors of the Company are not eligible for stock options. The Directors are not paid/ entitled to any remuneration except as disclosed in this Report. There is no pecuniary relationship or transaction between the Company and its Non-Executive/Independent Directors.

DISCLOSURE REGARDING MANAGERIAL REMUNERATION

Disclosure pursuant to Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

The names of the top ten employees in terms of remuneration drawn:

The Company during the year ended March 31, 2023 had only the following employees:

Annexure-II

Sr	Particulars	Dasarathareddy Gunnamreddy	Gautam Gupta	Karishma Chandani
1.	Designation	Managing Director	Chief Financial Officer	Company Secretary
2.	Remuneration received	INR 3,007,392/-	INR 3,846,890/-	INR 1,216,779/-
3.	nature of employment, whether contractual or otherwise;	Permanent	Permanent	Permanent
4.	qualifications and experience of the employee	Master's degree in economics 30+ years' experience	CA, B.com 10+ years' experience	CS, LLB 07+ years' experience
5.	date of commencement of employment	June 07, 2017	May 01, 2021	June 01, 2022
6.	the age of such employee	69	35	34
7.	the last employment held by such employee before joining the company	Future Financials Services	Fincare Small Finance Bank Limited	Bosch Limited
8.	the percentage of equity shares held by the employee in the company	2.83%	0.00%	0.00%
9.	whether any such employee is a relative of any director or manager of the company	No	No	No

OTHER DISCLOSURES

During the period under review,

1. the Company has not applied/obtained any Registration/ licence/ authorisation, by whatever name called, from other financial sector regulators.

2. no penalties were imposed by RBI and other regulators including strictures or directions on the basis of inspection reports or other adverse findings.

3. auditor has not expressed any modified opinion(s) or other reservation(s) in his audit report in respect of the financial results of any previous financial year which has an impact on the profit or loss of the reportable period.

REGISTRAR AND TRANSFER AGENT

The shares of the Company are dematerialized through KFin Technologies Limited.

KFin Technologies Limited
(formerly known as KFin Technologies Private Limited)
Selenium Tower B, Plot 31-32, Gachibowli,
Financial District, Nanakramguda, Hyderabad – 500032
Phone: +91 40 6716 1604

Annexure-II

Registered Office and Corporate Office:

The Registered office of the Company is located at “301 & 302, Abhijeet - V Opp. Mayor Bungalow, Law Garden Road, Mithakhali, NA Ahmedabad Ahmedabad GJ 380006 India and Corporate Office of the Company is located at “Ground Floor, Bren Mercury, Kaikondanahalli, Sarjapur Main Road, Bengaluru KA 560035 IN”.

For and on behalf of the Board of Directors

Sd/-	**Sd/-**
Dasarathareddy Gunnamreddy	**Maninder Singh Juneja**
Managing Director	**Director**
DIN: 01760054	**DIN: 02680016**
Date: September 08, 2023	**Date: September 08, 2023**
Place: Bengaluru	**Place: Mumbai**

Annexure-III

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)
Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures.

Part "A": Subsidiaries

(Information in respect of each subsidiary to be presented with amounts in Lakhs.)

1. Fincare Small Finance Bank Limited

Sl. No.	Particulars	Details
1.	Name of the subsidiary	Fincare Small Finance Bank Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Reporting period of holding company and subsidiary company are same i.e. 1st April, 2022 to 31st March, 2023.
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	N. A
4.	Share capital	Rs. 22,078
5.	Reserves & surplus	Rs. 107,835
6.	Total assets	Rs. 1,246,769
7.	Total Liabilities	Rs. 1,246,769
8.	Investments	Rs. 252,284
9.	Turnover	Rs. 174,412
10.	Profit during the year (PAT)	Rs. 10,364
11.	Provision for taxation	Rs. 803
12.	Proposed Dividend	Nil
13.	% of shareholding	78.58%

Notes: The following information:

1. Names of subsidiaries which are yet to commence operations – Nil.

2. Names of subsidiaries which have been liquidated or sold during the year– Nil.

Part "B": Associates and Joint Ventures: Not Applicable

Annexure-IV

REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR FY 2022-23

1. **Brief outline on CSR Policy of the Company:**

   The Corporate Social Responsibility Policy (CSR Policy) of the Company sets out the broad framework guiding the Company's CSR activities. The Policy also sets out the principles and the rules that needs to be adhered while taking up and implementing CSR activities as specified in Schedule VII of the Companies' Act, 2013 (excluding the activities pursued in the normal course of business) and the expenditure thereon.

   The CSR policy encompasses the Company's philosophy for delineating its responsibility as a corporate citizen and lays down the guidelines and mechanism for undertaking socially useful programs for welfare & sustainable development of the community at large.

2. **Composition of CSR Committee as on 31st March 2023:**

S. No.	Name of the 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.	Mr. Dasarathareddy Gunnamreddy	Member, Managing Director	1	1
2.	Ms. Nandini Parikh	Member, Independent Director	1	1
3.	Mr. Satayki Rastogi*	Member, Nominee Director	1	-
4.	Mr. Maninder Singh Juneja	Member, Nominee Director	1	1
5.	Mr. Bhavya Gulati	Member, Nominee Director	1	1

*Mr. Satayki Rastogi was appointed as director of the Company w.e.f. January 19, 2022, and consequently, appointed as a member of the Committee in the Board Meeting held on April 06, 2022.

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**: www.fincare.com

4. **Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable:**

   Not applicable

5. **Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any:**

   Not Applicable

6. **Average net profit before tax of the Company for last three (3) financial years:**

Net Profit/(Loss) for the Financial Year 2020-21	(5,55,94,808)
Net Profit/(Loss) for the Financial Year 2021-22	(43,224,978)
Net Profit/(Loss) for the Financial Year 2022-23	(8,54,24,057)
Average Net Adjusted Profit/(Loss) for the three preceding years	(61,414,614)
2% Average Net Profit/(Loss) of the last three years	(1,228,292)

7. **Prescribed CSR Expenditure for Financial year ended 2022-23:**

a. **(i) Two percent of average net profit/(Loss) of the company as per section 135(5) pertaining to FY 2022-23:** Rs. (1,228,292)/-

   (ii) Total amount spent in FY 2022-23 which was carried forward from FY 2021-22 Nil

b. Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil
c. Amount required to be set off for the financial year: Nil
d. Total CSR obligation for the financial year (7a+7b-7c): Nil.

8. **CSR amount spent or unspent for the financial year:** Nil.
a. Amount unspent: Nil
b. **Details of CSR amount spent against ongoing projects for the financial year: Nil**
c. **Details of CSR amount spent against other than ongoing projects for the financial year:** Nil
d. **Amount spent in Administrative Overheads:** Nil
e. **Amount spent on Impact Assessment, if applicable:** N.A.
f. **Total amount spent for the Financial Year (8b+8c+8d+8e):** Nil
g. **Excess amount for set off, if any:** Nil

9. **a. Details of Unspent CSR amount for the preceding three financial years:** N.A.
b. Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Nil

10. **In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year** – N.A.

11. **Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5).:** N.A.

Annexure-IV

For and on behalf of the Board of Directors

Sd/	**Sd/**
Dasarathareddy Gunnamreddy	**Maninder Singh Juneja**
Managing Director	**Director**
DIN: 01760054	**DIN: 02680016**
Date: 08.09.2023	**Date: 08.09.2023**
Place: Bengaluru	**Place: Mumbai**

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Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To

The Members

Fincare Business Services Limited

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of Fincare Business Services Limited ("the Company", the "FBSL"), which comprises of the Balance Sheet as at 31st March, 2023, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone Ind AS financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 including Indian Accounting Standards ("Ind AS") specified under section 133 of the Act, of the state of affairs of the Company as at 31st March, 2023, and its loss (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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 Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the financial statements under the provision 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.

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Information other than Financial Statements and Auditor's Report thereon

The Company's management and 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 auditor's report thereon.

Our opinion on the standalone Ind AS 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 standalone Ind AS 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 Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the other information and If we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 "The Auditor's Responsibilities Relating to Other Information". We have nothing to report in this regard.

Management's Responsibility for the Standalone Ind AS Financial Statements

The accompanying standalone Ind AS financial statements have been approved by the Company's Board of Directors.

The Company's Management and Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed 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 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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to

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going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, of has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the audit of the Standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud of error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud of 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 risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial control with reference to Standalone Ind AS financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone Ind AS financial statements or, if such disclosers are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

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auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Standalone Ind AS financial statements, including the disclosures, and whether the Standalone Ind AS financial statements represent the underlying transaction and events in a manner that achieves fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preclude 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

1) We draw attention to Note 39(J) to the standalone financial Statement, which describes the treatment of reimbursement of IPO Cost to Fincare Small Finance Bank Limited ("Subsidiary Company" or "the FSFBL") of Rs.43,509/- thousands in pursuant to SEBI requirements, as per Draft Red Herring Prospectus ("DRHP") filed in the year 2021.

   Further during the financial year, the FSFBL has refiled DRHP with SEBI. As informed by the Management of the Company, FBSL's share in Common IPO Expense is subject to number of shares offered for sale by FBSL in IPO as well as total shares offered for sale (including fresh issue) in the IPO by FSFBL and other selling shareholders.

Our opinion is not modified in respect of this matter.

BHUSHAN KHOT & CO. MUMBAI Firm Regn. No. 116888W CHARTERED ACCOUNTANTS

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Report on Other Legal and Regulatory Requirements

1) As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the **"Annexure A"** a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.

(A) As required by Section 143(3) of the Act, based on our audit we report to the extent applicable that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

c) The Standalone Balance Sheet, the Standalone Statement of Profit and Loss including Other Comprehensive Income, the Standalone Cash Flow Statement and the Statement of Changes in Equity dealt with by this report are in agreement with the relevant books of account.

d) In our opinion, the aforesaid Standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, as amended.

e) On the basis of the written representations received from the directors as on 31st March 2023 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2023 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company, and the operating effectiveness of such controls, refer to our separate Report in **"Annexure B"** where we have expressed an unmodified opinion.

g) In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of Section 197 of the Act read with Schedule V to the Act, as amended.

(B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigation as at 31 March 2023 on its financial position in its standalone Ind AS financial statements- Refer Note 26 to the standalone Ind AS financial statements.

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ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31st March, 2023.

iii. There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31st March, 2023 and

iv. The management has represented to us to the best of their knowledge and belief, as disclosed in the notes to the financial statements, that no funds (which are material either individually or in aggregate) have been advanced or loaned or invested (either from borrowed funds or securities 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 Intermediaries 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. Based on reasonable audit procedures adopted by us, nothing has come to our notice that such representation contains any material misstatement.

v. The management has also represented to us to the best of their knowledge and belief, as disclosed in the notes to the financial statements, that no funds (which are material either individually or in aggregate) 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.

Based on reasonable audit procedures adopted by us, nothing has come to our notice that such representation contains any material misstatement.

vi. In our opinion and according to the information and explanations given to us, the company did not declare any dividend during the year and accordingly compliance requirements to Section 123 of the Act are not applicable. Refer note 15 to the standalone Ind AS Financial Statements.

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vii. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining Books of Account using accounting software which has a feature of recording audit trail (edit log) Facility is applicable to the Company with effect from 1st April, 2023, and accordingly Reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not Applicable for the financial year ended March 31, 2023.

For Bhushan Khot & Co.
Chartered Accountants
(Firm's Registration No.116888W)

BHUSHAN KHOT & CO. MUMBAI Firm Regn. No. 116888W CHARTERED ACCOUNTANTS

Amit Shah
Partner
Membership No. 124889
UDIN: 23124889BGSYRI8307

Place: Mumbai
Date: 31st May, 2023

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ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF FINCARE BUSINESS SERVICES LIMITED FOR THE YEAR ENDED 31st MARCH 2023

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the Books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

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

The Company does not have any intangible assets.

(b) The Company has a regular programme of Physical Verification to cover all the items of its Property, plant & Equipment (PPE) performed by the Management, by which all PPE are verified in a phased manner over a period of two year. In our opinion, this periodicity of physical verification is reasonable having regards to the size of the Company and the nature of its assets. Pursuant to the Schedule of Physical Verification, certain fixed assets were physically verified by the management during the year and no material discrepancies were noticed on such verification.

(c) According to the information and explanation 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 a lessee and the lease agreements are duly executed in favour of the company) disclosed in the financial statements are held in the name of the Company except title deed of Freehold Land is in the name of Future Financial Services Private Limited, an erstwhile Group company which got merged with the Company vide Amalgamation order dated 15th September, 2017 passed by NCLT, Bengaluru bench (Refer Note no. 9 of standalone financial statements), the details of which are given hereunder

Description of Property	Gross Carrying Value (Rs.in Thousands)	Held in name of	Whether Promoter, director or their relative or employee	Property held since date	Reason for not being held in name of Company
Freehold Land	2,352	M/s. Future Financial Services Pvt Ltd ("FFSPL")	No	2nd October, 2016	As informed by the Management, FFSPL was merged with the Company vide Amalgamation order dated 15th September, 2017 passed by NCLT, Bengaluru. Hence, the process of transfer of aforesaid title deeds in the name of Company is not completed.

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(d) 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 Company has not revalued its PPE (including Right of Use assets) during the year. The company does not have any intangible assets.

(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. The Company is a Non-Banking Financial Company, primarily engaged in managing the capital requirements in subsidiary company and does not hold any inventory. Accordingly, reporting under the provisions of clause 3(ii) of the Order are not applicable.

iii. According to the information and explanation given to us, during the year the Company has not granted any loans or provided advances in the nature of loans, secured or unsecured or provided any guarantee, to companies, Firm, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, reporting under the provisions of clause 3(iii) (a) and (e) of the Order are not applicable to the Company.

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

(c) In our opinion and according to the information and explanation given to us, in respect of loans and advances in the nature of loans, the schedule of repayment of principal and payment of interest has been stipulated and the repayments or receipts are regular during the year.

(d) In our opinion and according to the information and explanations given to us, no amount is overdue in respect of loans and advances in the nature of loans.

(f) In our opinion and according to the information and explanations given to us, Company has not granted any loans or advances in the nature of loans to promoters or related parties (as defined in Sec 2(76) of the act, which are repayable on demand or without specifying any terms or period of repayment.

iv. In our opinion and according to the information and explanation given to us, the Company has complied with the applicable provisions of Section 185 and 186 of the Act, with respect to the loan given, investments made, guarantees given and securities provided.

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, reporting under clause 3(v) of the Order is not applicable.

vi. The maintenance of cost records has not been prescribed for the activities of the Company by the Central Government under Section 148(1) of the Companies Act, 2013.

vii. (a) According to the information and explanation given to us and on the basis of our examination of the records of the Company, amount deducted / accrued in the books of account in respect of undisputed statutory dues including Provident fund, Employee State Insurance, Income tax, Goods and Service tax, Service tax, Professional Tax, duty of customs, excise, Cess and any other statutory dues have generally been regularly deposited by the Company with the appropriate authorities.

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According to the information and explanation given to us, no undisputed amounts payable in respect of Provident fund, Employee State Insurance, Income tax, Goods and Service tax, Profession Tax, duty of customs, Cess and other material statutory dues were in arrears as at 31 March 2023 for a period for more than Six months from the date they become payable.

(b) According to the information and explanation given to us, there are no dues of Income-tax or Sales tax or Service tax or Goods and service tax or duty of Customs of duty of excise or value added tax which have not been deposited by the Company on account of disputes, except for the following:

(Rs.in Thousands)

Name of the Statue	**Nature of the Dues**	**Amount**	**Amount paid under protest**	**Period**	**Forum where dispute is pending**
Income tax Act, 1961	Income Tax	150,155	60,062	AY 2015-16	Commissioner of Income Tax (Appeals)
Income tax Act, 1961	Income Tax	50	Nil	AY 2019-20	Asst. Director of Income Tax, CPC
Income tax Act, 1961	Income Tax	2,177	Nil	AY 2018-19	Commissioner of Income Tax (Appeals)

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 reflect income surrendered or disclosed during the year in the tax assessments under the Income Tax Act, 1961.

ix. (a) 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 Company has not defaulted in repayment of loans or other borrowings to financial institutions or payment of interest thereon to any lender. The company does not have any borrowing from banks, government or from debenture holders.

(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 for the purposes for which they were 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 prima facie been used for long-term purposes by the Company.

(e) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.

BHUSHAN KHOT & CO. MUMBAI Firm Regn. No. 116888W CHARTERED ACCOUNTANTS

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(f) According to the information and explanations given to us and procedures performed by us, we report that the Company has raised loans during the year on the pledge of securities held in its subsidiary as per details below. Further, the company has not defaulted in repayment of such loans raised.

Nature of Loan taken	Type of Lender	Amount of Loan (Rs.in thousand)	Name of Subsidiary, Joint Venture, Associate	Relation	Details of Security Pledge
Term Loan	Non-Banking Finance Company	Rs.280,000	Fincare Small Finance Bank Limited	Subsidiary	Exclusive Pledge on fully paid-up equity shares of Subsidiary Company Fincare Small Finance Bank Ltd, held by the Company having a security Cover value of not less than 3 times of the loan outstanding amount.

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) The Company has not made any preferential allotment / private placement of shares / fully / partly / optionally convertible debentures during the year and hence the requirements of section 42 and section 62 of the Companies Act, 2013 is not applicable.

xi (a) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or no material fraud on the Company by its officers or employees has been noticed or reported during the year.

(b) In our opinion and according to the information and explanations given to us, 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 and up to the date of this report.

(c) As represented to us by the management, there are no whistle blower complaints received by the Company during the year.

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xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.

xiii. According to the information and explanation given to us and based on our examination of the records of the Company, all transactions with the related parties are in compliance with Section 177 and 188 of the Act, where applicable, and details of such transaction have been disclosed in the financial statements as required by the applicable Indian Accounting Standards.

xiv. In our opinion and based on our examination, the company does not have an internal audit system and is not required to have an internal audit system as per provisions of the Companies Act 2013.

xv. According to the information and explanations given to us, during the year, the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of Section 192 of the Act are not applicable.

xvi. (a) According to the information and explanations given to us and in our opinion, the Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and such registration has been obtained by the Company.

(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 a Core Investment Company ("CIC") as defined in the regulations made by Reserve Bank of India and it has obtained registration with RBI and it continues to fulfil the criteria of a CIC.

(d) According to the information provided by the Management of the Company, the Group does not have more than one Core Investment Company (CIC) as part of the Group as per the definition of Group contained in the Core Investment Companies (Reserve Bank) Directions, 2016 and hence the reporting under clause (xvi)(d) of the Order is not applicable.

xvii. The Company has incurred cash losses in the financial year and in the immediately preceding financial year.

xviii. There has been no resignation of the statutory auditors of the company during the year. Accordingly, reporting under 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 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.

BHUSHAN KHOT & CO. MUMBAI Firm Regn. No. 116888W CHARTERED ACCOUNTANTS

BHUSHAN KHOT & CO
Chartered Accountants

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xx. In our opinion, As per Section 135 of the Act, no amount was required to be spent by the Company on Corporate Social Responsibility (CSR) related activities during the year. Accordingly, reporting under clause 3(xx)(a) and 3(xx)(b) of the order is not applicable.

For Bhushan Khot & Co.
Chartered Accountants
(Firm Registration No.116888W)

BHUSHAN KHOT & CO. MUMBAI Firm Regn. No. 116888W CHARTERED ACCOUNTANTS

Amit Shah
Partner
Membership No. 124889
UDIN: 23124889BGSYRI8307
Place: Mumbai
Date: 31st May, 2023

"ANNEXURE B" TO INDEPENDENT AUDITORS' REPORT ON THE STANDALONE IND AS FINANCIAL STATEMENTS OF FINCARE BUSINESS SERVICES LIMITED FOR THE YEAR ENDED 31ST MARCH 2023

(Referred to in paragraph 1 A(f) 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 Ind AS Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

Opinion

We have audited the internal financial controls over financial reporting of Fincare Business Services Limited as of 31st March, 2023 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material aspects, adequate internal financial controls with reference to the Standalone financial statements and such internal financial controls were operating effectively as at 31st 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

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements 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 Companies Act, 2013.

Auditors' Responsibility:

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statement based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing ("SA"), issued by ICAI and deemed to be prescribed under section 143(10) of the Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered

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Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls with reference 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 judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial controls with reference to 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 control with reference to financial statements includes those policies and procedures that:

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls with reference to the 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 financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For Bhushan Khot & Co.
Chartered Accountants
(Firm Registration No.116888W)

Amit Shah
Partner
Membership No. 124889
UDIN: 23124889BGSYRI8307
Place: Mumbai
Date: 31st May 2023

Fincare Business Services Limited
Standalone Balance Sheet as at 31 March 2023
(All amounts in ₹ '000, unless stated otherwise)

Particulars	Notes	As at 31 March 2023	As at 31 March 2022
ASSETS			
Financial assets			
Cash and cash equivalents	4	3,281	2,574
Bank balance (other than Cash and cash equivalents)	5	29,567	35,948
Investments	6	7,209,061	7,209,061
Other financial assets	7	1,202	1,559
		7,243,111	**7,249,142**
Non Financial assets			
Current tax assets (net)	8	19,202	21,346
Property, plant and equipment	9	3,787	3,949
Other non financial assets	10	64,517	64,241
		87,506	**89,536**
Total assets		**7,330,617**	**7,338,678**
LIABILITIES AND EQUITY			
LIABILITIES			
Financial Liabilities			
Payables			
(i) Trade Payables		-	-
a) total outstanding dues to micro and small enterprises; and		-	-
b) total outstanding dues to creditors other than micro and small enterprises		-	-
Borrowings other than Debt Securities	11	279,158	202,272
Other financial liabilities	12	3,212	3,001
		282,370	**205,273**
Non Financial Liabilities			
Provisions	13	175	80
Other non financial liabilities	14	503	332
		678	**412**
EQUITY			
Equity share capital	15	329,750	329,750
Other equity	16	6,717,819	6,803,243
		7,047,569	**7,132,993**
Total liabilities and equity		**7,330,617**	**7,338,678**

Summary of significant accounting policies 1 - 3

The accompanying notes are an integral part of the financial statements.
This is the balance sheet referred to in our report of even date.

For **Bhushan Khot & Co.**
Chartered Accountants
Firm's Registration No.: 116888W

Amit Shah
Partner
Membership No.: 124889
UDIN: 23124889BGSYRI8307
Mumbai
31st May 2023

BHUSHAN KHOT & CO. MUMBAI Firm Regn. No. 116888W CHARTERED ACCOUNTANTS

For and on behalf of Board of Directors of
Fincare Business Services Limited

G. Dasarathareddy
Managing Director
DIN: 01760054

Bengaluru
31st May 2023

Bhavya Gulati
Director
DIN: 2897200

Mumbai
31st May 2023

Gautam

Gautam Gupta
Chief Financial Officer

Bengaluru
31st May 2023

Gigyasa Agrawal

Gigyasa Agrawal
Company Secretary
M.No: FCS10686
Bengaluru
31st May 2023

FINCARE BUSINESS SERVICES LIMITED Bangalore

Fincare Business Services Limited
Standalone Statement of Profit and Loss for the year ended 31 March 2023
(All amounts in ₹ '000, unless stated otherwise)

Particulars	Notes	For the year ended 31 March 2023	For the year ended 31 March 2022
Revenue from operations (I)			
Interest income	17	796	2,518
Fee and commission income	18	-	1,284
Total Revenue from operations		**796**	**3,801**
Other income (II)	19	2,144	77
Total income (I+II)		**2,940**	**3,879**
Expenses:			
Finance costs	20	33,691	31,640
Employee benefits expenses	21	10,091	10,048
Depreciation, amortization and impairment	22	331	397
Other expenses	23	44,251	5,019
Total expenses		**88,364**	**47,104**
Loss before tax for the year		**(85,424)**	**(43,225)**
Tax expense	24		
Current tax		-	-
Deferred tax expense		-	-
Prior period tax		-	6,119
Total tax expense		**-**	**6,119**
Loss for the year		**(85,424)**	**(49,345)**
Total comprehensive income for the year		**(85,424)**	**(49,345)**
Earnings per share (basic and diluted)	25		
Basic (face value ₹1 per share)		(0.26)	(0.15)
Diluted (face value ₹1 per share)		(0.26)	(0.15)
Summary of significant accounting policies	1 - 3		

The accompanying notes are an integral part of the financial statements.
This is the Statement of Profit and Loss referred to in our report of even date.

For **Bhushan Khot & Co.**
Chartered Accountants
Firm's Registration No.: 116888W

Amit Shah
Partner
Membership No.: 124889
UDIN: 23124889BGSYRI8307
Mumbai
31st May 2023

For and on behalf of Board of Directors of
Fincare Business Services Limited

G. Dasarathareddy
Managing Director
DIN: 01760054

Bengaluru
31st May 2023

Bhavya Gulati
Director
DIN: 2897200

Mumbai
31st May 2023

Gautam Gupta
Chief Financial Officer

Bengaluru
31st May 2023

Gigyasa Agrawal
Company Secretary
M.No: FCS10686

Bengaluru
31st May 2023

Fincare Business Services Limited
Standalone Cash Flow Statement for the year ended 31 March 2023
(All amounts in ₹ '000, unless stated otherwise)

	Particulars		For the year ended 31 March 2023	31 March 2022
A.	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net loss before tax		**(85,424)**	**(43,225)**
	Adjustments for:			
	Profit on sale of investments in mutual funds		-	(76)
	Depreciation, amortization and impairment		331	397
	Interest on loan to related parties		-	(906)
	Interest on term loan		33,691	31,640
	Operating (loss) / profit before Working Capital Changes		**(51,402)**	**(12,171)**
	Changes in working capital:			
	Adjustments for increase / decrease in operating assets and liabilities:			
	(Increase)/Decrease in trade receivables		-	20
	(Increase)/Decrease in other financial assets		357	(381)
	(Increase)/Decrease in Non financial assets		1,868	(1,473)
	Increase/(Decrease) in provisions		95	(11)
	Increase/(Decrease) in other financial liabilities		211	(2,989)
	Increase/(Decrease) in other non-financial liabilities		171	(145)
	Movement in Operating Assets and Liabilities		**2,702**	**(4,978)**
	Cash (used in)/ generated from Operations		**(48,700)**	**(17,149)**
	Less: Income tax paid		-	-
	Net Cash Flow from / (used in) Operating Activities	(A)	**(48,700)**	**(17,149)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
	Sale of mutual fund investments		-	118,524
	Investment in term deposits with bank		-	(32,853)
	Maturity of fixed deposits		6,381	-
	Interest received on loan to related party		-	6,934
	Loan (given) / repaid by related party		-	62,500
	Purchase of property, plant and equipment		(170)	(994)
	Net Cash Flow from / (used in) Investing Activities	(B)	**6,211**	**154,111**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
	Proceeds from issue of equity shares		-	46,452
	Processing fee on Term loan		(104)	-
	Stamp duty paid on Term loan agreement		(800)	-
	Interest expenses (including redemption premium) on Term Loan		(45,901)	(22,553)
	Term loan repaid		(190,000)	(180,000)
	Term loan received		280,000	-
	Net Cash Flow from / (used in) Financing Activities	(C)	**43,196**	**(156,101)**

BHUSHAN KHOT & CO.
MUMBAI
Firm Regn. No.
116888W
CHARTERED ACCOUNTANTS

FINCARE BUSINESS SERVICES LIMITED
Bangalore

Fincare Business Services Limited
Standalone Cash Flow Statement for the year ended 31 March 2023
(All amounts in ₹ '000, unless stated otherwise)

Net Increase/(Decrease) in Cash and Cash Equivalents	**(A+B+C)**	**707**	**(19,139)**
Cash and cash equivalents at the beginning of the year		2,574	21,713
Cash and cash equivalents at the end of the year		3,281	2,574
Reconciliation of cash and cash equivalents as per the cash flow statement		**707**	**(19,139)**

Components of Cash & Cash Equivalents as at end of the period are:	**As at 31 March 2023**	**As at 31 March 2022**
Cash in hand	-	-
Balances with banks in current account	3,281	2,574
Total Cash and cash equivalents	**3,281**	**2,574**

This is the Cash flow statement referred to in our report of even date.

For **Bhushan Khot & Co.**
Chartered Accountants
Firm's Registration No.: 116888W

BHUSHAN KHOT & CO.
MUMBAI
Firm Regn. No.
116888W
CHARTERED ACCOUNTANTS

Amit Shah
Partner
Membership No.: 124889
UDIN: 23124889BGSYRI8307
Mumbai
31st May 2023

For and on behalf of Board of Directors of
Fincare Business Services Limited

G. Dasarathareddy
Managing Director
DIN: 01760054

Bengaluru
31st May 2023

Bhavya Gulati
Director
DIN: 2897200

Mumbai
31st May 2023

Gautam

Gautam Gupta
Chief Financial Officer

Bengaluru
31st May 2023

Gigyasa Agrawal

Gigyasa Agrawal
Company Secretary
M.No: FCS10686
Bengaluru
31st May 2023

FINCARE BUSINESS SERVICES LIMITED
Bangalore

Fincare Business Services Limited
Standalone Statement of changes in equity as at 31 March 2023
(All amounts in ₹ '000, unless stated otherwise)

A Equity share capital

Particulars	Balance as at 31 March 2021	Change in equity share capital during the year	Balance as at 31 March 2022	Change in equity share capital during the year	Balance as at 31 March 2023
Number of Equity Shares (Face Value ₹ 1)	328,417,440	1,332,656	329,750,096	-	329,750,096
Equity Share Capital (in ₹ '000)	328,417	1,333	329,750	-	329,750

B Other equity

Particulars	Reserves and surplus					Total
	Reserve fund u/s 45-IC of RBI Act 1934	Capital Reserve	Securities premium	Stock option reserve*	Retained earnings	
Balance as at 31 March 2021	**229,311**	**659,510**	**4,981,156**	**90,780**	**841,644**	**6,802,401**
Loss for the year	-	-	-	-	(49,345)	(49,345)
Additions during the year	-	-	66,408	(16,222)	-	50,186
Balance as at 31 March 2022	**229,311**	**659,510**	**5,047,563**	**74,558**	**792,300**	**6,803,243**
Loss for the year	-	-	-	-	(85,424)	(85,424)
Additions during the year	-	-		-	-	-
Balance as at 31 March 2023	**229,311**	**659,510**	**5,047,563**	**74,558**	**706,876**	**6,717,819**

* Refer note 33

The accompanying notes are an integral part of the financial statements.

For **Bhushan Khot & Co.**
Chartered Accountants
Firm's Registration No.: 116888W

Amit Shah
Partner
Membership No.: 124889
UDIN: 23124889BGSYRI8307
Mumbai
31st May 2023

For and on behalf of Board of Directors of
Fincare Business Services Limited

G. Dasarathareddy	**Bhavya Gulati**	**Gautam Gupta**	**Gigyasa Agrawal**
Managing Director	Director	Chief Financial Officer	Company Secretary
DIN: 01760054	DIN: 2897200		M.No: FCS10686
Bengaluru	**Mumbai**	**Bengaluru**	**Bengaluru**
31st May 2023	31st May 2023	31st May 2023	31st May 2023

Fincare Business Services Limited
Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023
(All amounts in ₹ '000, unless stated otherwise)

1 Company Overview

Fincare Business Services Limited (formerly Fincare Business Services Private Limited) (the 'Company') is a Non-Banking Financial Company - Core Investment Company (NBFC - CIC). The Company was incorporated on 1 August 2014. The Company converted itself from a private limited company to a public limited company with effect from 23 November 2016.

Pursuant to the provisions of Section 233 of the Companies Act, 2013, the Company received 'confirmation order of scheme of amalgamation' of Lok Management Services Private Limited (Transferor Company of Karnataka) from 'Regional Director-South Each Region, Ministry of Corporate Affairs, Hyderabad on 03 March 2020.

As per Framework for Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs vide circular RBI/2021-22/112 DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021, the Company (NBFC - CIC) is classified under Middle Layer.

2 Basis of Preparation

(i) Statement of compliance with Indian Accounting Standards (Ind AS)

These standalone financial statements ("the Financial Statements") have been prepared in accordance with the Indian Accounting Standards ('Ind AS') as notified by Ministry of Corporate Affairs ('MCA') under Section 133 of the Companies Act, 2013 ('Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other relevant provisions of the Act. The Company has uniformly applied the accounting policies for the periods presented in these financial statements.

The financial statements for the year ended 31 March 2023 were authorized and approved for issue by the Board of Directors on 31st May 2023.

(ii) Historical cost convention

These standalone financial statements have been prepared on going concern basis following accrual system of accounting and are in accordance with the Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended), applicable provisions of the Companies Act, 2013 and other applicable regulatory norms / guidelines. Further, the financial statements have been prepared on historical cost basis except for certain financial assets and financial liabilities which are measured at fair values as explained in relevant accounting policies.

3 Summary of significant accounting policies

3.1 Basis of measurement

The standalone financial statements have been prepared using the significant accounting policies and measurement basis summarised as below. These policies have been applied consistently for all the periods presented in the standalone financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to Ind AS.

3.2 Use of estimates

The preparation of standalone financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the standalone financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Difference between the actual results and estimates are recognised in the period in which the results are known/materialized. Any revision to accounting estimates is recognized prospectively in the current and future periods.

Significant management judgements

Recognition of deferred tax assets – The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilised.

Evaluation of indicators for impairment of assets – The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Useful lives of depreciable/amortisable assets – Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

BHUSHAN KHOT & CO. MUMBAI Firm Regn. No. 116888W CHARTERED ACCOUNTANTS

FINCARE BUSINESS SERVICES LIMITED Bangalore

3.2 Use of estimates (cont'd)

Fair value measurements – Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. In case of non-availability of market-observable data, Level 1, Level 2 and Level 3 hierarchy is used for fair valuation.

Income taxes – Significant estimates are involved in determining the provision for income taxes, including amount expected to be paid / recovered for uncertain tax positions and also in respect of expected future profitability to assess deferred tax asset.

3.3 Revenue recognition

Interest income
Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

For all financial assets measured at amortised cost, interest income is recorded using the effective interest rate (EIR) i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets.

Interest on financial assets subsequently measured at fair value through profit and loss, is recognized on accrual basis in accordance with the terms of the respective contract.

Commission income
Income from business correspondent services is recognised as and when the services are rendered as per agreed terms and conditions of the contract. A receivable is recognised when the services are delivered as this is the case of point in time recognition where consideration is unconditional because only the passage of time is required.

Dividend income
Dividend income is recognised at the time when the right to receive is established by the reporting date.

Miscellaneous income
Cheque Bounce Charges and ancilliary charges recovered are accounted on cash basis. All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realization/collection.

Losses/ (recovery) from BC Services
Losses / (recovery) from BC services (related to erstwhile Group company) is accounted on realisation basis.

3.4 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss (interest and other finance cost associated) for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

3.5 Intangible assets

Recognition and initial measurement
Intangible assets mainly comprise of computer software which is initially measured at acquisition cost thereof. Such assets are recognized where it is probable that the future economic benefits attributable to the assets will flow to the Company.

Subsequent measurement (amortisation method, useful lives and residual value)
All intangible assets with finite useful life are amortized on a straight line basis over the estimated useful lives and a possible impairment is assessed if there is an indication that the intangible asset may be impaired. Residual values and useful lives for all intangible assets are reviewed at each reporting date. Changes, if any, are accounted for as changes in accounting estimates. Management estimates useful life of intangible assets to be 5 years.

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(All amounts in ₹ '000, unless stated otherwise)

3.6 Property, Plant & Equipment (PPE)

Recognition and initial measurement

Land

Land held for use is initially recognized at cost. For land, as no finite useful life can be determined, related carrying amounts are not depreciated.

Other tangible assets

PPE other than land are initially recognized at acquisition cost or construction cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company beyond one year. Maintenance or servicing costs of PPE are recognized in Statement of Profit and Loss as incurred.

Subsequent measurement (depreciation method, useful lives, residual value and impairment)

PPE are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation on PPE is provided on the straight line method over the useful life of the assets as prescribed under Part 'C' of Schedule II of the Companies Act, 2013.

Asset class	Useful life
Building	60 years
Plant and Machinery	5-15 years
Office Equipment	5 years
Computer Equipment	3 years
Furniture and Fixtures	10 years
Vehicles	8-10 years

Depreciation on assets purchased / sold during the year is charged for the full month if the asset is in use for more than 15 days, instead of charging the same on pro-rata basis from the date of purchase/sale.

Derecognition

An item of PPE and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of an item of PPE is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Profit and Loss.

3.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVOCI)
- Investments in equity shares of subsidiaries and joint ventures (carried at cost in accordance with Ind AS 27)

All financial assets except for those at FVTPL or equity instruments at FVOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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3.7 Financial instruments (cont'd)

Amortised cost

A financial asset is measured at amortised cost using Effective Interest Rate (EIR) if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's loans and advances, security deposits, staff loans, cash and cash equivalents and most other receivables fall into this category of financial instruments.

A loss allowance for expected credit losses is recognised on financial assets carried at amortised cost.

Modification of cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either do not meet the criteria for amortised cost classification or are equity instruments held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments also fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements may apply. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at FVOCI

FVOCI financial assets comprise of equity instruments measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the FVOCI reserve within equity, except for dividend income, which is recognized in statement of profit or loss.

De-recognition of financial assets

De-recognition of financial assets due to substantial modification of terms and conditions

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

De-recognition of financial assets other than due to substantial modification

Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognised (i.e. removed from the Company's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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3.7 Financial instruments (cont'd)

First loss default guarantee

First loss default guarantee contracts are contracts that require the Company to make specified payments to reimburse the bank and financial institution for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of loans. Such financial guarantees are given to banks and financial institutions, for whom the Company acts as 'Business Correspondent'.

These contracts are initially measured at fair value and subsequently measure at higher of:

- The amount of loss allowance (calculated as described in policy for impairment of financial assets)
- Maximum amount payable as on the reporting date to the respective bank/financial institution which is based on the amount c loans overdue for more than 90 days.

Further, the maximum liability is restricted to the cash outflow agreed in the contract.

Derivative financial instruments and hedge accounting

The derivative financial instruments are accounted for at FVTPL. The Company does not apply hedge accounting.

3.8 Impairment of financial assets

In respect of its financial assets, the Company assesses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

When making this assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial asset. To make that assessment, the Company compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Company assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

Trade receivables

In respect of trade receivables, the Company applies the simplified approach of Ind AS 109, which requires measurement of loss allowance at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of trade receivables.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments (original maturity less than 3 months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.10 Taxation

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax. It is recognised in Statement of Profit and Loss, except when it relates to an item that is recognised in OCI or directly in equity, in which case, tax is also recognised in OCI or directly in equity.

Current tax is determined as the tax payable in respect of taxable income for the year, using tax rates enacted or substantively enacted and as applicable at the reporting date, and any adjustments to tax payable in respect of previous years

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3.10 Taxation (cont'd)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided those rates are enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax liability is recognised for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

3.11 Employee benefits

Short-term employee benefits

Short-term employee benefits including salaries, short term compensated absences (such as a paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non-monetary benefits for current employees are estimated and measured on an undiscounted basis.

Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:

Defined contribution plan:

A defined contribution plan is a plan under which the Company pays fixed contributions in respect of the employees into a separate fund. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The contributions to Provident Fund Trust is charged to the profit or loss in the period to which the contributions relate.

Share Based Payments transactions of the Company:

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 39. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity -settled employee benefits reserve.

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3.12 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:
• Possible obligations which will be confirmed only by future events not wholly within the control of the Company; or
• Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

In those cases, where the outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized or disclosure is made.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation (such as from insurance) is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

Contingent assets are not recognised. However, when inflow of economic benefits is probable, the related asset is disclosed.

3.13 Fair value measurement

The Company measures financial instruments, such as, derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.14 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ('CODM') of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company.

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3.15 Leases

Company as a lessee

The Company's lease asset classes primarily consist of Leasehold building and Leashold furniture. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

(1) the contact involves the use of an identified asset
(2) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and
(3) the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset ("ROU") representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date.

The right-of-use assets is subsequently measured at cost less accumulated depreciation, accumulated impairment losses, if any. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the Statement of profit and loss.

The lease liability is initially measured at the present value of the future lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate applicable to the entity. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of all assets that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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4 Cash and cash equivalents

Particulars	As at 31 March 2023	As at 31 March 2022
Balances with banks in current account	3,281	2,574
	3,281	**2,574**

(i) There are no repatriation restrictions with respect to Cash and cash equivalents as at the end of the reporting year and prior years.

(ii) The Company has not taken bank OD, therefore the cash and cash equivalents for cash flow statement is same as cash and cash equivalents.

(iii) Above balance also includes balance in current accounts in the name of Lok Management Services Pvt Ltd (now merged with Fincare Business Services Limited)

5 Bank Balance (other than Cash and cash equivalents)

Particulars	As at 31 March 2023	As at 31 March 2022
Term deposits with banks	29,567	35,948
	29,567	**35,948**

(i) There are no repatriation restrictions with respect to Bank balances other than cash and cash equivalents as at the end of the reporting year and prior years.

(ii) The Company earns a fixed rate of interest on these term deposits.

(iii) Terms deposits with banks consists of Bank deposits more than three months' maturity.

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6 Investments

Particular	Amortised cost	At Fair Value			At Cost	TOTAL
		Through other comprehensive income	Through profit or loss	Sub-total		
As at 31 March 2023						
Investments						
Unquoted Equity Instruments (in subsidiaries)	-	-	-	-	**7,209,061**	**7,209,061**
– Fincare Small Finance Bank Limited	-	-	-	-	7,114,948	7,114,948
173,489,568 (2022: 173,489,568) equity shares of ₹10 each, fully paid-up *						
-- Others						
Others - ESOP plan	-	-	-	-	94,113	94,113
(Deemed investment on account of ESOP issued to employees of Company and Fincare Small Finance Bank Limited)						
Total - Gross	-	-	-	-	**7,209,061**	**7,209,061**
Less: Impairment loss allowance	-	-	-	-	-	-
Total - Net	-	-	-	-	**7,209,061**	**7,209,061**

* *The company has pledged 62,87,464 equity shares of Fincare Small Finance Bank Limited to Aditya Birla Finance Limited against its outstanding term loan as on 31 March 2023.*

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Fincare Business Services Limited
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6 Investments

Particular	Amortised cost	At Fair Value			At Cost	TOTAL
		Through other comprehensive income	Through profit or loss	Sub-total		
As at 31 March 2022						
Invesments						
Unquoted Equity Instruments (in subsidiaries)	-	-	-	-	**7,209,061**	**7,209,061**
– Fincare Small Finance Bank Limited	-	-	-	-	7,114,948	7,114,948
173,489,568 (2021: 57,829,856) equity shares of ₹10 each, fully paid-up *						
-- Others						
Others - ESOP plan (Deemed investment on account of ESOP issued to employees of Company and Fincare Small Finance Bank Limited)	-	-	-	-	94,113	94,113
Total - Gross	-	-	-	-	**7,209,061**	**7,209,061**
Less: Impairment loss allowance	-	-	-	-	-	-
Total - Net	-	-	-	-	7,209,061	7,209,061

* *The company has pledged 38,91,787 equity shares of Fincare Small Finance Bank Limited to TATA Capital Financial Services Ltd against its outstanding term loan as on 31 March 2022.*

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Fincare Business Services Limited
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7 Other financial assets

Particulars	As at 31 March 2023	As at 31 March 2022
Security deposits (unsecured, considered good)	408	765
Other financial Asset	794	794
	1,202	**1,559**

8 Current tax assets (Net)

Particulars	As at 31 March 2023	As at 31 March 2022
Current tax assets (Net)	19,202	21,346
	19,202	**21,346**

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(All amounts in ₹ '000, unless stated otherwise)

9 Property, plant and equipment (PPE)

Particulars	Freehold land	Leasehold Improvements	Furniture and fixtures	Computer equipments	Office equipments	Total
Gross carrying value						
Balance as at 31 March 2021	2,352	-	2,458	2,414	4,044	11,268
Additions	-	994	-	-	-	994
Disposals	-	-	-	-	-	-
Balance as at 31 March 2022	2,352	994	2,458	2,414	4,044	12,262
Additions	-		-	170	-	170
Disposals	-		-	-	-	-
Balance as at 31 March 2023	2,352	994	2,458	2,584	4,044	12,432
Accumulated depreciation						
Balance as at 31 March 2021	-	-	1,749	2,274	3,893	7,916
Charge for the year	-	18	129	98	151	397
Adjustment for disposals	-	-	-	-		-
Balance as at 31 March 2022	-	18	1,878	2,372	4,044	8,313
Charge for the year	-	151	129	51	-	331
Adjustment for disposals	-		-	-		-
Balance as at 31 March 2023	-	169	2,007	2,424	4,044	8,644
Net carrying value as at 31 March 2022	2,352	976	580	41	-	3,949
Net carrying value as at 31 March 2023	2,352	825	450	160	-	3,787

Note:

Contractual obligations
There are no contractual commitments for the acquisition of property, plant and equipment.

Capitalised borrowing cost
There is no borrowing costs capitalised during the period ended 31 March 2023 (31 March 2022: Nil).

Title Deed of Freehold Land
Title deed of Freehold Land is in the name of Future Financial Services Private Limited, an erstwhile Group company which got merged with the Company vide Amalgamation order dated 15th September, 2017 passed by NCLT, Bengaluru bench.

Revaluation of Property, Plant and Equipments
The company has not revalued its Property, Plant and Equipments during the year and hence there is no movement for the same to be reported.

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10 Other non financial assets

Particulars	As at 31 March 2023	As at 31 March 2022
Balances with government authorities	60,762	60,762
Duties and taxes recoverables	3,411	3,236
Advances to suppliers	-	17
Prepaid expenses	27	10
Gratuity expense (Refer Note 27)	317	215
	64,517	**64,241**

11 Borrowings (other than debt securities)

Particulars	As at 31 March 2023	As at 31 March 2022
(A) At amortised cost		
From Financial Institutions		
Term Loans - Secured	279,158	202,272
Unsecured	-	-
Total - (A)	**279,158**	**202,272**
(B) Borrowings (other than debt securities) in India		
At amortised cost	279,158	202,272
Total - (B)	**279,158**	**202,272**

Terms of borrowing:

Current Year

Term Loan Availed	Date of of Term Loan	Maturity date	Floating Coupon rate (reset at 6 months)	Amortised Value of Term Loan
280,000	31-Dec-22	1-Jan-26	13.00%	279,158

Previous Year

Term Loan Availed	Date of of Term Loan	Maturity date	Fixed Coupon rate (IRR of 15.07%)	Amortised Value of Term Loan
190,000	29-Jan-21	30-Apr-23	9.00%	202,272

Other terms of borrowing:

a) Redemption terms: Bullet payment at the end of 3 years or mandatory prepayment on the occurance of the liquidity event (IPO of the Subsidiary company) whichever is earlier.

b) Nature of security: First exclusive charge by way of pledge on fully paid up equity shares of the subsidiary company Fincare Small Finance Bank Limited having a value of not less than 3 times of the loan outstanding amount.

c) End use: The company shall apply the amounts received through term loan for refinancing of existing loans, reimbursement of subsidiary company's IPO expenses and settlement of contigent liabilities arising against tax litigation,if any, etc.

d) Debt Securities: The Company has not borrowed any amount as Debt Securities, hence the disclosure pertaining to Debt Securities is not applicable.

e) The coupon rate for the year ended on March 31, 2023 is 13% p.a. (with reset at 6 months interval) for the term loan raised from financial instituition. (For the year ended March 31, 2022 - fixed coupon rate of 9% with IRR of 15.07%). The tenure of such term loan is 36 months.

f) The Company is maintaining adequate security cover in respect of above Term loan facility.

g) The Lendor has a PUT option for the entire outstanding amount at the end of 7 months from the date of first disbursement. The Company will have 60 days time to repay the debt from the date of commencemnt of PUT option.

h) The Lendor has a right to recall the facility in case of more than two notches downgrade in the ratings of Company's Subsidiary company (Fincare Small Finance Bank Ltd).

i) The Company has used the borrowings raised through Term loan for the specific purpose for which it was taken. The unutilised borrowings, if any, at at the balance sheet date has been gainfully invested in Fixed deposits.

j) The Company has no pending charges or satisfaction of charges, which are required to be registered with Registrar of Companies (ROC).

k) The Company has not defaulted in the repayment of term loan principal and interest thereon for the year ended March 31, 2023 and March 31, 2022.

12 Other financial liabilities

Particulars	As at 31 March 2023	As at 31 March 2022
Accrued expenses	3,081	2,876
Dues to employees	131	126
Total	**3,212**	**3,001**

13 Provisions

Particulars	As at 31 March 2023	As at 31 March 2022
Provision for compensated absences	175	80
	175	**80**

14 Other non financial liabilities

Particulars	As at 31 March 2023	As at 31 March 2022
Statutory dues	17	22
TDS payable	485	309
	503	**331**

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15 Equity share capital

Particulars	As at 31 March 2023	As at 31 March 2022
Authorised equity share capital		
1,055,000,000 (March 31, 2022 : 1,055,000,000) Equity shares of Rs 1 each	1,055,000	1,055,000
10,000,000 (March 31, 2022:10,000,000) Preference shares of Rs 10 each	100,000	100,000
	1,155,000	**1,155,000**
Issued, subscribed and paid up equity share capital		
329,750,096 (March 31, 2022: 329,750,096) Equity shares of ₹ 1 each fully paid with voting rights	329,750	329,750
	329,750	**329,750**

i) Reconciliation of equity shares outstanding at the beginning and at the end of the year

	As at 31 March 2023		As at 31 March 2022	
	No. of shares	₹ '000	No. of shares	₹ '000
Equity share capital of Rs. 1 each fully paid up				
Balance at the beginning of the year	329,750,096	329,750	328,417,440	328,417
Add: Issued during the year	-	-	1,332,656	1,333
Balance at the end of the year	**329,750,096**	**329,750**	**329,750,096**	**329,750**

ii) Rights attached to equity shares

The Company has issued only one class of equity shares having a par value of ₹ 1/- per share. Each holder of equity share is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. During the year ended March 31, 2023 (March 31, 2022 - Nil), no dividend was declared or paid to equity shareholders.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the Company after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

iii) Shareholders holding more than 5% of shares of the Company as at balance sheet date:

Name of the Shareholder	As at 31 March 2023		As at 31 March 2022	
Equity shares of ₹ 1 each, fully paid up	No. of shares	% holding	No. of shares	% holding
1) Wagner Limited	58,535,040	17.75%	58,535,040	17.75%
2) True North Fund V LLP	54,385,595	16.49%	54,385,595	16.49%
3) INDIUM IV (Mauritius) Holdings Limited	54,085,980	16.40%	54,085,980	16.40%
4) Omega TC Holdings Pte. Ltd.	27,772,330	8.42%	27,772,330	8.42%

As per records of the Company, including its register of shareholders/members and other declarations, if any, received from shareholders regarding the beneficial interest, the above shareholding represents both legal & beneficial ownership of shares.

iv) The Company has neither issued equity shares pursuant to contract without payment being received in cash or any bonus shares nor has there been any buy-back of shares in the current year and five years immediately preceding the balance sheet date.

v) Details of Shares reserved to be issued under ESOP

Particulars	As at 31 March 2023		As at 31 March 2022	
	No. of shares	₹ '000	No. of shares	₹ '000
Equity shares of ₹ 1 each *Refer Note no 33 for more details*	5,916,100	5,916	5,940,600	5,941

vi) Equity shares held by promoters for year ended 31 March 2023 - Nil (Previous Year 31 March 2022 - Nil)

vii) For Company's objective, policies and processes for managing capital Refer note 32.

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(All amounts in ₹ '000, unless stated otherwise)

16 Other equity

Particulars	As at 31 March 2023	As at 31 March 2022
Statutory reserve u/s 45(IC) of the RBI Act, 1934	229,311	229,311
Securities premium	5,047,563	5,047,563
Capital reserve	659,510	659,510
Stock option reserve	74,558	74,558
Retained earnings	706,876	792,300
	6,717,819	6,803,243

Nature and purpose of reserve

16.1 Statutory reserve u/s 45-IC of RBI Act 1934

The Company creates a reserve fund in accordance with the provisions of section 45-IC of the Reserve Bank of India Act,1934 and transfers therein an amount equal to/more than twenty per cent of its net profit of the year, before declaration of dividend.

16.2 Securities premium reserve

Securities premium reserve is used to record the premium received on issue of shares (including premium received on shares issued for consideration other than cash). The reserve can be utilised for purposes in accordance with the provisions of the Companies Act, 2013.

16.3 Capital reserve

Capital reserve is used to record additional capital infused by certain shareholders as per the clauses of the share purchase and share subscription agreement (SPSSA) entered between Shareholders in FY 16-17.

16.4 Stock option reserve

This reserve is used to recognise grant date fair value of options issued to employees under employee stock option plans.

16.5 Retained earnings

All the profits or losses made by the Company are transferred to retained earnings from statement of profit and loss.

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(All amounts in ₹ '000, unless stated otherwise)

17 Interest income

Particulars	For the year ended 31 March 2023			For the year ended 31 March 2022		
	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	Interest income on financial assets classified at FVTPL	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	Interest income on financial assets classified at FVTPL
Interest income on deposits from banks	-	796	-	-	1,611	-
Other interest income	-	-	-	-	906	-
	-	**796**	**-**	**-**	**2,518**	**-**

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18 Fee and commission income

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Fee income recognised over a certain period of time	-	1,284
	-	1,284

19 Other income

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Profit on sale of investments in mutual funds	-	76
Interest on Income tax refund	1,909	-
Miscellaneous income	235	1
	2,144	77

20 Finance costs

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest on term loan (Including Redemption Premium)	33,691	31,640
	33,691	31,640

21 Employee benefits expenses

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Salaries, bonus and commission	8,270	8,407
Contribution to provident and other funds	1	1
Gratuity (Refer note 27)	133	5
Compensated absences	121	49
Staff welfare expenses	1,566	1,586
	10,091	10,048

22 Depreciation, amortization and impairment

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Depreciation (also refer note 9)	331	397
	331	397

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23 Other expenses

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Rent	1,059	1,154
Repairs and maintenance - others	80	43
Insurance	64	76
Rates and taxes	116	2,107
Travelling and conveyance	22	14
Printing and stationery	17	-
Legal and professional charges	1,536	2,350
IPO related cost (Subsidiary Company) (Refer Note 39(J))	43,509	-
Auditor's fees and expenses (Refer note i below)	1,027	800
Directors' fees, allowances and expenses	561	458
Contribution towards CSR expenses (Refer note ii below)	-	843
Losses / (recovery) from BC services (related to erstwhile Group company)	(3,881)	(3,765)
IT Support services	-	615
Communication Expenses	2	-
Miscellaneous expenses	138	325
	44,251	**5,019**

i Auditors' remuneration includes:

- Audit fees	800	800
- For other Services	200	-
- Reimbursement of expenses	27	-
	1,027	**800**

ii **Corporate social responsibility expenses**

	For the year ended 31 March 2023	For the year ended 31 March 2022
(a) Amount required to be spent	-	843
(b) Amount of expenditure incurred	-	843
(c) Shortfall at the end of the year	-	-
(d) Total of previous years shortfall	-	-
(e) Nature of CSR activities	Promoting healthcare and eradicating hunger	

24 Tax expense

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
(i) Current tax (including tax of earlier years)	-	6,119
	-	**6,119**

The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:

Loss before tax	(85,424)	(43,225)
Statutory income tax rate	25.16%	25.16%
Expected income tax expense	-	-
Tax effect of adjustments to reconcile expected income tax expense to reported		
Adjustment for tax expense pertaining to prior years	-	6,119
Short term capital gain tax on sale of investments in subsidiary	-	-
	-	**6,119**

25 Earnings per share (basic and diluted)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Net loss for the year	(85,424)	(49,345)
Weighted average number of equity shares for EPS	329,750,096	329,248,709
Par value per share	1.00	1.00
Earnings per share - Basic and diluted	(0.26)	(0.15)

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26 Provisions and Contingencies

Particulars	As at 31 March 2023	As at 31 March 2022
Contingent liability not provided for:		
Income tax demand for AY 2015-16 (refer note (i) below)	150,155	150,155
Income tax demand for AY 2018-19 (refer note (ii) below)	2,177	-

Note:

(i) The Company received a notice from the Income Tax Department on 30 December 2017 under section 156 of the Income Tax Act 1961, for a demand of ₹ 150,155 thousands pertaining to financial year ended 31 March 2015. The Company has filed an appeal against the disputed amount and has paid ₹ 60,062 thousands (i.e.; 40% of the disputed amount).
Considering the facts of the case, the Company and the tax advisors believe that the final outcome should be in favour of the Company.

(ii) The Company received a demand notice from the Income Tax Department on 09 March 2021 under section 156 of the Income Tax Act 1961, for a demand of ₹ 2,177 thousands pertaining to financial year ended 31 March 2018. The Company has filed an appeal against the disputed amount.
Considering the facts of the case, the Company and the tax advisors believe that the final outcome should be in favour of the Company.

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27 Employee benefit obligations

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service.

The following tables summarize the components of net benefit expense recognized in the Statement of Profit and Loss and the funded status and amounts recognized in the Balance Sheet for the gratuity plan.
During the year ended 31 March 2023, the Company has only two employees eligible for gratuity benefit and therefore no actuarial valuation has been carried out.

Reconciliation of present value of defined benefit obligation and the fair value of assets:

	As at 31 March 2023	As at 31 March 2022
Defined benefit obligation	1,004	870
Fair value of plan assets	(1,320)	(1,085)
	(317)	**(215)**

Amount recognised in the statement of profit and loss

	For the year ended 31 March 2023	For the year ended 31 March 2022
Current service cost*	133	5
Interest cost on benefit obligation	-	-
Expected return on plan assets**	-	-
Net benefit expense	**133**	**5**

(*) Current service cost includes liabilities assumed on account of transfer of employees from companies under common control.
(**) Represents expected return as determined by the actuary.

Changes in the present value of the defined benefit obligation are as follows:

	As at 31 March 2023	As at 31 March 2022
Opening defined benefit obligation	870	865
Interest cost	-	-
Current service cost	133	5
Benefits paid	-	-
Actuarial gain on obligation	-	-
Closing defined benefit obligation	**1,004**	**870**

Changes in the fair value of plan assets are as follows:

	As at 31 March 2023	As at 31 March 2022
Fair value of plan assets at the beginning of the year	1,085	1,085
Expected return on plan assets	235	
Benefits paid	-	-
Actuarial gain on plan assets	-	-
Fair value of plan assets at the end of the year	**1,320**	**1,085**

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	As at 31 March 2023	As at 31 March 2022
Investments with insurer	-	-

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

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

	As at 31 March 2023	As at 31 March 2022
Discount rate	NA	NA
Expected rate of return on assets	NA	NA
Attrition rate	NA	NA
Salary escalation rate	NA	NA

No actuarial valuation was done during Current year as well as in Previous years

Actuarial (gain)/loss recognised in other comprehensive income:

	For the year ended 31 March 2023	For the year ended 31 March 2022
Actuarial gain on assets	NA	NA
Actuarial loss/(gain) from change in demographic assumption	NA	NA
Actuarial gain from change in financial assumption	NA	NA
Actuarial gain from experience adjustment	NA	NA
Total Actuarial gain on liabilities	-	-

Sensitivity analysis for gratuity liability

	As at 31 March 2023	As at 31 March 2022
Impact of change in discount rate		
Present value of obligation at the end of the year	NA	NA
- Impact due to increase of 100 bps	NA	NA
- Impact due to decrease of 100 bps	NA	NA
Impact of change in salary increase		
Present value of obligation at the end of the year	NA	NA
- Impact due to increase of 100 bps	NA	NA
- Impact due to decrease of 100 bps	NA	NA
Impact of change in attrition rate		
Present value of obligation at the end of the year	NA	NA
- Impact due to increase of 100 bps	NA	NA
- Impact due to decrease of 100 bps	NA	NA

The above sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation liability recognised in the balance sheet.
The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous year.

Maturity profile of defined benefit obligation

	As at 31 March 2023	As at 31 March 2022
Within next 12 months	NA	NA
Between 1-5 years	NA	NA
Beyond 5 years	NA	NA

The Company expects to contribute ₹ Nil (previous year ₹ Nil) to its gratuity plan for the next year.

Provident fund

The state governed Provident Fund scheme is not applicable to the Company as the number of employees are less than the minimum number of employees required for registration under the state governed Provident fund scheme.

28 Segment reporting

The company operates mainly in the business segment of investment activity. Further, all activities are carried out within India. As such, there are no reportable segments as per IND AS 108 on "Operating Segments" specified under section 133 of the Companies Act, 2013.

The Company has its operations within India and all revenue are generated within India.

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29 Related Party transactions

a. Details of related parties:

Description of relationship	Names of related parties	
Subsidiary company	Fincare Small Finance Bank Limited	
Trust (Group entity)	Fincare Employee Welfare Trust	
Key management personnel (KMP)		
	Mr. G. Dasaratha Reddy	Managing Director (appointed w.e.f. 07 June 2017)
	Mr. Maninder Singh Juneja	Director (appointed w.e.f. 26 September 2019)
	Mr. Bhavya Gulati	Director (appointed w.e.f. 07 June 2017)
	Mr. Satyanarayana Peravali	Director (appointed w.e.f. 04 March 2017)
	Ms. Nandini Jashwantlal Parekh	Director (appointed w.e.f. 26 September 2019)
	Mr. Divya Sehgal	Director (resigned w.e.f 09 June, 2021)
	Mr. Dhiraj Poddar	Director (resigned w.e.f. 15 September 2021)
	Mr. Satyaki Rastogi	Director (appointed w.e.f. 19 January 2022)
	Ms. Parul Molri	Company Secretary (appointed w.e.f 03 March 2021 and resigned w.e.f. 22 April 2022)
	Mr. Gautam Gupta	Chief Financial Officer (appointed w.e.f. 20 May 2021)
	Ms. Karishma Chandani*	Company Secretary (appointed w.e.f 27 June 2022 and resigned w.e.f. 31 March 2023)

** During the year Company Secretary Ms. Karishma Chandani has resigned with effect from 31 March 2023. Ms. Gigyasa Agrawal has been appointed as Company Secretary with effect from 31 May 2023.*

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b. Transactions with Related Parties are as under:

	Related Party Entities		Key Management Personnel	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
1) <u>Fincare Small Finance Bank Limited</u>				
a) Receipt of Equity Shares by way of Bonus issue				
115,659,712 equity shares of face value per share Rs.10/-	-	1,156,597	-	-
b) Deposits placed (including interest)				
Fincare Small Finance Bank Limited	63,149	269,863	-	-
c) Deposits redeemed (including interest)				
Fincare Small Finance Bank Limited	70,117	233,912	-	-
d) Interest income				
Interest Income on Fixed deposits with Fincare Small Finance Bank Limited **	796	1,396	-	-
e) Rental Deposit	27	-		
Rental deposit with Fincare Small Finance Bank Limited				
f) Rent Expense				
Rent expense to Fincare Small Finance Bank Limited	105	-		
g) Reimbursement of IPO Cost				
Payment of reimbursement of IPO Cost to Fincare Small Finance Bank Limited	43,509	-		
h) Investments				
Others - ESOP plan (Refer note 6 and 33)	-	5,067	-	-
Investment in equity shares of Fincare Small Finance Bank Limited	-	-	-	-
2) <u>Fincare Employee Welfare Trust</u>				
a) Interest income for the year	-	906	-	-
b) Loan (incl interest) received during the year	-	69,434	-	-

** *excluding any interest amount reversed / penal charges levied during the year.*

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3) Key management personnel (KMP)	Key Management Personnel	
	31 March 2023	31 March 2022
a) Remuneration		
Mr. G. Dasaratha Reddy	3,007	3,012
Ms. Parul Molri	112	1,485
Mr. Gautam Gupta	3,847	3,019
Mr. Kalivarapu Umasankar Rao	-	415
Ms. Karishma Chandani	1,217	-
b) Reimbursement of expenses		
Mr. Gautam Gupta	18	2
Ms. Parul Molri	-	0
Ms. Karishma Chandani	1	-
c) Sitting fees		
Mr.Satya Narayan Peravali	250	180
Ms. Nandini Parekh	265	240

c. Balances at year end:

	Related Party Entities		Maximum outstanding during the year ended	
	31 March 2023	31 March 2022	31 March 2023	31 March 2022
Fincare Small Finance Bank Limited				
Balance in Bank Current Account	1,003	820	280,771	169,502
Investment in equity shares	7,114,948	7,114,948	7,114,948	7,114,948
Others - ESOP plan (Refer note 6 and 33)	94,113	94,113	94,113	94,113
Balance with bank as Term Deposit	29,567	35,948	99,685	269,769
Rental Deposit	27	-	27	-

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30 Financial instruments and Fair value disclosures

A Financial instruments by category

The carrying value and fair value of financial instruments by categories were as follows:

As at 31 March 2023

Particulars	Notes to schedule	FVTPL	FVTOCI	Amortised cost	Total carrying value	Total fair value
Financial assets						
Cash and cash equivalents	4	-	-	3,281	3,281	3,281
Bank balances (other than Cash and cash equivalents)	5	-	-	29,567	29,567	29,567
Other financial assets	7	-	-	1,202	1,202	1,202
Total financial assets		-	-	**34,050**	**34,050**	**34,050**
Financial liabilities						
Borrowings other than Debt Securities	11	-	-	279,158	279,158	279,158
Other financial liabilities	12	-	-	3,212	3,212	3,212
Total financial liabilities		-	-	**282,370**	**282,370**	**282,370**

As at 31 March 2022

Particulars	Notes to schedule	FVTPL	FVTOCI	Amortised cost	Total carrying value	Total fair value
Financial assets						
Cash and cash equivalents	4	-	-	2,574	2,574	2,574
Bank balances other than cash and cash equivalents	5	-	-	35,948	35,948	35,948
Other financial assets	7	-	-	1,559	1,559	1,559
Total financial assets		-	-	**40,080**	**40,080**	**40,080**
Financial liabilities						
Borrowings other than Debt Securities	11	-	-	202,272	202,272	202,272
Other financial liabilities	12	-	-	3,001	3,001	3,001
Total financial liabilities		-	-	**205,273**	**205,273**	**205,273**

*** Investment in subsidiaries are measured at cost as per Ind AS 27, 'Separate financial statements' and hence, not presented here.**

The management assessed that the fair value of cash and cash equivalents, other bank balances, loans, trade receivables, other financial assets and other financial liabilities approximate the carrying amount largely due to short-term maturity of this instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

(a) the use of net asset value for mutual funds on the basis of the statement received from investee party.
(b) the use of earnings capitalisation method (fair value approach) for remaining equity instruments.

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30 Financial instruments and Fair value disclosures (cont'd)

B Fair value of financial assets and liabilities measured at amortised cost

The management assessed that for amortised cost instruments, fair value approximate largely to the carrying amount.

C Fair values hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are bifurcated into three levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices (unadjusted) in active markets for financial instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability.

The following table shows the fair value hierarchy of financial assets and liabilities measured at fair value on a recurring basis

As at 31 March 2023

Particulars	Level 1	Level 2	Level 3	Valuation Technique
Financial assets				
Other financial assets	-	-	1,202	Carrying value approximately equal to fair value
Total financial assets	-	-	**1,202**	
Financial liabilities				
Borrowings (other than debt securities)	-	-	279,158	Carrying value approximately equal to fair value
Other financial liabilities	-	-	3,212	
Total financial liabilities	-	-	**282,370**	

As at 31 March 2022

Particulars	Level 1	Level 2	Level 3	Valuation Technique
Financial assets				
Other financial assets	-	-	1,559	Carrying value approximately equal to fair value
Total	-	-	**1,559**	
Financial liabilities				
Borrowings (other than debt securities)	-	-	202,272	Carrying value approximately equal to fair value
Other financial liabilities	-	-	3,001	
Total financial liabilities	-	-	**205,273**	

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31 Financial risk management

A) Credit risk

Credit risk is the risk that a counterparty fails to discharge its obligation to the Company. The Company's exposure to credit risk is influenced mainly by cash and cash equivalents, other bank balances, investments, loan assets, trade receivables and other financial assets. The Company continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

A.1 The Company assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The Company assigns the
(i) Low credit risk on financial reporting date
(ii) Moderate credit risk
(iii) High credit risk
The company provides for expected credit loss based on the following:

Asset group	Basis of categorisation	Provision for expected credit loss
Low credit risk	Cash and cash equivalents, trade receivables, other bank balances, loans and other financial assets	12 month expected credit loss
Moderate credit risk		Life time expected credit loss or 12 month expected credit loss
High credit risk		Life time expected credit loss fully provided for

Based on business environment in which the Company operates, a default on a financial asset is considered when the counter party fails to make payments within the agreed time period as per contract. Loss rates reflecting defaults are based on actual credit loss experience and considering differences between current and historical economic conditions.

Management of credit risk for financial assets
Cash and cash equivalents and bank deposits
Credit risk related to cash and cash equivalents and bank balances is managed by only accepting highly rated banks and diversifying bank deposits and accounts in different banks across the country.

Other financial assets measured at amortized cost
Other financial assets measured at amortized cost includes loans and advances to individuals and related parties, trade receivables, security deposits and others. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously.

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31 Financial risk management (cont'd)

A.2 Expected credit losses for financial assets

As at 31 March 2023	Estimated gross carrying amount at default	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Cash and cash equivalents	3,281	0%	-	3,281
Bank balances other than cash and cash equivalents	29,567	0%	-	29,567
Loans	-	0%	-	-
Trade receivables	-	0%	-	-
Other financial assets	1,202	0%	-	1,202

As at 31 March 2022	Estimated gross carrying amount at default	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Cash and cash equivalents	2,574	0%	-	2,574
Bank balances other than cash and cash equivalents	35,948	0%	-	35,948
Loans	-	0%	-	-
Trade receivables	-	0%	-	-
Other financial assets	1,559	0%	-	1,559

Following is the trade receivables ageing:

As at 31 March 2023	Not due	0-30 Days	30-90 Days	90-180 Days	More than 180 Days	Total
Gross carrying amount	-	-	-	-	-	-
Expected loss rate	0%	0%	0%	0%	0%	0%
Expected credit loss	-	-	-	-	-	-

As at 31 March 2022	Not due	0-30 Days	30-90 Days	90-180 Days	More than 180 Days	Total
Gross carrying amount	-	-	-	-	-	-
Expected loss rate	0%	0%	0%	0%	0%	0%
Expected credit loss	-	-	-	-	-	-

Reconciliation of loss allowance provision:

	As at 31 March 2023	As at 31 March 2022
Loss allowance at beginning of the year	-	-
Assets originated or purchased	-	-
Loss allowance written back	-	-
Write – offs	-	-
Loss allowance at end of the year	-	-

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FINCARE BUSINESS SERVICES LIMITED ★ Bangalore

(All amounts in ₹ '000, unless stated otherwise)

31 Financial risk management (cont'd)

B) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates.

B.1 Maturities of financial liabilities

The tables below analyse the Company financial liabilities into relevant maturity groupings based on their contractual maturities.
The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

31 March 2023	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
Non-derivatives					
Borrowings - other than Debt securities	-	-	279,158	-	279,158
Other financial liabilities	3,212	-	-	-	3,212
Total	**3,212**	**-**	**279,158**	**-**	**282,370**

31 March 2022	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
Non-derivatives					
Borrowings - other than Debt securities	134,848	67,424	-	-	202,272
Other financial liabilities	3,001	-	-	-	3,001
Total	**137,849**	**67,424**	**-**	**-**	**205,273**

B.2 Maturity profile of assets and liabilities

Particulars	31-Mar-23			31-Mar-22		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	3,281	-	3,281	2,574	-	2,574
Bank balance (other than Cash and cash equivalents)	29,567	-	29,567	35,948	-	35,948
Investments	-	7,209,061	7,209,061	-	7,209,061	7,209,061
Other financial assets	-	1,202	1,202	-	1,559	1,559
Non Financial assets						
Current tax assets (net)	-	19,202	19,202	-	21,346	21,346
Property, plant and equipment	-	3,787	3,787	-	3,949	3,949
Other non financial assets	-	64,517	64,517	-	64,241	64,241
TOTAL	**32,848**	**7,297,769**	**7,330,617**	**38,522**	**7,300,156**	**7,338,677**
Financial Liabilities						
Borrowings other than Debt Securities	-	279,158	279,158	134,848	67,424	202,272
Other financial liabilities	3,212	-	3,212	3,001	-	3,001
Non Financial Liabilities						
Provisions	175	-	175	80	-	80
Other non financial liabilities	503	-	503	332	-	332
TOTAL	**3,889**	**279,158**	**283,048**	**138,260**	**67,424**	**205,684**

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(All amounts in ₹ '000, unless stated otherwise)

31 Financial risk management (cont'd)

C) Market risk

C.1 Market risk - Interest rate risk

C.1.1 Liabilities

Market Risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates and other asset prices. The Company's exposure to market risk is a function of asset liability management and interest rate sensitivity assessment. The Company is exposed to interest rate risk and liquidity risk, if the same is not managed properly. The Company continuously monitors these risks and manages them through appropriate risk limits. The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing.
'The Company's debt are carried at amortised cost and are variable rate borrowings (interest rate reset at 6 months interval).

Exposure to interest rate risk:
The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Particulars	As at 31-03-2023	As at 31-03-2022
Variable rate borrowings	279,158	-
Fixed rate borrowings	-	202,272
Total borrowings	**279,158**	**202,272**

C.1.2 Assets

The Company's fixed deposits are carried at amortised cost and are fixed rate investments. They are therefore are not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

C.2 Market risk - Price risk

Exposure
The Company's exposure to price risk arises from investments held and classified in the balance sheet at fair value through profit or loss. To manage the price risk arising from investments, the Company diversifies its portfolio of assets.

32 Capital management

The Company's capital management objectives are
- to ensure the Company's ability to continue as a going concern
- to provide an adequate return to shareholders

The Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of balance sheet.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

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33 Employee Stock Option Plan (ESOP)

ESOP Plan 2019 - I

The 'Fincare Business Services Stock Option Scheme' **(the 'Plan I')** was approved in the Extraordinary General Meeting of the members held on 13 May 2019. The Company introduced the Plan for the benefit of the employees of the subsidiary company Fincare Small Finance Bank Limited ("Fincare bank") and employees of Company. The plan provides for the creation and issue of 2,177,200 options that would eventually convert into equity shares of ₹ 1 each in the hands of the employees of the Fincare Small Finance Bank Limited and employees of the Company. The options are to be granted to the eligible employees as per the eligibility criteria as determined by the Nomination and Remuneration Committee at its sole discretion. The share options vest in a graded manner over a period of one year and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.

Pursuant to the Plan, the Company granted 2,177,200 options till 31 March 2023 (31 March 2022: 2,177,200). The stock compensation cost is computed under the fair value method and has been recognised as an additional investment in the Fincare bank on a straight line basis over the vesting period upto 31 March 2023. For the year ended 31 March 2023, the Company has recorded an additional investment of ₹ Nil (31 March 2022: ₹ Nil) in Fincare Small Finance Bank Limited.

ESOP Plan 2019 - II

The 'Fincare Business Services Stock Option Scheme' **(the 'Plan II')** was approved in the Extraordinary General Meeting of the members held on 20 November 2019. The Company introduced the Plan for the benefit of the employees of the subsidiary company Fincare Small Finance Bank Limited ("Fincare bank") and employees of Company. The plan provides for the creation and issue of 2,885,300 options that would eventually convert into equity shares of ₹ 1 each in the hands of the employees of the Fincare Small Finance Bank Limited and employees of the Company. The options are to be granted to the eligible employees as per the eligibility criteria as determined by the Nomination and Remuneration Committee at its sole discretion. The share options vest in a graded manner over a period of one year and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.

Pursuant to the Plan, the Company granted 2,885,300 options till 31 March 2023 (31 March 2022: 2,885,300). The stock compensation cost is computed under the fair value method and has been recognised as an additional investment in the Fincare bank on a straight line basis over the vesting period upto 31 March 2023. For the year ended 31 March 2023, the Company has recorded an additional investment of ₹ Nil (31 March 2022: ₹ Nil) in Fincare Small Finance Bank Limited.

ESOP Plan 2020 - I

The 'Fincare Business Services Stock Option Scheme' **(the 'Plan III')** was approved in the Extraordinary General Meeting of the members held on 30 March 2020. The Company introduced the Plan for the benefit of the employees of the subsidiary company Fincare Small Finance Bank Limited ("Fincare bank") and employees of Company. The plan provides for the creation and issue of 3,340,400 options that would eventually convert into equity shares of ₹ 1 each in the hands of the employees of the Fincare Small Finance Bank Limited and employees of the Company. The options are to be granted to the eligible employees as per the eligibility criteria as determined by the Nomination and Remuneration Committee at its sole discretion. The share options vest in a graded manner over a period of two year and are exercisable in one or more tranches within a period of five years from the date of vesting, failing which the options shall lapse.

Pursuant to the Plan, the Company granted 3,340,400 options till 31 March 2023 (31 March 2022: 3,340,400). The stock compensation cost is computed under the fair value method and has been recognised as an additional investment in the Fincare bank on a straight line basis over the vesting period upto 31 March 2023. For the year ended 31 March 2023, the Company has recorded an additional investment of ₹ Nil (31 March 2022:₹ 5,066 thousands) in Fincare Small Finance Bank Limited.

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(All amounts in ₹ '000, unless stated otherwise)

33 Employee Stock Option Plan (ESOP) (cont'd)

	No. of options	Weighted average exercise price
Options outstanding as at 01 April 2021 under		
Plan I	2,177,200	30.50
Plan II	2,794,000	40.50
Plan III	2,794,200	52.50
Total Options outstanding	**7,765,400**	**42.01**
Granted / (lapsed/ exercised) during the year - Plan I	(816,700)	30.50
Granted / (lapsed/ exercised) during the year - Plan II	(667,000)	40.50
Granted / (lapsed/ exercised) during the year - Plan III	(341,100)	52.50
Total Options outstanding as at 31 March 2022	**5,940,600**	**43.17**
Granted / (lapsed/ exercised) during the year - Plan I	-	30.50
Granted / (lapsed/ exercised) during the year - Plan II	-	40.50
Granted / (lapsed/ exercised) during the year - Plan III	(24,500)	52.50
Total Options outstanding as at 31 March 2023	**5,916,100**	**43.13**
Plan I	1,360,500	30.50
Plan II	2,127,000	40.50
Plan III	2,428,600	52.50

The grant date fair value of each option award is estimated on the date of grant using Black-Scholes-Merton model. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations.

Options grant period	Vesting Percentage	Expected volatility	Dividend yield	Risk free interest rate	Weighted average exercise price (₹)	Fair value at grant date (₹)	Weighted average remaining contractual life (years).
ESOP Plan I - 1 year vesting period	100%	41.15%	0.00%	7.07%	30.50	20.36	1.00
ESOP Plan II - 1 year vesting period	100%	41.95%	0.00%	6.17%	40.50	9.09	1.25
ESOP Plan III - 1 year vesting period	100%	41.09%	0.00%	5.82%	52.50	8.54	1.50
ESOP Plan III - 2 year vesting period	100%	41.75%	0.00%	6.14%	52.50	10.99	2.00

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(All amounts in ₹ '000, unless stated otherwise)

34 Disclosure pursuant to Ind AS 7 "Statement of Cash Flows" - Changes in liabilities arising from financing activities:

Particulars	April 1, 2022	Cash flows	Changes in fair values	Others	March 31, 2023
Debt Securities	-	-	-	-	-
Borrowings (other than debt securities)	190,000	(190,000)	-	-	-
Borrowings (other than debt securities)	-	280,000	-	-	**280,000**

Particulars	April 1, 2021	Cash flows	Changes in fair values	Others	March 31, 2022
Debt Securities	-	-	-	-	-
Borrowings (other than debt securities)	370,000	(180,000)	-	-	190,000

Note:
The above amounts are inclusive of Principal amounts only for Debt securities and Borrowings (other than debt securities) excluding any adjustments for Processing fees, Stamp duty on loan agreement and Redemption premium payable.

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(All amounts in ₹ '000, unless stated otherwise)

35 Revenue from contracts with customers

Set out below is the disaggregation of the Company's revenue from contracts with customers and reconciliation to profit and loss account:

	Year ended 31 March 2023	Year ended 31 March 2022
Type of service		
Fee and commission income	-	1,284
	-	**1,284**
Geographical markets		
India	-	1,284
Outside India	-	-
	-	**1,284**
Timing of revenue recognition		
Services transferred over time	-	1,284
	-	**1,284**

Assets and liabilities related to contracts with customers

	As at 31 March 2023	As at 31 March 2022
Trade receivables	-	-
Contract liabilities	-	-

	Year ended 31 March 2023	Year ended 31 March 2022
Revenue recognised in the period from:		
Amounts included in contract liability at the beginning of the year	-	-
Performance obligations satisfied in previous periods	-	-

Trade receivables are non-interest bearing and are generally on terms of 30 days. The Company has recognised Nil provision for expected credit loss during the year 2022-23 (2021-22: Nil).

Accounts receivable are recognised when the right to consideration becomes unconditional. Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognised as revenue as (or when) we perform under the contract.

Significant changes in contract asset and contract liability during the year are as follows:

	As at 31 March 2023	As at 31 March 2022
Contract liabilities at the beginning of the year	-	-
Increase due to cash received and decrease as a result of changes in the measure of progress, change in estimate	-	-
Contract liabilities at the end of the year	-	-

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Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price

	For the Year Ended	
	31 March 2023	**31 March 2022**
Revenue as per contract	-	1,284
Adjustments		-
Revenue from contract with customers	-	**1,284**

Revenue recognition for contract with customers - Fee and commission income:

The Contract with customers through which the Company earns a commission income includes the following promises :-

(i) Sourcing of loans
(ii) Servicing of loans
(iii) First loss default guarantee (FLDG)

All these promises are separable from each other and do not involve significant integration. Therefore, these promises constitute separate performance obligations.

The consideration for these services is based on fixed percentage of interest and processing fee collected during the year.

This consideration has been allocated amongst the performance obligations under the contract on the basis of relative standalone prices.

Revenue recognition: Revenue from all three performance obligations being sourcing of loans, servicing of loans and FLDG shall be recognised over a period of time, as the customer benefits from these services as and when it is delivered/performed by the Company.

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36 Scheme of Amalgamation (Scheme)

(a) The Board of Directors of the Company at its meeting held on 26 September 2019, had approved the acquisition of Lok Management Services Private Limited ('LOK') by way of a Scheme of Amalgamation. The appointed date of the Scheme was April 01 2019 and was subject to the approval of the majority of the shareholders and creditors of FBSL, the National Company Law Tribunal (NCLT) and the permission and approval of any other statutory or regulatory authorities, as applicable.

(b) Consequent to the approval of the Scheme of Amalgamation by the 'Regional Director-South Each Region, Ministry of Corporate Affairs, Hyderabad on 05 March 2019 and effected on April 01 2019 (effective date), being the date of filing with the Registrar of Companies, all the assets, liabilities and reserves of LOK were transferred to and vested in the Company with effect from April 01 2019, the appointed date.

(c) In accordance with Part II of the Scheme, all of the assets and liabilities including Contingent Liabilities, existing duties and obligation of LOK was transferred to the Company with effect from the appointed date at the respective book values in the financial statements of FBSL and FBSL continued to carry out erstwhile transferor's business obligation. Further, the difference between the investments in the transferee company and the amount of Share capital in the transferor company as on the effective date have been adjusted in the securities premium account of the transferee company. Since, the Company, LOK are under common control, this transaction has been accounted in accordance with the Pooling of Interests Method outlined in IND AS 103 "Business Combination", and the deficit of the net assets acquired over the consideration issued has been debited to Retained earnings determined as follows:

	As at 31 March 2019 ₹ '000
Financial Assets	
Cash and cash equivalents	68,419
Bank balances other than cash and cash equivalents	133,134
Receivables	
Trade receivables	28,513
Loans	19,880
Investments	510,000
Other financial assets	6,089
Non-financial Assets	
Current tax assets (net)	15,597
Deferred tax assets (net)	3,194
Property, plant and equipment	3,734
Other intangible assets	10
Other non-financial assets	4,076
TOTAL	**792,646**
Liabilities and Equity	
Liabilities	
Financial Liabilities	
Other financial liabilities	48,138
Non-Financial Liabilities	
Contract liabilities	-
Current tax liabilities (net)	-
Provisions	776
Other non-financial liabilities	3,042
Equity	
Equity share capital	186,286
Other equity	554,404
Total Liabilities and Equity	**792,646**

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(All amounts in ₹ '000, unless stated otherwise)

37 Core Investment Company (CIC) Compliance Ratios:

Sl No.	Particulars	As at 31 March 2023	As at 31 March 2022
i	Investments in equity shares of group companies as a proportion of Net Assets	98.64%	98.56%
ii	Capital ratio (%) [Adjusted net worth/Risk weighted assets]	94.81%	96.00%
iii	Leverage ratio (Times) [Outside liabilities/Adjusted net worth]	0.041	0.029

Capital Risk Adequacy Ratio:

As per RBI Master Circular RBI/2015-16 DNBR (PD) CC.No.052/03.10.119/2015-16 maintenance of Capital Adequacy Ratio is not applicable.

Asset Liability Management **As on 31 March 2023**

Particulars	Liabilities	Advances	Investments
Upto 1 month	3,714	32,848	-
Over 1 month to 2 months	-	-	-
Over 2 months upto 3 months	-	-	-
Over 3 months upto 6 months	-	-	-
Over 6 months upto 1 year	-	-	-
Over 1 Year to 3 Years	279,158	84,921	-
Over 3 Years to 5 Years	-	-	-
Over 5 Years	-	-	7,209,061
Total	**282,873**	**117,768**	**7,209,061**

Asset Liability Management **As on 31 March 2022**

Particulars	Liabilities	Advances	Investments
Upto 1 month	3,332	38,522	-
Over 1 month to 2 months	-	-	-
Over 2 months upto 3 months	-	-	-
Over 3 months upto 6 months	-	-	-
Over 6 months upto 1 year	202,272	-	-
Over 1 Year to 3 Years	-	87,146	-
Over 3 Years to 5 Years	-	-	-
Over 5 Years	-	-	7,209,061
Total	**205,603**	**125,667**	**7,209,061**

Particulars	As at 31 March 2023	
	Amount outstanding	Amount overdue
Liabilities side		
1 Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:		
a) Debentures		
Secured	-	-
Unsecured (other than falling within the meaning of public deposits)	-	-
b) Deferred credits	-	-
c) Term loans including accrued interest but not paid	279,158	-
d) Inter-corporate loans and borrowings	-	-
e) Commercial paper	-	-
f) Other loans	-	-

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Fincare Business Services Limited
Notes forming part of standalone financial statements for the year ended 31 March 2023
(All amounts in ₹ '000, unless stated otherwise)

Additional disclosures pursuant to the Reserve Bank of India Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 DNBR. PD. 003/03.10.119/2016-17, dated August 25, 2016 vide paragraph 21

Particulars	As at 31 March 2022	
	Amount outstanding	Amount overdue
Liabilities side		
1 Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:		
a) Debentures		
Secured	-	-
Unsecured	-	-
(other than falling within the meaning of public deposits)		
b) Deferred credits	-	-
c) Term loans including accrued interest but not paid	202,272	-
d) Inter-corporate loans and borrowings	-	-
e) Commercial paper	-	-
f) Other loans	-	-

Assets side	As at 31 March 2023	As at 31 March 2022
2 Breakup of loans and advances including bills receivables		
a) Secured	-	-
b) Unsecured	-	-
3 Breakup of leased assets and stock on hire and other assets counting towards AFC activities		
i Lease assets including lease rentals under 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	-	-
b) Loans other than (a) above	-	-

	As at 31 March 2023	As at 31 March 2022
4 Breakup of investments		
Current investments		
1 Quoted		
i Shares		
a) Equity	-	-
b) Preference	-	-
ii Debentures and bonds	-	-
iii Units of mutual funds	-	-
iv Government securities	-	-
v Others	-	-
2 Unquoted		
i Shares		
a) Equity	-	-
b) Preference	-	-
ii Debentures and bonds	-	-
iii Units of mutual funds	-	-
iv Government securities	-	-
v Others	-	-

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Additional disclosures pursuant to the Reserve Bank of India Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 DNBR. PD. 003/03.10.119/2016-17, dated August 25, 2016 vide paragraph 21

			As at 31 March 2023	As at 31 March 2022
4	**Breakup of investments (cont'd)**			
	Long term investments			
	1	**Quoted**		
	i	Shares		
	a)	Equity	-	-
	b)	Preference	-	-
	ii	Debentures and bonds	-	-
	iii	Units of mutual funds	-	-
	iv	Government securities	-	-
	v	Others	-	-
	2	**Unquoted**		
	i	Shares	-	-
	a)	Equity	7,114,948	7,114,948
	b)	Preference	-	-
	ii	Debentures and bonds	-	-
	iii	Units of mutual funds	-	-
	iv	Government securities	-	-
	v	Others	94,113	94,113

5 Borrower group - wise classification of assets financed as in (2) and (3) above

Category		31 March 2023		
		Net of provisions		
		Secured	Unsecured	Total
1	Related parties			
a)	Subsidiaries	-	-	-
b)	Companies in the same group	-	-	-
c)	Other related parties	-	-	-
2	Other than related parties	-	-	-
		-	-	-

Category		31 March 2022		
		Net of provisions		
		Secured	Unsecured	Total
1	Related parties			
a)	Subsidiaries	-	-	-
b)	Companies in the same group	-	-	-
c)	Other related parties	-	-	-
2	Other than related parties	-	-	-
		-	-	-

6 Investor group - wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) :

Category		Market value / break up or fair value or NAV(*)	
		As at 31 March 2023	As at 31 March 2022
1	Related parties		
a)	Subsidiaries	7,114,948	7,114,948
b)	Companies in the same group	-	-
c)	Other related parties	-	-
2	Other than related parties	-	-
		7,114,948	**7,114,948**

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(All amounts in ₹ '000, unless stated otherwise)

Additional disclosures pursuant to the Reserve Bank of India Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 DNBR. PD. 003/03.10.119/2016-17, dated August 25, 2016 vide paragraph 21

7 **Other information**

Particulars	**As at 31 March 2023**	**As at 31 March 2022**
i Gross non-performing assets		
a) Related parties	-	-
b) Other than related parties	-	-
ii Net non-performing assets		
a) Related parties	-	-
b) Other than related parties	-	-
iii Assets acquired in satisfaction of debt	-	-

(*) Market value/ Break up or Fair Value or NAV is taken as same as book value in case of unquoted shares in absence of Market value/ Break up value or Fair value or NAV.

8 **Disclosure of provision for frauds**

Particulars	**As at 31 March 2023**	**As at 31 March 2022**
Number of frauds reported during the year	-	-
Amount involved in such frauds	-	-
Provision made during the year (net of recovery)	-	-
Unamortised provision debited from other reserves	-	-

38 Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006

As at 31 March 2023, there are no dues to Micro and Small Enterprises that are reportable under The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. The list of undertakings covered under MSMED Act, 2006 were determined by the Company on the basis of information available with the Company and have been relied upon by the Auditors.

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FINCARE BUSINESS SERVICES LIMITED Bangalore

Fincare Business Services Limited
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(All amounts in ₹ '000, unless stated otherwise)

39 **Disclosure as required by Notification No. RBI/2022-23/26 DOR.ACC.REC.No.20/21.04.018/2022-23 dated April 19, 2022 by the Reserve Bank of India and as applicable to the Company**

A. Exposure

1 Exposure to real estate sector

Sl.No	Category	As at 31 March 2023	As at 31 March 2022
i)	***Direct exposure***		
	a) 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.	-	-
	b) Commercial Real Estate	-	-
	Lending secured by mortgages on commercial real estate (office buildings, retail space, multipurpose commercial premises, multifamily residential buildings, multi tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.	-	-
	c) Investments in Mortgage-Backed Securities (MBS) and other securitized exposures	-	-
	i. Residential	-	-
	ii. Commercial Real Estate	-	-
ii)	***Indirect Exposure***		
	Fund based and non-fund-based exposures on National Housing Bank and Housing Finance	-	-
	Total Exposure to Real Estate Sector	-	-

2 Exposure to capital market

Sl. No	Particulars	As at 31 March 2023	As at 31 March 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	7,114,948	7,114,948
ii)	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity oriented mutual funds	-	-
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	**7,114,948**	**7,114,948**

BHUSHAN KHOT & CO. CHARTERED ACCOUNTANTS MUMBAI Firm Regn. No. 116888W

FINCARE BUSINESS SERVICES LIMITED Bangalore

Fincare Business Services Limited
Notes forming part of standalone financial statements for the year ended 31 March 2023
(All amounts in ₹ '000, unless stated otherwise)

39 **Disclosure as required by Notification No. RBI/2022-23/26 DOR.ACC.REC.No.20/21.04.018/2022-23 dated April 19, 2022 by the Reserve Bank of India and as applicable to the Company (cont'd)**

A. Exposure

3 Sectoral exposure

Sl. No	Sectors	As at 31 March 2023			As at 31 March 2022		
		Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector	Total Exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector
i)	Agriculture and Allied Activities	-	-	-	-	-	-
ii)	Industry	-	-	-	-	-	-
	i. Banks (Small Finance Bank)	7,114,948	-	-	7,114,948	-	-
	Others	-	-	-	-	-	-
	Total of Industry	**7,114,948**	-	-	**7,114,948**	-	-
iii)	Services	-	-	-	-	-	-
	Others	-	-	-	-	-	-
	Total of Services	-	-	-	-	-	-
iv)	Personal Loans	-	-	-	-	-	-
	Others	-	-	-	-	-	-
	Total of Personal Loans	-	-	-	-	-	-
v)	Others, if any (please specify)	-	-	-	-	-	-

4 Intra-group exposures

Sl. No	Particulars	As at 31 March 2023	As at 31 March 2022
i)	Total amount of intra-group exposures	7,114,948	7,114,948
ii)	Total amount of top 20 intra-group exposures	7,114,948	7,114,948
iii)	Percentage of intra-group exposures to total exposure of the NBFC on borrowers/customers	100%	100%

5 Details of Unhedged foreign currency exposure

Sl. No	Particulars	As at 31 March 2023	As at 31 March 2022
i)	Unhedged foreign currency exposure	-	-

BHUSHAN KHOT & CO. * CHARTERED ACCOUNTANTS * MUMBAI Firm Regn. No. 116888W

FINCARE BUSINESS SERVICES LIMITED * Bangalore

(All amounts in ₹ '000, unless stated otherwise)

39 **Disclosure as required by Notification No. RBI/2022-23/26 DOR.ACC.REC.No.20/21.04.018/2022-23 dated April 19, 2022 by the Reserve Bank of India and as applicable to the Company (cont'd)**

B. Related Party Disclosure

For the year ended 31 March 2023

Nature of transaction	Holding Company	Subsidiaries	Associates/ Joint ventures	Key Management Personnel	Relatives of Key Management Personnel	Others	Total	Maximum outstanding during the year **
Balance in Current account	-	1,003	-	-	-	-	1,003	280,771
Deposits (FDs)	-	29,567	-	-	-	-	29,567	99,685
Placement of deposits (FDs)	-	63,149	-	-	-	-	63,149	-
Rental deposits	-	27	-	-	-	-	27	27
Rent payment	-	105	-	-	-	-	105	-
Investments	-	7,114,948	-	-	-	-	7,114,948	7,114,948
Interest received	-	796	-	-	-	-	796	-
Others - ESOP plan (Refer note 6 and 33)	-	94,113	-	-	-	-	94,113	94,113
Others (Reimbursement of IPO related expenses to Subsidiary)	-	43,509	-	-	-	-	43,509	-

For the year ended 31 March 2022

Nature of transaction	Holding Company	Subsidiaries	Associates/ Joint ventures	Key Management Personnel	Relatives of Key Management Personnel	Others	Total	Maximum outstanding during the year **
Balance in Current account	-	820	-	-	-	-	820	169,502
Deposits (FDs)	-	35,948	-	-	-	-	35,948	269,769
Placement of deposits (FDs)	-	269,863	-	-	-	-	269,863	-
Rental deposits	-	-	-	-	-	-	-	-
Rent payment	-	-	-	-	-	-	-	-
Investments	-	7,114,948	-	-	-	-	7,114,948	7,114,948
Interest received	-	1,396	-	-	-	-	1,396	-
Others - ESOP plan (Refer note 6 and 33)	-	94,113	-	-	-	-	94,113	94,113
Others (Reimbursement of IPO related expenses to Subsidiary)	-	-	-	-	-	-	-	-

*** The outstanding and the maximum during the year.*

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(All amounts in ₹ '000, unless stated otherwise)

39 **Disclosure as required by Notification No. RBI/2022-23/26 DOR.ACC.REC.No.20/21.04.018/2022-23 dated April 19, 2022 by the Reserve Bank of India and as applicable to the Company (cont'd)**

C. **Disclosure of complaints**

1 **Summary information on complaints received by the NBFCs from customers and from the Offices of Ombudsman**

Sl. No	Particulars	As at 31 March 2023	As at 31 March 2022
	Complaints received by the NBFC from its customers		
1	Number of complaints pending at beginning of the year	-	-
2	Number of complaints received during the year	-	-
3	Number of complaints disposed during the year	-	-
3(a)	Of which, number of complaints rejected by the NBFC	-	-
4	Number of complaints pending at the end of the year	-	-
	Maintainable complaints received by the NBFC from Office of Ombudsman		
5*	Number of maintainable complaints received by the NBFC from Office of Ombudsman	-	-
5(a)	Of 5, number of complaints resolved in favour of the NBFC by Office of Ombudsman	-	-
5(b)	Of 5, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	-	-
5(c)	Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the NBFC	-	-
6*	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously The Ombudsman Scheme for Non-Banking Financial Companies, 2018) and covered within the ambit of the Scheme.
**It shall only be applicable to NBFCS which are included under The Reserve Bank - Integrated Ombudsman Scheme, 2021.*

2 **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
1	2	3	4	5	6
For the year ended 31 March 2023					
Ground - 1	-	-	-	-	-
Ground - 2	-	-	-	-	-
Ground - 3	-	-	-	-	-
Ground - 4	-	-	-	-	-
Ground - 5	-	-	-	-	-
Others	-	-	-	-	-
Total	-	-	-	-	-
For the year ended 31 March 2022					
Ground - 1	-	-	-	-	-
Ground - 2	-	-	-	-	-
Ground - 3	-	-	-	-	-
Ground - 4	-	-	-	-	-
Ground - 5	-	-	-	-	-
Others	-	-	-	-	-
Total	-	-	-	-	-

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FINCARE BUSINESS SERVICES LIMITED * Bangalore

Fincare Business Services Limited
Notes forming part of standalone financial statements for the year ended 31 March 2023
(All amounts in ₹ '000, unless stated otherwise)

39 Disclosure as required by Notification No. RBI/2022-23/26 DOR.ACC.REC.No.20/21.04.018/2022-23 dated April 19, 2022 by the Reserve Bank of India and as applicable to the Company (cont'd)

D. Breach of covenant
There is no breach of covenant of loan availed or debt securities issued.

E. Divergence in Asset Classification and Provisioning - Nil

F. Disclosure of Penalties imposed by RBI and other regulators - Nil

BHUSHAN KHOT & CO. * CHARTERED ACCOUNTANTS * MUMBAI Firm Regn. No. 116888W

FINCARE BUSINESS SERVICES LIMITED * Bangalore

Fincare Business Services Limited
Notes forming part of standalone financial statements for the year ended 31 March 2023
(All amounts in ₹ '000, unless stated otherwise)

39 **Disclosure as required by Notification No. RBI/2022-23/26 DOR.ACC.REC.No.20/21.04.018/2022-23 dated April 19, 2022 by the Reserve Bank of India and as applicable to the Company (cont'd)**

G. Corporate governance :

a) Composition of the Board

1 Details of Directors

Sl. No.	Name of Director	Director since	Capacity i.e. Executive/ NonExecutive/ Chairman/ Promoter nominee/	DIN	Number of Board Meetings		No. of other Director ships	Remuneration		
					Held	Attended		Salary and other compensation	Sitting Fee	Commission
1	Mr. Dasarathareddy Gunnamreddy	7th June 2017	Managing Director	1760054	8	8	Nil	3,007	-	-
2	Mr. Bhavya Gulati	7th June 2017	Nominee Director	2897200	8	7	2	-	-	-
3	Ms. Nandini Parekh	26th Sept 2019	Independent Director	1158198	8	8	4	-	265	-
4	Mr. Satyanarayana Peravali	4th March 2017	Independent Director	2213238	8	8	Nil	-	250	-
5	Mr. Maninder Singh Juneja	26th Sept 2019	Nominee Director	2680016	8	7	5	-	-	-
6	Mr. Satyaki Rastogi	19th Jan 2022	Nominee Director	2189494	8	6	1	-	-	-

2 **Details of change in composition of the Board during the current and previous financial year**

Sl. No.	Name of Director	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Nature of change (resignation, appointment)	Effective date
No Changes occurred during the FY 2022-23				

3 Where an independent director resigns before expiry of her/ his term, the reasons for resignation as given by her/him shall be disclosed : NA
4 Details of any relationship amongst the directors inter- se shall be disclosed : NA

b) Committees of the Board and their composition

1 Nomination & Remuneration Committee

Sl. No.	Name of Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		No. of shares held in the NBFC**
				Held	Attended	
1	Ms. Nandini Parekh	13th Nov 2019	Independent Director	2	2	-
2	Mr. Satyanarayana Pervali	26th Sept 2019	Independent Director	2	1	-
3	Mr. Maninder Singh Juneja	21st Sept 2021	Nominee Director	2	2	-

2 Audit Committee

Sl. No.	Name of Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		No. of shares held in the NBFC**
				Held	Attended	
1	Mr. Bhavya Gulati	26th Sept 2019	Nominee Director	2	2	-
2	Ms. Nandini Parekh	29th June 2020	Independent Director	2	2	-
3	Mr. Satyanarayana Pervali	26th Sept 2019	Independent Director	2	2	-
4	Mr. Satyaki Rastogi	6th April 2022	Nominee Director	2	1	-

*** Number of shares held by Directors in the Company in their individual capacity*

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FINCARE BUSINESS SERVICES LIMITED * Bangalore

(All amounts in ₹ '000, unless stated otherwise)

39 Disclosure as required by Notification No. RBI/2022-23/26 DOR.ACC.REC.No.20/21.04.018/2022-23 dated April 19, 2022 by the Reserve Bank of India and as applicable to the Company (cont'd)

G. Corporate governance :

b) Committees of the Board and their composition

3 CSR Committee

Sl. No.	Name of Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		No. of shares held in the NBFC**
				Held	Attended	
1	Mr. Gunnamreddy Dasarathareddy	26th Sept 2019	Managing Director	1	1	9,333,270
2	Mr. Bhavya Gulati	26th Sept 2019	Nominee Director	1	1	-
3	Ms. Nandini Parekh	26th Sept 2019	Independent Director	1	1	-
4	Mr. Maninder Singh Juneja	26th Sept 2019	Nominee Director	1	1	-
5	Mr. Satyaki Rastogi	6th April 2022	Nominee Director	1	0	-

4 Risk Management Committee

Sl. No.	Name of Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		No. of shares held in the NBFC**
				Held	Attended	
1	Mr. Bhavya Gulati	13th Nov 2019	Nominee Director	1	1	-
2	Mr. Maninder Singh Juneja	13th Nov 2019	Nominee Director	1	1	-
3	Mr. Satyanarayana Pervali	13th Nov 2019	Independent Director	1	1	-

5 Group Risk Management Committee

Sl. No.	Name of Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		No. of shares held in the NBFC**
				Held	Attended	
1	Mr. Maninder Singh Juneja	6th April 2022	Nominee Director	4	4	-
2	Mr. Satyanarayana Pervali	6th April 2022	Independent Director	4	4	-
3	Ms. Nandini Parekh, Chairperson	6th April 2022	Independent Director	4	4	-
4	Mr. Gunnamreddy Dasarathareddy	6th April 2022	Managing Director	4	3	9,333,270
5	Mr. Bhavya Gulati	6th April 2022	Nominee Director	4	4	-

6 IT Strategy Committee

Sl. No.	Name of Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		No. of shares held in the NBFC**
				Held	Attended	
1	Mr. Maninder Singh Juneja	6th April 2022	Nominee Director	2	2	-
2	Ms. Nandini Parekh	6th April 2022	Independent Director	2	2	-
3	Mr. Gunnamreddy Dasarathareddy	6th April 2022	Managing Director	2	2	9,333,270

*** Number of shares held by Directors in the Company in their individual capacity*

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FINCARE BUSINESS SERVICES LIMITED * Bangalore

(All amounts in ₹ '000, unless stated otherwise)

39 Disclosure as required by Notification No. RBI/2022-23/26.DOR.ACC.REC.No.20/21.04.018/2022-23 dated April 19, 2022 by the Reserve Bank of India and as applicable to the Company (cont'd)

G. Corporate governance :

b) Committees of the Board and their composition

7 Asset-Liability Management Committee (ALCO)

Sl. No.	Name of Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		No. of shares held in the NBFC**
				Held	Attended	
1	Mr. Gunnamreddy Dasarathareddy	6th April 2022	Managing Director	4	4	9,333,270
2	Mr. Gautam Gupta	6th April 2022	Chief Financial Officer	4	4	-
3	Ms. Karishma Chandani	6th April 2022	Company Secretary	4	4	-

*** Number of shares held by Directors in the Company in their individual capacity*

c) General Body Meetings

Sl. No.	Type of Meeting (Annual/ ExtraOrdinary	Date and Place	Special resolutions passed
1	Annual	Sept 30, 2022, Ahmedabad, Gujarat	1. Consideration and adoption of the audited financial statements (including consolidated statements) of the Company for the financials year ended March 31, 2022 and the report of the Board of Directors and auditors.
			2. Re-appointment of Mr. Bhavya Gulati, Nominee Director, who is liable to retire by rotation
			3. To approve re-appointment of Mr. Satyanarayana Peravali (DIN: 02213238) as an Independent Director for second term
			4. To approve re-appointment of Mr. Dasarathareddy Gunnamreddy (DIN: 01760054) as Managing Director for a second term

H. Details of non-compliance with requirements of Companies Act, 2013 Give details and reasons of any default in compliance with the requirements of Companies Act, 2013, including with respect to compliance with accounting and secretarial standards : **Nil**

I.
i) Details of penalties and strictures - NBFCs should disclose details of penalties or stricture imposed on it by the Reserve Bank or any other statutory authority : **Nil**
ii) Breach of covenant - NBFCs shall disclose all instances of breach of covenant of loan availed or debt securities issue : **Nil**

J. Items of income and expenditure of exceptional nature:

During the year ended 31 March 2023, the Company has reimbursed its subsidiary's IPO related cost to Fincare Small Finance Bank Limited ("FSFBL" or the "Subsidiary Company") of Rs. 43,509 thousands. (Previous Year - Rs. Nil) in accordance with SEBI requirements, towards DRHP filed in the year 2021.

Further, during the financial year 2022-23, FSFBL has refiled Draft Red Herring Prospectus (the "DRHP") with SEBI. The Company's share in common IPO Expense will be subject to final number of shares offered for sale by FBSL in IPO as well as total shares offered for sale (including fresh issue) in the IPO by FSFBL and other selling shareholders.

BHUSHAN KHOT & CO. * CHARTERED ACCOUNTANTS * MUMBAI Firm Regn. No. 116888W

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40 Rating assigned by the Rating Agencies during the year.

Instrument	Credit Rating Agency	As at March 31, 2023			As at March 31, 2022		
		Amount	Date	Rating	Amount	Date	Rating
NIL	NIL						

During the FY 2022-23, the Company raised fresh external debt through term loan of ₹ 28 Crores from Aditya Birla Finance Limited. There was no loan raised during FY 2021-22. Further there was no Credit rating undertaken during FY 2022-23 and FY 2021-22.

41 Disclosure on Risk Exposure in Derivatives

Qualitative Disclosure

The Company has no transaction or exposure in derivatives in the current year and previous year.

Quantitative Disclosures

The Company has no transaction or exposure in derivatives in the current period and previous year

Particulars	As at March 31, 2023		As at March 31, 2022	
	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
Derivatives (Notional Principal Amount) For hedging	-	-	-	-
Marked to Market Position				
a) Asset (+)	-	-	-	-
b) Liability (-)	-	-	-	-
Credit Exposure	-	-	-	-
Unhedged Exposures	-	-	-	-

42 Disclosure on Investments

Particulars	As at March 31, 2023	As at March 31, 2022
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	7,209,061	7,209,061
(a) Outside India	-	-
(ii) Provision for Depreciaiton		
(a) In India	-	-
(a) Outside India	-	-
(iii) net Value of Investments	-	-
(a) In India	7,209,061	7,209,061
(a) Outside India	-	-

(All amounts in ₹ '000, unless stated otherwise)

42 Disclosure on Investments (cont'd)

Particulars	As at March 31, 2023	As at March 31, 2022
(2) Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / write-back of excess provisions during the year	-	-
(iv) Closing balance	**7,209,061**	**7,209,061**

43 Expenditure in foreign currency

Particulars	For the year ended March 31, 2023	For the year ended March 31, 2022
Expenditure in foreign currency	-	-

44 The Company has not advanced or loaned or invested funds (either borrowed funds or any other sources or kind of funds) to any other persons or entities (Intermediaries) with the understanding that the Intermediary shall-

(i) 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
(ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.

45 The Company has not traded or invested in Crypto currency or Virtual Currency during the year ended March 31, 2023 and March 31, 2022

46 Events occurring after balance sheet date - There have been no events after the reporting date that require adjustment in these financial statements.

47 No proceedings have been initiated or are pending against the Group for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder

48 The Group has not entered into any scheme of arrangement.

49 There are no transactions which are 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.

50 Previous year figures have been re-grouped/re-arranged and re-classified wherever necessary, to conform to current year's classification.

51 As per the requirement under Division III to Schedule III to the Companies Act, 2013, all the figures have been rounded off to nearest thousands.

BHUSHAN KHOT & CO. CHARTERED ACCOUNTANTS MUMBAI Firm Regn. No. 116888W

FINCARE BUSINESS SERVICES LIMITED Bangalore

52 COVID 19 - Impact on financial statements

The Company's operations are now back to pre-pandemic level. The Company continues to evaluate impact of COVID-19 on its business operations, liquidity position and the recoverability and carrying value of its assets including property plant and equipment and investments as at 31 March 2023. Based on its review, consideration of internal and external information up to the date of approval of these financial results, current indicators of future economic conditions relevant to the Company's operations and other market factors and information, management has concluded that no adjustments are required to the Company's financial statements at this time.

As per our report of even date.

For **Bhushan Khot & Co.**
Chartered Accountants
Firm's Registration No.: 116888W

Amit Shah
Partner
Membership No.: 124889
UDIN: 23124889BGSYRI8307
Mumbai
31st May 2023

For and on behalf of Board of Directors of
Fincare Business Services Limited

G. Dasarathareddy
Managing Director
DIN: 01760054

Bengaluru
31st May 2023

Bhavya Gulati
Director
DIN: 2897200

Mumbai
31st May 2023

Gautam

Gautam Gupta
Chief Financial Officer

Bengaluru
31st May 2023

Gigyasa Agrawal

Gigyasa Agrawal
Company Secretary
M.No: FCS10686

Bengaluru
31st May 2023

BHUSHAN KHOT & CO. MUMBAI Firm Regn. No. 116888W CHARTERED ACCOUNTANTS

FINCARE BUSINESS SERVICES LIMITED Bangalore

BHUSHAN KHOT & CO
Chartered Accountants

Off: 022 – 26822541
022 - 26822542
Email: info@cabkc.in
Web: www.cabkc.in

INDEPENDENT AUDITOR'S REPORT

To,

The Members

Fincare Business Services Limited

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying Consolidated Ind AS Financial statements of Fincare Business Services Limited ("the Holding Company" or "the Company") and its subsidiary (the Holding Company and its Subsidiary together referred to as 'the Group'), as listed in "**Annexure I**", which comprise the Consolidated Balance Sheet as at 31st March, 2023, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity 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 Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements of such subsidiary, as are audited by the other auditors, the aforesaid Consolidated Ind AS 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, including Indian Accounting Standards ("Ind AS") specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind-AS") and other accounting principles generally accepted in India, of the Consolidated state of affairs of the group as at 31st March, 2023, its Consolidated Profit (including Other Comprehensive Income), its Consolidated Cash flows and the Consolidated Statement of Changes in Equity for the year ended on that date.

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Web: www.cabkc.in

Basis for Opinion

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 Auditor's Responsibilities for the Audit of the Consolidated Ind AS 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 Ind AS Financial statements under the provision of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us along with the consideration of audit reports of the Fincare Small Finance Bank Limited, a subsidiary of the Holding Company (the "Bank" or the "Subsidiary" or the "Subsidiary Bank") referred to in "Other Matters" paragraph below is sufficient and appropriate to provide a basis for our opinion on the Consolidated Ind AS Financial Statements.

Key Audit Matters

Key audit Matters (KAM) are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Ind AS Financial Statements for the financial year ended 31st March, 2023. These matters were addressed in the context of our audit of the Consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report on the Standalone Ind AS Financial Statements of the Holding Company.

The following Key Audit Matters as described in Clause (A) of below were included in the audit report on the Special Purpose Ind AS Financial Statements (the "SPFS") of Subsidiary Bank issued by their Independent Auditors M/s. Haribhakti & Co. Chartered Accountants vide Audit report dated August 14, 2023, containing an unmodified audit opinion on the Special Purpose Ind AS Financial Statements prepared in conjunction with Indian Accounting Standards prescribed under Section 133 of the Act.

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Clause (A)	**Key Audit Matter as identified by the Independent Auditors of SPFS of Subsidiary Bank**	**How the independent Auditors of SPFS of Subsidiary Bank addressed the key audit matter in their audit**
	Measurement of Expected Credit Loss (ECL) on Financial Assets	
	Recognition and measurement of impairment relating to financial assets (designated at Amortised cost and fair value through other comprehensive income) and those involving significant management judgment. With applicability of Ind AS 109 credit loss assessment is now based on ECL model, which is a forward-looking expected loss model. The Subsidiary Bank's impairment allowance is computed based on estimates including the historical default and loss ratios. The Subsidiary Bank leverages the assets classification and risk estimations under Internal Rating Based (IRB) Approach towards calculation of Capital charge for Credit Risk (IRB) for ECL computation. Management exercises judgment in determining the quantum of loss based on various factors. The Subsidiary Bank has a policy on ECL to ensure the compliance with Ind AS 109 requirements and the basis of all	• Reviewed the policy on ECL for impairment of financial assets and assessed compliance with Ind-AS 109. • Evaluated the reasonableness of management's process of ECL estimation and related assumption. • Understood the process of ECL computation and tested design and operating effectiveness of key controls around data extraction and validation. • Reconciled total financial assets considered for ECL estimation with the books of accounts to ensure completeness.

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	assumptions for underlying inputs to ECL model. The Subsidiary Bank has wide range of products including Wholesale and Retail segment. There is significant data input required for the computation of ECL for homogenous product. This increases the risk of completeness and accuracy of the data that has been used as a basis of assumptions in the ECL computation. Given the significant judgment and assumptions involved in measurement of ECL and significance of this area to the overall audit of financial statements, it has been identified as a key audit matter.	Performed substantive procedures for testing of ECL model and computation of ECL amount as listed below: • Obtaining an understanding and performed walk through of key process controls around identification and classification of advances and provisioning • Reviewed procedures done by the Management over the segmentation of financial assets related to the advances as per their various products and models and risk characteristics. • Reviewed the assumptions used for and computation of probability of default, loss given default, discounting factors, credit conversion factor for different class of financial assets as per their nature and risk assessment for sample class of assets.

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		• Tested the appropriate staging of assets basis their days past due on sample basis. • Tested the mathematical accuracy, assumption and underlying computation of the ECL model. • Assessed the adequacy and appropriateness of disclosures for compliance with the Indian Accounting Standards.
	Information Technology ("IT") Systems and Controls	
	The reliability and security of IT systems plays a key role in the business operations of the Bank. Since large volume of transactions are processed daily, the IT controls are required to ensure that applications process data as expected and that changes made to applications are made in an appropriate manner. These systems also play a key role in the financial accounting and reporting process of the Bank. Our areas of audit focus included user access management, developer access to the production environment and changes to the IT environment across applications, networks, databases and operating	The audit procedures included the following: • For testing the IT general controls, application controls and IT dependent manual controls relevant for financial reporting, we included IT specialists as part of the audit team. The IT specialists also assisted in testing of the information produced by the Bank's IT systems. • Tested the design and operating effectiveness of the Bank's IT access

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	systems as these are key to ensuring IT dependent and application based controls are operating effectively. Due to the pervasive nature and complexity of the IT environment, IT Systems and controls have been ascertained by the auditors of the Subsidiary Bank as a key audit matter.	controls over the information systems that are critical to financial reporting. • Tested other IT general controls (changes management and aspects of IT operational controls). • Inspected requests of changes to systems for appropriate approval and authorization. Further, considered the control environment relating to various interfaces, configuration and other application controls identified as key to our audit. • Tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting. • Instances where deficiencies were identified, tested compensating controls or performed alternate procedures.

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Information other than the Consolidated Ind AS Financial Statements and Auditor's Report thereon

The Holding Company's management and Board of Directors are responsible for the other information. The Other Information comprises the information included in the Holding Company's annual report but does not include the Consolidated Ind AS Financial Statements, Standalone Ind AS Financial Statements and our Auditor's Report thereon, which we have obtained prior to the date of this auditors report and Annual Report, which is expected to be made available to us after that date.

Our opinion on the Consolidated Ind AS 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 Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the Consolidated Ind AS financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. If, based on the work we have performed and Audit report of Subsidiary Bank prepared in conjunction with Indian Accounting Standards prescribed under Section 133 of the Act, we conclude that there is a material mis-statement of this other information, we are required to communicate the matter to those charged with governance as required under SA 720 "The Auditor's Responsibilities Relating to Other Information". We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement, we are required to communicate the matter to those charged with governance.

Management's and Board of Directors' Responsibility for the Consolidated Ind AS Financial Statements

The accompanying Consolidated Ind AS financial statements have been approved by the Holding Company's Board of Directors.

The Holding Company's Management and Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 with respect to the

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preparation of these Consolidated Ind AS financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including 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) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India.

The respective Management of the Holding Company and the Subsidiary Bank included in the Group 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 Ind AS 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 Ind AS Financial Statements by the Directors of the Holding Company, as aforesaid.

In preparing the Consolidated Ind AS financial statements, the respective management and Board of Directors of the Company and the Bank included in the Group are responsible for assessing the ability of each Company included in the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Management and Board of Directors of the Holding Company and Subsidiary Bank included in the Group are also responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibility for the audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud of error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud of 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 risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstance. Under Section 143(3)(i) of the Act, we are also responsible for

  expressing our opinion on whether the Group has adequate internal financial control systems in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

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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 auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosers are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Ind AS financial statements, including the disclosures, and whether the Consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 Ind AS financial statements. For the entities included in the Consolidated Ind AS financial statements, which have been audited by auditor of subsidiary Bank, such auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements of the Current Financial Year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or Regulation

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precludes public disclosure about the matter or when, in an 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:

i) Attention is drawn to fact that we did not audit the Special Purpose Ind AS Financial Statements of Subsidiary Bank which have been prepared by the Management of the Bank for the purpose of consolidation with the Holding Company, whose financial statements reflect total assets (before consolidation adjustments) of Rs.1,35,006/- millions as at 31 March 2023, total revenues (before consolidation adjustments) of Rs.18,963/- millions, Net profit after tax (before consolidation adjustments) of Rs.908 millions and net cash outflows (before consolidation adjustments) amounting to Rs.4,392 millions for the year ended on that date, as considered in the Consolidated Ind AS Financial Statements. These Special Purpose Ind AS Financial Statements which have been audited by an independent auditors M/s. Haribhakti & Co. Chartered Accountants, whose report dated August 14, 2023 has been furnished to us by the Management and our opinion on the Consolidated Ind AS Financial Statements, in so far as it relates to the aforementioned subsidiary is based solely on the report of the other auditors. Comparative figures of previous years SPFS are unaudited and have been certified by the management.

Further, attention is drawn to the fact that we did not audit the financial statements of the Subsidiary Bank prepared in accordance with the accounting principles generally accepted in India, including the applicable Accounting Standards prescribed under Section 133 of the Companies Act 2013, read with Companies (Accounts) Rules, 2014 (as amended) which have been audited by M/s. S. R. Batliboi & Associates LLP, Chartered Accountants whose report dated April 24, 2023 has been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to the aforementioned subsidiary is based solely on the report of the other auditors.

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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 matter with respect to our reliance on the work done and the report of other auditors as mentioned above as well as the report of the auditors of subsidiary bank on the financial statements of the subsidiary bank prepared under the Banking Regulations Act, 1949 and the Companies Act, 2013.

Our Opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1) With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditor's Report) Order, 2020 (the "Order" or the "CARO") issued by the Central Government of India in terms of Section 143(11) of the Act, to be included in the Auditors report, according to the information and explanation given to us and based on the CARO Report issued by us for the Holding Company, we report that there are no qualifications or adverse remarks in the said CARO report except the following :-

Sr. No.	Name of the Company	Nature of relationship	Clause Number of CARO Report Order with qualification or adverse remarks
1.	Fincare Business Services Limited	Holding Company	i(c) – Clause pertains to title deeds of certain immovable properties not in the name of Company (Gross Carrying Value – Rs.2.35 Million)
			vii(b) – Clause pertains to short payment of statutory dues on account of unresolved disputes with Statutory Authorities

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			- Income Tax – Rs.92 Million dues
			Clause ix (f) in respect of Certain Loan raised during the year on the pledge of securities held in its subsidiary.
			Clause xvii in respect of Cash losses incurred by the Company during the financial year and in the immediately preceding financial year.

2) With respect to the subsidiary Bank, the provisions of the Companies (Auditor's Report) Order, 2020 is not applicable since it's a Banking Company as defined under the Banking Regulation Act, 1949.

3) As required by Section 143(3) of the Act, we report to the extent applicable that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Ind AS financial statements.
b) In our opinion, proper books of account as required by law relating to the preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the report of the Auditor of the Subsidiary Bank.
c) The Consolidated Ind AS Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account and records maintained for the purpose of preparation of the Consolidated Ind AS financial statements.

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d) In our opinion, the aforesaid Consolidated Ind AS financial statements comply with the Accounting Standards prescribed under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, as amended.

e) On the basis of the written representations received from the directors of the holding Company as on 31st March 2023 taken on record by the Board of Directors of the holding company and the report of the statutory auditors of its subsidiary Bank, none of the directors of the Group are disqualified as on 31st March, 2023 from being appointed as a director in terms of Section 164(2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Group, and the operating effectiveness of such controls, refer to our separate Report in **"Annexure A"** where we have expressed unmodified opinion and

g) With respect to the other matters to be included in the Auditors Report in accordance with the requirement of section 197 (16) of the Act, as amended. In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Holding Company to its directors during the current year is in within the limits prescribed under provisions of Section 197 of the Act.

With respect to the subsidiary Bank, we report that the provisions of Section 197 of the Act is not applicable to the Subsidiary being a Banking Company as defined under the provisions of Banking Regulation Act 1949. As stated in the Auditor's Report of the Subsidiary Bank, the Remuneration to Managing director during the ended March 31, 2023 has been paid by the Bank in accordance with the provisions of Section 35B (1) of the Banking Regulation Act, 1949;

(B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules,

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2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The Group has disclosed the impact of pending litigation as at 31 March 2023 on its financial position in its Consolidated Ind AS financial statements as detailed in Note 38 to the Consolidated Ind AS financial statements;

ii The Group did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31st March, 2023;

iii There were no amounts which were required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its Subsidiary Bank during the year ended 31st March, 2023 and

iv The management of the Holding Company, whose financial statements have been audited under the Companies Act have represented to us and the auditors of its Subsidiary Bank based on their Audit report have reported, to the best of their knowledge and belief, other than as disclosed in the Note 56 and 57 of the Consolidated Ind AS Financial Statements, no funds (which are material either individually or in aggregate) have been advanced or loaned or invested (either from borrowed funds or securities premium or any other sources or kind of funds) by the Company or its Subsidiary to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediaries 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 or its Subsidiary ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

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Based on the audit procedures that have been considered reasonable and appropriate in the circumstances were performed by us and that performed by the auditors of Subsidiary Bank whose financial statements have been audited under the Act, nothing has come to our notice that has caused us to believe that the above representations contain any material mis-statement.

v. The management of the Holding Company, whose financial statements have been audited under the Companies Act have represented to us and the auditors of its Subsidiary Bank based on their Audit report have reported, to the best of their knowledge and belief, other than as disclosed in the Note 56 and 57 of the Consolidated Ind AS financial statements, no funds (which are material either individually or in aggregate) have been received by the Company or its subsidiary, from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company or its subsidiary, 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.

Based on the audit procedures that have been considered reasonable and appropriate in the circumstances were performed by us and that performed by the auditors of subsidiary Bank whose financial statements have been audited under the Act, nothing has come to our notice that has caused us to believe that the above representations contain any material mis-statement.

vi. In our opinion and according to the information and explanations given to us, the Holding company or its Subsidiary has not declared or paid any dividend during the year and accordingly compliance

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requirements to Section 123 of the Act are not applicable to the Group.

vii. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining Books of Accounts using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Group with effect from 1st April, 2023 and accordingly Reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

For Bhushan Khot & Co.

Chartered Accountants

(Firm's Registration No.116888W)

Sd/-

Amit Shah

Partner

Membership No. 124889

UDIN: 23124889BGSYSI8068

Place: Mumbai

Date: 8th September, 2023

"Annexure I" to the Independent Auditors Report of even date to the Members of Fincare Business Services Limited on the Consolidated Ind AS Financial Statements for the year ended 31st March, 2023

List of Entities included in the statement

Subsidiary:

a) Fincare Small Finance Bank Limited

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"ANNEXURE A" TO INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF FINCARE BUSINESS SERVICES LIMITED FOR THE YEAR ENDED 31ST MARCH 2023

(Referred to in paragraph 3 (f) 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 Ind AS Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

Opinion

In Conjunction with our audit of the Consolidated Ind AS financial statements of Fincare Business Services Limited, as at and for the year ended 31st March, 2023, we have audited the internal financial controls with reference to the Consolidated Ind AS financial statements of Fincare Business Services Limited ("the Holding Company" or "the Company") and its Subsidiary Bank, which are companies covered under the Act, as of that date.

In our opinion and based on the report of the auditors of the Subsidiary Bank, the Holding Company and its Subsidiary Bank incorporated in India, have in all material aspects, an adequate internal financial controls system with reference to the Consolidated Ind AS financial statements and such internal financial controls were operating effectively as at 31st March 2023, based on the internal Controls over financial reporting criteria established by the Holding Company and its Subsidiary Bank 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

The respective management and Board of Directors of the Holding Company and its Subsidiary Bank are responsible for establishing and maintaining internal financial controls with reference to Consolidated Ind AS 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 Companies Act, 2013.

Auditors' Responsibility:

Our responsibility is to express an opinion on the Holding Company and its Subsidiary's internal financial controls with reference to the Consolidated Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing ("SA"), issued by ICAI and deemed to be prescribed under section 143(10) of the Act, 2013, to the extent applicable to an audit of internal financial controls with reference to Consolidated Ind AS financial statements, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. 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 Ind AS Financial Statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting includes obtaining an understanding of such internal financial controls with reference to the Consolidated Ind AS 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 judgment, including the assessment of the risks of material misstatement of the Consolidated Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, and the audit evidence obtained by the Auditor of Subsidiary Bank in terms of their reports referred to in the "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 Ind AS financial statements.

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Meaning of Internal Financial Controls with reference to the Consolidated Ind AS Financial Statements

A Company's internal financial controls with reference to the Consolidated Ind AS 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 control with reference to the Consolidated Ind AS Financial Statements includes those policies and procedures that:

(1) pertains 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 authorizations of management and directors of the company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized 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 Ind AS Financial Statements

Because of the inherent limitations of internal financial controls with reference to the Consolidated Ind AS 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 Consolidated Ind AS Financial Statements to future periods are subject to the risk that the internal financial control with reference to the Consolidated Ind AS Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Other Matters

1. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to the Consolidated Ind AS Financial Statements in so far as it relates to the Subsidiary Bank incorporated in India prepared in conjunction with Indian Accounting Standards prescribed under section 133 of the Act, is based solely on the corresponding reports of the auditors of said subsidiary who have expressed an unmodified opinion vide their report dated April 24, 2023.

Our Opinion is not modified in respect of the above matter

2. We have evaluated the internal financial controls related to the process of consolidation, which is primarily conducted using Microsoft Excel. We are responsible for expressing an opinion on the effectiveness of internal control over financial reporting based on our audit.

   During our audit, we noted that the consolidation process relies on various manual controls and we observed that procedures and systems relating to consolidation needs to be automated suitably, although manual controls are in place.

Our audit opinion on the Consolidated IND AS financial statements of the Company is not affected by this finding.

Our Opinion is not modified in respect of the above matter.

For Bhushan Khot & Co.
Chartered Accountants
(Firm Registration No.116888W)

Sd/-
Amit Shah
Partner
Membership No. 124889
UDIN: 23124889BGSYSI8068
Place: Mumbai
Date: 8th September, 2023

Fincare Business Services Limited
Consolidated Balance Sheet as at 31 March 2023
(All amounts in INR millions, unless stated otherwise)

Particulars	Notes	As at 31 March 2023	As at 31 March 2022
Assets			
Financial Assets			
Cash and cash equivalents	3	7,467	11,858
Bank balances other than cash and cash equivalents	4	258	503
Trade receivables	5	50	41
Loans	6	95,305	69,953
Investments	7	25,596	21,186
Other financial assets	8	2,685	3,539
Non-financial Assets			
Current tax assets (net)	9	685	202
Deferred tax assets (net)	10	1,190	1,435
Property, plant and equipment	11	1,470	1,040
Capital work in progress	11A	3	1
Other intangible assets	12	13	15
Goodwill	13	418	418
Other non-financial assets	14	376	294
Total Assets		**135,516**	**110,485**
Liabilities and Equity			
Liabilities			
Financial Liabilities			
Payables	15		
Other than trade payables			
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		759	366
Borrowings (Other than debt securities)	16	37,918	30,367
Deposits	17	80,301	64,513
Subordinated liabilities	18	1,743	1,996
Other financial liabilities	19	1,789	1,817
Non-Financial Liabilities			
Provisions	20	267	177
Contract liabilities	21	251	191
Other non financial liabilities	22	168	138
Equity			
Equity share capital	23	330	330
Other equity	24	9,406	8,324
Equity attributable to equity holders of the parent company		9,735	8,654
Non-controlling interest		2,584	2,266
Total equity		12,319	10,920
Total liabilities and equity		**135,516**	**110,485**
Summary of Significant Accounting Policies	1 - 2		

The accompanying notes are an integral part of the financial statements.

This is the Consolidated Balance Sheet referred to in our report of even date

For **Bhushan Khot & Co.**
Chartered Accountants
Firm's Registration No.: 116888W

sd/-
Amit Shah
Partner
Membership No.: 124889
UDIN: 23124889BGSYSI8068
Mumbai
Date: 8th September 2023

For and on behalf of Board of Directors of
Fincare Business Services Limited

sd/-
G. Dasarathareddy
Managing Director
DIN: 01760054

Bengaluru
8th September 2023

sd/-
Maninder Singh Juneja
Director
DIN: 02680016

Mumbai
8th September 2023

sd/-
Gautam Gupta
Chief Financial Officer

Bengaluru
8th September 2023

sd/-
Gigyasa Agrawal
Company Secretary
M.No: FCS10686
Bengaluru
8th September 2023

Fincare Business Services Limited
Consolidated Statement of Profit and Loss for the year ended 31 March 2023
(All amounts in INR millions, unless stated otherwise)

Particulars	Notes	For the year ended 31 March 2023	For the year ended 31 March 2022
Revenue from operations			
Interest income	25	17,752	15,865
Fee and commission income	26	838	577
Other operating income	27	275	589
Total revenue from operations		**18,865**	**17,030**
Other income	28	101	49
Total Income		**18,966**	**17,079**
Expenses			
Finance cost	29	6,665	5,799
Impairment on financial instruments	30	2,509	5,285
Employee benefit expenses	31	5,695	4,138
Depreciation and amortization	32	412	362
Other expenses	33	2,657	1,942
Total Expenses		**17,938**	**17,525**
Profit/(Loss) before tax		**1,028**	**(446)**
Tax expense			
Prior year tax	34	46	-
Current tax	34	80	240
Deferred tax	34	79	(394)
Profit/(Loss) for the year		**823**	**(292)**
Other Comprehensive Income			
Items that will not be reclassified to profit and loss			
Remeasurement of the net defined benefit plans		2	2
Income tax relating to the above	10	(1)	(0)
Items that will be reclassified to profit and loss			
Changes in fair value of investments		659	(678)
Income tax relating to above item	10	(166)	171
Other comprehensive income for the year, net of tax		**495**	**(506)**
Total comprehensive income for the year		**1,317**	**(798)**
Profit/(Loss) for the year attributable to:			
Owners of the Company		628	(240)
Non-controlling interest		194	(52)
		823	**(292)**
Other Comprehensive Income attributable to:			
Owners of the Company		389	(398)
Non-controlling interest		106	(108)
		495	**(506)**
Total Comprehensive Income attributable to:			
Owners of the Company		1,017	(637)
Non-controlling interest		300	(160)
		1,317	**(798)**
Earning per equity share	35		
Basic (In INR) (face value ₹1 per share)		1.91	(0.73)
Diluted (In INR) (face value ₹1 per share)		1.87	(0.73)
Summary of Significant Accounting Policies	1 - 2		

The accompanying notes are an integral part of the consolidated financial statements.
This is the Consolidated Statement of Profit or Loss referred to in our report of even date.

For **Bhushan Khot & Co.**
Chartered Accountants
Firm's Registration No.: 116888W

For and on behalf of Board of Directors of
Fincare Business Services Limited

sd/-
Amit Shah
Partner
Membership No.: 124889
UDIN: 23124889BGSYSI8068
Mumbai
Date: 8th September 2023

sd/-
G. Dasarathareddy
Managing Director
DIN: 01760054

Bengaluru
8th September 2023

sd/-
Maninder Singh Juneja
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8th September 2023

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Gautam Gupta
Chief Financial Officer

Bengaluru
8th September 2023

sd/-
Gigyasa Agrawal
Company Secretary
M.No: FCS10686

Bengaluru
8th September 2023

Fincare Business Services Limited
Consolidated Cash Flow statement for the year ended 31 March 2023
(All amounts in INR millions, unless stated otherwise)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Cash flow from operating activities		
Profit/(Loss) before tax	1,028	(446)
Adjustment for :		
Depreciation and amortisation expenses	412	362
Profit / (Loss) on sale of Investment	61	(28)
Amortisation of Investments	69	18
(Profit) / loss on disposal of PPE	(0)	0
Loan portfolio written off	5,516	3,695
Employee stock option expense	82	59
Provision on portfolio loans	(2,249)	1,632
Provision for other contingencies	37	0
Provision / depreciation - Investments	45	56
Interest accrued on securitized assets	1	(0)
Interest accrued on Advances	368	(725)
Interest accrued on loan to FEWT	-	(1)
Amortization of upfront fees / premium on securitisation	362	169
Fair valuation of financial instruments under amortised cost category	(7)	(3)
Interest expense on lease obligation	87	60
Deferral of debit card income / (expense)	55	46
Unrealized gain / loss on fair valuation of investments	-	9
Provision for IPO expenses	6	-
Balances written off	34	-
Remeasurement of defined benefit obligations reclassified to other comprehensive income	2	2
Operating profit before working capital changes	**5,910**	**4,905**
Changes in working capital :		
Increase in deposits	15,770	11,384
(Increase) in investments	(2,044)	(6,305)
(Increase) in loans and advances	(28,595)	(19,801)
(Increase) / decrease in other financial and non financial assets	790	(2,390)
Increase / (decrease) in other financial and non financial liabilities	493	1,316
Cash generated from operating activities	**(7,676)**	**(10,890)**
Income taxes paid (net of refunds)	(612)	(396)
Net cash flow (used in) / generated from operating activities	**(8,288)**	**(11,287)**
Cash flows from investing activities		
Purchase of mutual funds	-	(500)
Purchase of investments in Govt Securities	(2,452)	(3,467)
Proceeds from maturity of investments in Govt Securities	570	916
Proceeds from sale of mutual funds	-	620
Term money lending (including related party advances)	-	(101)
Proceeds from term money lending (Net)	-	164
Purchase of property, plant and equipment	(355)	(265)
Proceeds from sale of property, plant and equipment	1	1
Interest received on loan to related party	-	7
Maturity / (Placement) of fixed deposits	6	(33)
Net cash flow (used in) / generated from investing activities	**(2,230)**	**(2,658)**
Cash flow from financing activities		
Proceeds from issuance of equity share capital	-	1,744
Proceeds from borrowing under the LAF segment	-	5,400
Repayment of borrowing under the LAF segment	(560)	-
Proceeds from borrowings (other than debt securities)	10,280	13,580
Repayment of borrowings (other than debt securities)	(3,071)	(6,158)
Payment of lease obligation	(225)	(198)
Redemption of subordinate debt securities	(297)	-
Net cash flow generated from / (used in) financing activities	**6,127**	**14,367**
Net increase/ (decrease) in cash and cash equivalents (A + B + C)	**(4,391)**	**422**
Cash and cash equivalents at the beginning of the year	11,858	11,436
Cash and cash equivalents at the end of the year	**7,467**	**11,858**

Fincare Business Services Limited

Consolidated Cash Flow statement for the year ended 31 March 2023 (cont'd)

(All amounts in INR millions, unless stated otherwise)

Components of cash and cash equivalents	For the year ended 31 March 2023	For the year ended 31 March 2022
Cash on hand	404	330
Balances with banks in current accounts	173	126
Balances with others (RBI)	6,140	10,837
Money Market Instruments	750	564
Total cash and cash equivalents (Refer note 3)	**7,467**	**11,858**

Summary of Significant Accounting Policies 1 - 2

The accompanying notes are an integral part of the financial statements.

This is the Consolidated Statement of Cash flow referred to in our report of even date.

Note:

1. The above Consolidated Cash Flow Statement has been prepared as per Ind AS 7 "Statement of Cash Flows" specified under Section 133 of the Companies Act,2013

For **Bhushan Khot & Co.**
Chartered Accountants
Firm's Registration No.: 116888W

sd/-
Amit Shah
Partner
Membership No.: 124889
UDIN: 23124889BGSYSI8068
Mumbai
Date: 8th September 2023

For and on behalf of the Board of Directors of
Fincare Business Services Limited

sd/-
G. Dasarathareddy
Managing Director
DIN: 01760054

Bengaluru
8th September 2023

sd/-
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Mumbai
8th September 2023

sd/-
Gautam Gupta
Chief Financial Officer

Bengaluru
8th September 2023

sd/-
Gigyasa Agrawal
Company Secretary
M.No: FCS10686

Bengaluru
8th September 2023

Fincare Business Services Limited
Consolidated Statement of Changes in Equity as at 31 March 2023
(All amounts in INR millions, unless stated otherwise)

Statement of changes in equity

A Equity share capital

Particulars	As at 1 April 2021	Change in equity share capital during the year	As at 31 March 2022	Change in equity share capital during the year	As at 31 March 2023
Equity shares of ₹ 1 each, issued, subscribed and fully paid up	**329**	1	**330**	**-**	**330**

B Other equity

Particulars	Reserve fund u/s 45-IC of RBI Act 1934	Reserve fund u/s 17(2) of Banking Regulation Act, 1949 (refer note 1)	Capital reserve	Securities premium	Investment fluctuation reserve	Stock option reserve	Retained earnings	Other Comprehensive income	Total other equity	Non controlling interest	Total
Balance as at 1 April 2021	**192**	**941**	**660**	**4,981**	**83**	**101**	**1,493**	**172**	**8,622**	**964**	**9,587**
	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	(240)	-	(240)	(52)	(292)
Transfers to Statutory reserves	-	-	-	-	-	-	(22)	-	(22)	-	(22)
Add: Addition during the year	-	22	-	66	125	-	110	-	324	1,353	1,677
Add: Stock options granted during the year	-	-	-	-	-	38	-	-	38	-	38
Add: Changes in fair value of Investments (net of tax)	-	-	-	-	-	-	-	(399)	(399)	-	(399)
Add: Remeasurement of the net defined benefit asset (net of tax)	-	-	-	-	-	-	1	-	1	-	1
Balance as at 31 March 2022	**192**	**964**	**660**	**5,048**	**208**	**138**	**1,342**	**(227)**	**8,324**	**2,266**	**10,590**
Profit / (Loss) for the year	-	-	-	-	-	-	628	-	628	194	823
Transfers to Statutory reserves	-	-	-	-	-	-	(298)	-	(298)	-	(298)
Add: Addition during the year	-	259	-	-	39	-	-	-	298	106	404
Add: Stock options granted during the year	-	-	-	-	-	64	-	-	64	18	82
Add: Changes in fair value of Investments (net of tax)	-	-	-	-	-	-	-	387	387	-	387
Add: Remeasurement of the net defined benefit asset (net of tax)	-	-	-	-	-	-	2	-	2	-	2
Balance as at 31 March 2023	**192**	**1,223**	**660**	**5,048**	**247**	**203**	**1,674**	**160**	**9,406**	**2,584**	**11,990**

1 The transfer to statutory reserve u/s 17(2) of the Banking Regulation Act, 1949 for the years ended 31 March 2023 and 31 March 2022 was computed on the profit after tax reported under the GAAP for the subsidiary company (Fincare Small Finance Bank Ltd.) and has not been adjusted for IND AS adjustments.

The accompanying notes are an integral part of the financial statements.

For **Bhushan Khot & Co.**
Chartered Accountants
Firm's Registration No.: 116888W

For and on behalf of Board of Directors of
Fincare Business Services Limited

sd/-
Amit Shah
Partner
Membership No.: 124889
UDIN: 23124889BGSYSI8068
Mumbai
Date: 8th September 2023

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8th September 2023

sd/-
Gigyasa Agrawal
Company Secretary
M.No: FCS10686

Bengaluru
8th September 2023

(All amounts in INR Millions, unless stated otherwise)

1. Summary of significant accounting policies and other explanatory information

a) Group overview

Fincare Business Services Limited (formerly known as Fincare Business Services Private Limited) (the 'Company') is a Non-Banking Financial Company. The Company was incorporated on 1 August 2014. The Company has converted itself from a private limited company to a public limited company with effect from 23 November 2016.

The Company was incorporated primarily as a private company under the Companies Act,2013, to manage the capital requirement in associate companies and also provides the financial management and consultancy services. The Company has converted into a non-deposit accepting Non- Banking Financial Company - Core Investment Company (NBFC - CIC) with the Reserve Bank of India ('RBI') with effect from 2 February 2017.

The Consolidated financial statements for the year ended 31 March 2023 were authorized and approved for issue by the Board of Directors of the Company on 8th September 2023.

The Consolidated financial statements comprises of the financial statements of Fincare Business Services Limited (the Holding Company) and its subsidiary (collectively known as "the Group") as listed below:

Name of the entity	Country of incorporation	Effective ownership interest (%)	
		31 March 2023	31 March 2022
Subsidiary:			
Fincare Small Finance Bank Limited	India	78.58%	78.58%

b) Basis of preparation and presentation

(i) Basis of preparation

In accordance with the notification issued by the Ministry of Corporate Affairs, the Group is required to prepare its Consolidated financial statements as per the Indian Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended) ('Ind AS'). Accordingly, the Group has prepared these Consolidated financial statements which comprises the Consolidated Balance Sheet as at 31 March 2023, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flows Statement and the Consolidated Statement of Changes in Equity for the year ended 31 March 2023, and Notes to the Consolidated financial statements including a summary of significant accounting policies and other explanatory information (together hereinafter referred to as '"Consolidated financial statements" or "Consolidated Ind AS financial statements").

The Consolidated financial statements have been prepared using the significant accounting policies and measurement bases Summarised below. These accounting policies have been consistently applied throughout all the periods presented in these Consolidated financial statements, unless otherwise stated.

These consolidated financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

i) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities that are measured at fair value, and
- defined benefit plans - plan assets are measured at fair value
- employee stock options plan

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. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. The Financial assets and liabilities are presented in ascending order of their liquidity. Fair value for measurement and/or disclosure purposes in these Ind AS financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 116, and measurements that have some similarities to fair value but are not fair value, such as value in use in Ind AS 36. The Ind AS financial statements are presented in Indian Rupees rounded off to the nearest Millions unless otherwise stated.

In addition, for financial reporting purposes, fair value measurements 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 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

(ii) Basis of Consolidation

The Consolidated financial statements comprises the financial statements of the Holding Company and its Subsidiaries as at 31 March 2023. Subsidiaries are all entities over which the group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Specifically, the Group controls an entity if and only if the Group has:

- Power over the entity (i.e. existing rights, including potential voting rights that give it the current ability to direct the relevant activities of the entity)
- Exposure, or rights, to variable returns from its involvement with the entity, and
- The ability to use its power over the entity to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an entity, the Group considers all relevant facts and circumstances in assessing whether it has power over an entity, 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; and
- 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.

The Group re-assesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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.

The financial statements of all entities within the Group used for the purpose of consolidation are drawn up to same reporting date as that of the Holding Company, i.e., year ended on 31 March. When the end of the reporting period of the Holding Company is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the Holding Company to enable the Holding Company to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedures

a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the Holding Company with those of its subsidiaries.

b) If the entity within the group are not reporting their Standalone financial statements as per IND AS, in such case the Management of Entity prepares Ind AS Converged Financial statements of the entity incorporating Ind AS adjustments for the purpose of Consolidation.

c) Offset (Eliminate) the carrying amount of the Holding Company's investment in each subsidiary and the Holding Company's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

d) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets and liabilities, such as Property, Plant and Equipments, other assets, other liabilities are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Non- controlling interest represents the amount of equity not attributable, directly or indirectly, to the Company at the date on which investment in a subsidiary is made and its share of movements in equity since that date. Non-controlling interests and equity of subsidiaries are shown separately in the Consolidated Statement of Profit and Loss, Consolidated statement of changes in equity and Consolidated Balance sheet respectively. Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity shareholders of the Holding Company 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 subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between of the entities within the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in the Consolidated Statement of Profit or Loss; and

Reclassifies the Holding Company's share of components previously recognised in OCI to Consolidated Statement of Profit or Loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(iii) Statement of compliance with Indian Accounting Standards (Ind AS)

These Consolidated Financial Statements ("the Financial Statements") have been prepared in accordance with the Indian Accounting Standards ('Ind AS') as notified by Ministry of Corporate Affairs ('MCA') under Section 133 of the Companies Act, 2013 ('Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other relevant provisions of the Act. The Group has uniformly applied the accounting policies for all the periods presented in this financial statements.

c) Summary of significant accounting policies

The financial statements have been prepared using the significant accounting policies and measurement bases summarized as below. These policies are applied consistently for all the periods presented in the financial statements, except where the Group has applied certain accounting policies and exemptions upon transition to Ind AS.

i. Property, plant and equipment

Recognition and initial measurement

Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repair and maintenance costs are recognised in statement of profit and loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are recognised in statement of profit and loss.

Subsequent measurement (depreciation method, useful lives and residual value)

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation on property, plant and equipment is provided on the straight-line method over the useful life of the assets as estimated by the management.

Depreciation is calculated on pro rata basis from the date on which the asset is ready for use or till the date the asset is sold or disposed.

The residual values, useful lives and method of depreciation are reviewed at the end of each financial year.

The Group has used the following rates to provide depreciation on its tangible assets:

Tangible asset description	Useful life
Office equipments	5 Years
Computer equipments	3 Years
Furniture and fixtures	10 Years
Vehicles	10 Years
Leasehold improvements (*)	Over the period of lease

(*) Lease period being shorter than the estimated useful life.

Depreciation is charged on a proportionate basis for all assets purchased and sold during the year.

De-recognition
An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 recognized in the statement of profit and loss, when the asset is derecognised.

Capital work-in-progress
Capital work-in-progress are carried at cost, comprising direct cost and related incidental expenses acquire property, plant and equipment. Assets which are not ready to intended use are also shown under capital work-in-progress.

ii. **Intangible assets**

Recognition and initial measurement
Intangible assets are stated at their cost of acquisition. The cost comprises purchase price including any import duties and other taxes (other than those subsequently recoverable from taxation authorities), borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use.

Subsequent measurement (amortisation method, useful lives and residual value)
Intangible assets are amortised on a straight line basis over the expected useful life from the date when the assets are available for use. The estimated useful life (amortisation period) of the intangible assets is arrived basis the expected pattern of consumption of economic benefits and is reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

Intangible assets are amortised, on a straight line basis, commencing from the date the asset is available for its use, over their respective individual estimated useful lives as estimated by the management:

Intangible asset description	Useful life
Computer Software	3 Years

iii. Revenue recognition

As per the standard Ind AS 115, revenue is recognised to depict the transfer of promised goods or services to a customer in an amount that reflects the fair value of the consideration received or receivable which the entity expects to be entitled in exchange for those goods or services. Ind AS 115 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry.

Interest and processing fee income on loans
Interest and processing fee income is recorded on accrual basis using the effective interest rate (EIR) method. Additional interest/overdue interest/penal charges, if any, are recognised only when it is reasonable certain that the ultimate collection will be made.

Income from assignment transactions
Income from assignment transactions i.e. present value of excess interest spread is recognised when the related loan assets are de-recognised. Interest income is also recognised on carrying value of assets over the remaining period of such assets.

Commission income
Income from business correspondent services is recognised as and when the services are rendered as per agreed terms and conditions of the contract. A receivable is recognised when the services are delivered as this is the case of point in time recognition where consideration is unconditional because only the passage of time is required.

Dividend income
Dividend income is recognised at the time when the right to receive is established by the reporting date.

Miscellaneous income
All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realization/collection.

iv. Borrowing costs

Borrowing costs that are directly attributable to the acquisition and/or construction of a qualifying asset, till the time such qualifying assets become ready for its intended use sale, are capitalised. Borrowing cost consists of interest and other cost that the Group incurred in connection with the borrowing of funds. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss as incurred basis the effective interest rate method.

v. Taxation

Tax expense recognized in Statement of Profit and Loss comprises the sum of deferred tax and current tax except to the extent it recognized in other comprehensive income or directly in equity.

Current tax comprises the tax payable or receivable on taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. Current tax is computed in accordance with relevant tax regulations. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received after considering uncertainty related to income taxes, if any. Current tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

Current tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

Deferred tax is recognised in respect of temporary differences between carrying amount of assets and liabilities for financial reporting purposes and corresponding amount used for taxation purposes. Deferred tax assets are recognised on unused tax loss, unused tax credits and deductible temporary differences to the extent it is probable that the future taxable profits will be available against which they can be used. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss. 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. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously. Deferred tax relating to items recognised outside statement of profit and loss is recognised outside statement of profit or loss (either in other comprehensive income or in equity).

vi. **Employee benefits**

Short-term employee benefits

Short-term employee benefits including salaries, short term compensated absences (such as a paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non-monetary benefits for current employees are estimated and measured on an undiscounted basis.

Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:

Defined contribution plans

The Group has a defined contribution plans namely provident fund, pension fund and employees state insurance scheme. The contribution made by the Group in respect of these plans are charged to the Statement of Profit and Loss.

Defined benefit plans

The Group has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees, where in the employee will receive on retirement is defined by reference to employee's length of service and last drawn salary. Under the defined benefit plan, the amount that an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside. The liability recognised in the statement of financial position for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries. Actuarial gains/losses resulting from re-measurements of the liability/asset are included in other comprehensive income.

Other long-term employee benefits

The Group also provides the benefit of compensated absences to its employees which are in the nature of long-term employee benefit plan. Liability in respect of compensated absences becoming due and expected to availed after one year from the Balance Sheet date is estimated in the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to Statement of Profit and Loss in the year in which such gains or losses are determined.

As per the subsidiary's policy, in general, 40% of cash variable pay (where it exceeds a specified threshold) of any employee of the subsidiary shall vest at the end of performance period and the remaining 60% shall be under deferral arrangement. The deferred cash variable pay has been recognised as liability at present value of the defined benefit obligation at the balance sheet date, as required by Ind AS-19 on Employee Benefits. The present value has been determined using actuarial valuation after factoring in assumptions of attrition and discounting.

Share based payments transactions of the Group

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share based transactions are set out in note 41. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity -settled employee benefits reserve.

vii. **Impairment of non-financial assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. Recoverable amount is higher of an asset’s net selling price and its value in use. If such recoverable amount of the asset or the recoverable amount of the cash generating unit 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 Consolidated Statement of Profit and Loss. If at the reporting date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

viii. **Impairment of financial assets**

Loan assets

The Group follows a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

- Stage 1 (1-30 days) includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.
- Stage 2 (31-60 days) includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment.
- Stage 3 (more than 90 days) includes loan assets that have objective evidence of impairment at the reporting date.

The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows:

Probability of Default (PD) - The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.

Loss Given Default (LGD) – LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and preference of claim and availability of collateral or other credit support.

Exposure at Default (EAD) – EAD is based on the amounts the Group expects to be owed at the time of default. For a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

Forward-looking economic information (including management overlay) is included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.

However, RBI has not made changes in the prudential norms which requires certain minimum provisions for entities in the Group. As such, the Group has conservatively decided that if ECL is calculated to be lower than the provisions done earlier as per prudential norms, such minimum amounts are maintained.

Trade receivables
In respect of trade receivables, the Group applies the simplified approach of Ind AS 109, which requires measurement of loss allowance at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of trade receivables.

Other financial assets
In respect of its other financial assets, the Group assesses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

When making this assessment, the Group uses the change in the risk of a default occurring over the expected life of the financial asset. To make that assessment, the Group compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

Write-offs
Financial assets are written off either partially or in their entirety to the extent that there is no realistic prospect of recovery. Any subsequent recoveries are credited to impairment on financial instrument on statement of profit and loss.

ix. **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand (including imprest), balances with RBI, balances with other banks, money at call and short notice, demand deposits and short-term highly liquid investments (certificate of deposits and commercial paper), money market instruments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents includes bank overdrafts, if that are repayable on demand and form an integral part of the Group's cash management.

x. **Provisions, contingent assets and contingent liabilities**

Provisions are recognized only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Group or

- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognised nor disclosed except when realisation of income is virtually certain, related asset is disclosed.

xi. **Leases**

Group as a lessee

The Group's lease asset classes primarily consist of leases for buildings. The Group assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contact involves the use of an identified asset
- the Group has substantially all of the economic benefits from use of the asset through the period of the lease and
- the Group has the right to direct the use of the asset.

The Group recognizes a right-of-use asset ("ROU") representing its right to use the underlying asset for the lease term at the lease commencement date. The cost of the right-of-use asset measured at inception shall comprise of the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date.

The right-of-use assets is subsequently measured at cost less accumulated depreciation, accumulated impairment losses, if any. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use asset. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the Consolidated Statement of profit and loss.

The lease liability is initially and subsequently measured at the present value of the future lease payments that are not paid at the commencement date/reporting date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate applicable to the entity. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of all assets that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

xii. **Financial instruments**

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below.

Non-derivative financial assets

Subsequent measurement

i. **Financial assets carried at Amortised cost** – a financial asset is measured at the amortised cost if both the following conditions are met:

  i. The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

  ii. Contractual terms of the 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, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the Statement of Profit and Loss.

ii. **Financial assets carried at fair value through other comprehensive income** – a financial asset is measured at fair value, with changes in fair value being carried to other comprehensive income, if both the following conditions are met:

  i. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

  ii. Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

De-recognition of financial assets

Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognised (i.e. removed from the Group's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. Further, if the Group has not retained control, it shall also derecognise the

financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

Non-derivative financial liabilities

Financial liabilities - Subsequent measurement
Subsequent to initial recognition, all non-derivative financial liabilities, except compulsorily convertible preference shares, are measured at amortised cost using the effective interest method.

De-recognition of financial liabilities
A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When 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 the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

First loss default guarantee

First loss default guarantee contracts are contracts that require the Group to make specified payments to reimburse the bank and financial institution for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks and financial institutions, for whom the Group acts as 'Business Correspondent'.

These contracts are initially measured at fair value and subsequently measure at higher of:

- The amount of loss allowance (calculated as described in policy for impairment of financial assets)
- Maximum amount payable as on the reporting date to the respective bank/financial institution which is based on the amount of loans overdue for more than 90 days.

Further, the maximum liability is restricted to the cash outflow agreed in the contract.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

xiii. **Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss (interest and other finance cost associated) for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

xiv. **Transaction costs**

Transaction costs are incremental costs that are directly attributable to the acquisition of share capital and financial liabilities. Transaction cost includes fees paid to advisors and levies by regulatory agencies, including taxes and duties. Transaction costs incurred towards Issuance of share capital is expensed to the Statement of Profit and Loss.

xv. **Segment reporting**

The Group identifies segment basis the internal organization and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are regularly reviewed by the CODM ('chief operating decision maker') in deciding how to allocate resources and in assessing performance. The accounting policies adopted for segment reporting are in line with the accounting policies of the Group. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship with the operating activities of the segment.

xvi. **Foreign currency**

Functional and presentation currency
Items included in the financial statement of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements have been prepared and presented in Indian Rupees (INR), which is the Group's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency, by applying the exchange rates on the foreign currency amounts at the date of the transaction. Foreign currency monetary items outstanding at the balance sheet date are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognized in the Statement of Profit and Loss in the year in which they arise.

xvii. **Business combinations**

Business combinations are accounted for using the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Any excess of identifiable net assets over acquisition cost is recognised in the other comprehensive income on the acquisition date and accumulated in equity as capital reserve.

Business combinations between entities under common control is accounted for at carrying value under the provisions of Ind AS 103, Business Combinations. No adjustments are made to reflect fair values, or recognize any new assets or liabilities. Adjustments are only made to harmonize accounting policies.
The financial information in the financial statements in respect of prior periods is restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, where the business combination had occurred after that date, the prior period information is restated only from that date.
The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve.

The identity of the reserves are preserved and the reserves of the transferor become the reserves of the transferee.

The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.

Transaction costs that the Group incurs in connection with a business combination such as finders' fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred and the services are received.

d) Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures. Actual results may differ from these estimates.

Significant management judgements

Recognition of deferred tax assets – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

Business model assessment – 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. The Group monitors financial assets that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the 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.

Evaluation of indicators for impairment of assets – The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Expected credit loss ('ECL') – The measurement of expected credit loss allowance for financial assets measured at amortised cost requires use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. likelihood of customers defaulting and resulting losses). The Group makes significant judgements with regard to the following while assessing expected credit loss:

- Determining criteria for significant increase in credit risk;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Provisions – At each balance sheet date basis the management judgment, changes in facts and legal aspects, the Group assesses the requirement of provisions against the outstanding contingent liabilities. However, the actual future outcome may be different from this judgement.

Significant estimates

Useful lives of depreciable/ amortisable assets – Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

Defined benefit obligation (DBO) – Management's estimate of the DBO is based on a number of underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

Fair value measurements – Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument.