UTKARSH COREINVEST LIMITED

Annual Report
FY 2019-20

Registered & Corporate Office:
S-24/1-2, 4th Floor, Mahavir Nagar, Orderly Bazar,
Near Mahavir Mandir, Varanasi - 221002, Uttar Pradesh, India

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CORPORATE INFORMATION

Corporate Identification No.
U65191UP1990PLC045609

Website
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E-mail
secretarial@utkarshcoreinvest.com

Statutory Auditors
M/s Haribhakti & Co. LLP
[Firm Registration No. 103523W / W100048]
Chartered Accountants
705, Leela Business Park, Andheri Kurla Road
Andheri (E), Mumbai – 400059, Maharashtra, India

Secretarial Auditors
M/s S. N. Ananthasubramanian & Co.
10/25-26, 2nd Floor, Brindaban, Thane
(West) – 400 601, Maharashtra, India
Tel: + 91-22-25345648, +91-22-25432704

Company Secretary
Mr. Neeraj Kumar Tiwari (M. No. 37761)

Registrar & Share Transfer Agent
M/s NSDL Database Management Limited
Unit: Utkarsh CoreInvest Limited
4th Floor, "A" Wing, Trade World,
Kamala Mills Compound, Senapati Bapat Marg,
Lower Parel, Mumbai - 400013, Maharashtra, India
Tel: +91-22-2499 4720 / 4200

Registered and Corporate Office
S-24/1-2, Fourth Floor, Mahavir Nagar,
Orderly Bazar, Near Mahavir Mandir,
Varanasi - 221002, Uttar Pradesh, India

FROM THE DESK OF MD & CEO

I am delighted to share with you the 30th Annual Report of Utkarsh CoreInvest Limited.

During the journey of your Company, we have been able to bring reputed resident and non-resident investors and many individual retail investors in the fold as shareholders of the Company, with the fervor of good governance, demonstrated through fair and transparent practices, by being responsible and responsive. This has been built in a long way with strong foot of beginning as a microfinance entity to now as an NBFC-CIC, being the Holding Company of a Small Finance Bank i.e. of Utkarsh Small Finance Bank Ltd. (USFBL), a Banking subsidiary for providing banking services, especially to the unserved and underserved segments of the society, with focus on doorsteps services. Also, the company has a Welfare Foundation subsidiary i.e. Utkarsh Welfare Foundation (UWF), which is dedicated for the cause of development through its various social initiatives, especially in the domains of financial awareness, health initiatives and vocational skill development.

The year was marked with Utkarsh, completing 10 years of its exciting journey. To mark the occasion, Utkarsh Small Finance Bank Limited (USFBL) i.e. the Banking subsidiary inaugurated **21** Banking Outlets pan India on September 21, 2019. On the day, the Bank expanded its operations by entering Odisha with launch of 19 Branches, out of which 18 were Micro Banking Outlets, reiterating its focus on financial inclusion.

The focus of the Bank on Delivering Sustainable and Responsible Banking, especially with the retail-focused approach offering last-mile services to the unserved and underserved segments in India's urban and semi-urban areas has paved way of reaching to over 25 lakh active customer base with ₹6,660 crore of Assets Under Management and ₹5,235 crore of Deposits through 507 Banking Outlets and 177 ATMs pan India, spread over 173 Districts of 17 States and Union Territories, delivered by over 8,800 employee base. The Bank is committed to the mission of financial inclusion and to that of being a complete banking partner. The key focus is to help customers, experience a delight banking engagement through the relevant products and services, as the technology is leveraged to penetrate deeper into the hinterlands.

According to the applicable accounting standard i.e. the Ind-AS based classification and categorizations, the Company has recorded total comprehensive income of ₹0.55 crore on a standalone basis and ₹222.37 crore at consolidated level. The consolidated level net advances were ₹6,563.3 crore and the total deposits were ₹5,427.6 crore as at the close of the financial year. The Company's Net-worth as on March 31, 2020 stood at ₹819.48 crore comprising of paid-up equity capital of ₹97.40 crore and Reserves of ₹722.08 crore (excluding Revaluation Reserve, Investment Reserve and Intangible Assets) on standalone basis. Whereas, on a Consolidated basis, the Net-worth stood at ₹1,082.75 crore comprising of paid-up equity capital of ₹97.40 crore, Reserves of ₹985.12 crore and non-controlling interest of ₹0.23 crore.

As at the close of the FY 2019-20, the Bank recorded (as per applicable IGAAP accounting rules) a Net Profit of ₹186.74 crore (a growth of 98.89%). The Liabilities franchise grew by

38.08% and Assets Under Management grew by 34.56%. The Gross Non-Performing Assets (GNPAs) stood at 0.71% and the Net Non-Performing Assets (NNPAs) was at 0.18%, amongst the lowest in the industry.

Though, towards the end of the financial year, the world came across the COVID-19 pandemic, which is still unfolding and the likely impact is still being analysed, the Bank has made higher provisions to protect the book against the impact of COVID-19 in addition to the provisions for SMA accounts which availed the moratorium as prescribed by RBI.

The Company and the Banking Subsidiary (USFBL) have been working on various Corporate Actions to ensure compliance as per the SFB guidelines pertaining to:

i. Maintenance of promoter's minimum initial contribution to the paid-up equity capital of the small finance bank to at least 40% till first five (5) years from the commencement of operations by the Bank and then to bring the same down to 40% within a period of five years of such commencement of operations by the Bank i.e. from January 23, 2017 till January 22, 2022 .

ii. Listing (IPO) of the Banking Subsidiary within three (3) years of its Net-Worth crossing ₹500 crore i.e. by June 2021.

In this context, the option of merging the Holding Company into the Bank after completion of five (5) years of the Bank's operations, is also being explored.

Besides, suitable capital infusion by way of Pre-IPO investments of Tier I and Tier II capitals is also being envisaged to ensure availability of Growth capital in place for the Bank.

Utkarsh Welfare Foundation (UWF), a Section 8 Company, has been our CSR partner and now our subsidiary also since November 22, 2017. UWF has been taking initiatives that focuses primarily on education and health domains, besides other regular social activities. The education initiatives include various financial awareness camps and primary education initiatives through (Village Development Programme). The health initiatives include regular location specific polyclinics and mobile van polyclinics alongwith health awareness programs. The other initiatives include skill development programs, micro enterprise development training, environment initiatives (like tree plantation) and other social activities like organizing Blood Donation Camps and supporting special homes.

Your Company contributed ₹40 lakh towards the CSR through UWF. During the year, the thematic areas of intervention under CSR have been Health Programs through Regular Poly Clinics and Health Awareness Programs, the outreach of which have been 15,632 and 15,821 beneficiaries, respectively.

From very beginning, your company has been focused on having strong support and control functions. We believe in imbibing three pillars of a sustainable institution i.e. Culture, Process and Growth in all our endeavors, and this has been getting stronger with each passing day.

I wish to express my gratitude, to our Partners, the Shareholders for their continued support & patronage and providing strategic inputs during this important phase.

I also sincerely thank all our (including of our both the subsidiaries) Board Members, investors, partners, employees, customers and all such other stakeholders for reposing their faith towards the Vision and Mission of Utkarsh and their continued support and patronage all throughout the journey. I trust that the same would continue to bring a more synergetic impact in the coming days.

Best Regards

Sd/-
Ashwani Kumar
Managing Director & CEO

BOARD OF DIRECTORS

Mr. G. S. Sundararajan

- Non - Executive Independent Director, Chairperson of the Board
- Having an extensive experience in BFSI Sector with focus on Assets Business. Has been Group Director - Shriram Group, Managing Director - Shriram Capital Ltd., the Holding Company of Shriram Group's financial services and Insurance businesses across India and overseas, was nominated to the Board of Sanlam Emerging Markets, was also the CEO & Managing Director of Fullerton India Credit Company Ltd.; Managing Director of Fullerton Enterprises Private Limited, nominated to the Boards of two (2) Financial Services investments of Temasek in China, one in Nanjing for the SME Business and the other in Chengdu in their Village Bank Franchise. Earlier to this, he was the Managing Director and Head of Citibank's SME and Asset Based Finance business in India. He started his career in Sales with Eicher Mitsubishi and went on to head the captive finance arm of this company in India. He was also the Non-Executive Chairman of the Board of Directors of Vistaar Financial Services Ltd.
- Post Graduate Diploma in Management from the Indian Institute of Management (IIM), Ahmedabad and holds Bachelor of Engineering Degree from Coimbatore.

Mr. Atul

- Independent Director.
- Having more than three (3) decades of Administrative Service experience with focus on Security, Vigilance and Anti-Corruption. An Indian Police Service (IPS) Officer of 1976 batch. Has served as Director General of Police, Uttar Pradesh (DGP), DIG CBI in charge of U.P.; In-charge Additional Director General of Police, Crime, Law and Order. He also had stint with Personnel Wing of DGP Headquarters as in-charge of IPS and PPS officers at Uttar Pradesh. Awarded Presidents Medal for distinguished service and has been President of IPS Association in Uttar Pradesh and President of Lucknow University Alumni Association.
- M.Sc. (Physics) and B.Sc. (Physics, Math & Statistics) Lucknow University.

Mr. Aditya Parekh

- Nominee Director representing Faering Capital.
- Having extensive experience in financial services, while working with DSP Merrill Lynch, TranServ Private Limited, Wealth India Financial Services Pvt. Limited and Linkstreet Learning Pvt. Limited, Co-Founder and Managing Director at Faering Capital and Faering Capital India Evolving Fund.
- Bachelor of Arts in Economics from Cambridge University and M.B.A. from University of Pennsylvania - The Wharton School.

Mr. Gaurav Malhotra

- Nominee Director representing CDC (Commonwealth Development Corporation) Group Plc.
- He works for the CDC Group – the UK government's Development Finance Institution. He is responsible for advising and supporting CDC on their investments in Financial Institutions in South Asia. His role has largely been in management consulting and advisory for financial institutions in India. He has a wide range of consulting experience, working for several financial institutions during his 10 years with The Boston Consulting Group in India and Europe. He has also worked for a year as the head of the strategy for an Indian family business. He has experience in several topics including growth strategy, consumer behaviour, distribution networks, operations and IT, for multiple types of financial institutions, particularly in Microfinance.
- Degree in Engineering from Delhi University and an MBA from IIM Bangalore.

Mr. Harjeet Toor

- Nominee Director representing RBL Bank Limited.
- Business Head – Retail, Inclusion and Rural business at RBL Bank Ltd. Having extensive experience as an entrepreneurial business leader with over 25 years in consumer banking across NBFCs and Banks spanning Fullerton India Credit Company Ltd. (FICCL), RBS, ABN AMRO and Bank of America. Has been in various leadership roles across varied functions of Marketing, Product Management, Sales & Distribution, Branch Banking and Finance.
- Engineer and a Management Graduate from Faculty of Management Studies, Delhi.

Mr. Vishal Mehta

- Nominee Director representing Sarva Capital LLC
- He is co-founder & partner at Lok Advisory Services which advises the funds of Lok Capital. He started Lok Capital operations in 2004 and has successfully built Lok as a premier private equity impact fund. He has also played a key role in fostering Impact Investing space in India including as founding Executive Director of Impact Investing Council (IIC) and Advisory Board member of AVPN in India. Prior to Lok, he worked for a decade in financial services and telecom sector in Asia, Europe and the US.
- Degree in Engineering from Delhi University and an MBA from the University of Michigan, Ann Arbor.

Mr. Ashwani Kumar

- Managing Director & CEO
- Having over 14 years of industry experience, especially in Microfinance and Priority Sector domains. He has handled senior management roles in different control and support functions at Utkarsh Small Finance Bank Ltd. ever since its NBFC-MFI format and also at NABARD Financial Services Ltd. and Canara Bank's Priority Credit and Financial Inclusion Wings. Currently, he is also a Director in the Board of Utkarsh Welfare Foundation (UWF), a CSR entity. He started his career with Locus Research & Consultants Pvt. Ltd. as a Research Associate.
- Rural Management Graduate from Institute of Rural Management, Anand (IRMA), Chartered Financial Analyst (CFA) from ICFAI (India); CAIIB and other Diploma and Certifications from IIBF and UGC Net (Management) certified.

COMMITTEES OF THE COMPANY

The details of the Board Committees and the Committee Members are tabulated as under:

Sl.	Name of the Committee	Statutory Requirement	Composition of the Committee
1.	Audit Committee of the Board	Required as per Companies Act, 2013	Ms. Ramni Nirula, Independent Director (Chairperson) Mr. Atul, Independent Director Mr. Harjeet Toor, Nominee Director Mr. Vishal Mehta, Nominee Director
2.	Corporate Social Responsibility Committee		Mr. G. S. Sundararajan, Independent Director (Chairperson) Mr. Aditya Parekh, Nominee Director Mr. Ashwani Kumar, Managing Director & CEO
3.	Nomination & Remuneration Committee		Mr. G. S. Sundararajan, Independent Director (Chairperson) Mr. Atul, Independent Director Mr. Gaurav Malhotra, Nominee Director Ms. Ramni Nirula, Independent Director
4.	Share Allotment Committee		Mr. Aditya Parekh, Nominee Director Mr. Harjeet Toor, Nominee Director Mr. Ashwani Kumar, Managing Director & CEO

The Charter of various Board Committees are as under:

1. AUDIT COMMITTEE OF THE BOARD (ACB)

The Audit Committee meets at quarterly intervals. The major responsibilities of the Committee are as under:

- Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- Review and monitoring the auditor's independence and performance and effectiveness of audit process;
- Examination of the financial statements and the Auditors' Report thereon;
- 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;
- Monitoring the end use of funds raised through public offers and related matters.

2. CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

The Corporate Social Responsibility Committee meets minimum twice on half yearly basis. The major responsibilities of the Committee are as under:

- Formulation and recommendation to the Board, the Corporate Social Responsibility (CSR) strategy of the Company including the CSR Policy and its implementation;

- Formulation and recommendation to the Board, the CSR activities to be undertaken by the Company, either directly or through Utkarsh Welfare Foundation (UWF) or through any other entity working for the welfare of society and determining the CSR projects / programs which the Company plans to undertake during the year of implementation, specifying modalities of execution in the areas / sectors chosen and schedules of implementation for the same;
- Recommendation to the Board, the amount of expenditure to be incurred on the CSR activities every year;
- Review and monitoring the compliance of initiatives undertaken and to evaluate the performance of the activities against the agreed targets;
- Conducting impact-assessment of the various initiatives undertaken in terms of the CSR Policy at periodic intervals.

3. NOMINATION & REMUNERATION COMMITTEE (NRC)

The Nomination & Remuneration Committee meets minimum once in a year and also as and when required. The major responsibilities of the Committee are as under:

- Ensuring fit and proper status of proposed / existing Directors as per the RBI guidelines;
- Regular review of the structure, size and composition of the Board (including skills, knowledge and experience) taking into account the current requirements and future developments of the Company and making recommendations to the Board with regard to any adjustments that are deemed necessary;
- Identification, nomination and recommendation for the approval of the Board, candidates to fill Board vacancies as and when it arises;
- Ensuring that on appointment, all non-executive Directors receive formal written terms of appointment;
- Review the composition of Committees of the Board and to identify and recommend to the Board, the Directors who can best serve as members of each Board Committee;
- Recommendation to the Board, the compensation payable to the Chairperson of the Company.

4. SHARE ALLOTMENT COMMITTEE (SAC)

The Share Allotment Committee meets as and when required. The major responsibilities of the Committee are as under:

- Considering and resolving grievances of shareholders, debenture holders and other security holders;
- Allotment of Equity Shares, approval of transfer or transmission of Equity Shares, Debentures or any other securities;
- Issue of duplicate certificates and new certificates on split / consolidation / renewal etc.;
- Overseeing requests for dematerialization and rematerialization of Securities;
- Spreading awareness amongst security holders for protection of their rights and interest(s) and;
- Carrying out any other function as assigned by the Board from time to time related to security holders of the company.

SENIOR MANAGEMENT

Ashwani Kumar (Managing Director & CEO)

He has over 14 years of industry experience especially in Micro Finance and Priority Sector domains. He has handled senior management roles in different control and support functions at Utkarsh ever since its NBFC-MFI format. Initially he had joined Utkarsh Micro Finance Pvt. Ltd. as Head - Internal Audit, with concurrent charge of Risk, Compliance, Secretarial, Credit & Client Interaction. During the transition phase of Utkarsh from an NBFC-MFI to a Small Finance Bank i.e. Utkarsh Small Finance Bank Ltd. (USFBL), he led the Training, Recruitment and Corporate Communication verticals. His last stint with USFBL was as the Deputy CFO (Head - Finance and Corporate Communication). Currently, he is also a Director in the Board of Utkarsh Welfare Foundation (UWF). Prior to joining Utkarsh, he was with NABARD Financial Services Ltd. (NABFINS) handling various control & support roles in its transformation phase and was last designated as AGM (Finance). He also had stint with Canara Bank as Manager at its Priority Credit Wing, Head Office, Bangalore, handling Agri-Business, Priority Small Loan NPA Management and Consultancy Services with active involvement in setting up of the Canara Bank's Financial Inclusion Wing. He started his career as a Research Associate with Locus Research and Consultants Pvt. Ltd; New Delhi and undertook projects for Ministry of Rural Development, Govt. of India and other agencies.

He has attended different exposure programs in Banks, MFIs and Training Centers in India and abroad (Bangladesh, Cambodia, Indonesia and Italy) and has been in Editorial Boards of Institutional Magazines. Also, participated in several conferences / seminars as Panelist / Speaker at National & International levels and taken sessions at Institutions like CAB (RBI), NIBM, SIBSTC and various Universities / College Campuses.

He is a Rural Management Graduate from Institute of Rural Management, Anand (IRMA) and a Chartered Financial Analyst (CFA) from ICFAI (India). He is a Certified Associate of Indian Institute of Bankers (CAIIB) and has other Diplomas and Certifications from IIBF. He is also UGC Net (Management) certified and is a lifetime member of CFA Council (CCFA, India) and IIBF (India).

Mr. Harshit Agrawal (Chief Financial Officer)

Having over eight (8) years of experience in the fields of Accounts & Finance, Taxation, Micro Credit and Internal Audit. Initially, he had joined Utkarsh Micro Finance Pvt. Ltd. (UMFL) as a Concurrent Auditor in the Internal Audit Department and is currently overseeing Finance and Accounts verticals. Prior to UMFL, he was with a real-estate company based out of Varanasi in its Finance and Accounts vertical.

He is a Chartered Accountant (CA) by profession from Institute of Chartered Accountants of India (ICAI) and a Commerce Graduate from

Banaras Hindu University (BHU). He is a Junior Associate of Indian Institute of Bankers (JAIIB) and has other Certifications from IIBF.

Mr. Neeraj Kumar Tiwari (Company Secretary & Compliance Officer)

He has over six (6) years of company secretarial and corporate compliance experience with Utkarsh ever since its NBFC-MFI format as Utkarsh Micro Finance Pvt. Ltd. (UMFL) and now in the NBFC-CIC format as Utkarsh CoreInvest Ltd. Prior to Utkarsh, he was with a corporate law firm at Allahabad.

He is a qualified Company Secretary from the Institute of Company Secretaries of India (ICSI) and holds a Bachelor's Degree in Law from Veer Kunwar Singh University, Arrah. He also received NSE's Certification in Financial Markets (NCFM) for Compliance Officer (Corporate) Module.

MANAGEMENT DISCUSSION AND ANALYSIS

The endeavours of the Company (i.e. Utkarsh CoreInvest Ltd. – UCL, hereinafter referred to as 'the Company') alongwith its subsidiaries viz. Utkarsh Small Finance Bank Ltd. (USFBL, hereinafter referred to as 'the Bank') and Utkarsh Welfare Foundation (UWF, hereinafter referred to as 'the Foundation') are aligned to the various economic developments and the dynamics of the society / market.

The Banking subsidiary successfully completed three (3) full years of banking operations on January 22, 2020. During the FY2019-20, the Bank has further taken multiple business initiatives as aligned to its Mission of providing affordable & accessible banking services which are process centric, technology enabled and people oriented resulting in reliable, scalable and sustainable institution facilitating socioeconomic change.

This Management Discussion & Analysis is focussed more on the Standalone business of the Bank, being the 100% subsidiary of the Company and all the banking / financial services being carried out at the Bank i.e. USFBL level.

MACROECONOMIC ENVIRONMENT

Global economic growth was initially weak but was stabilising until the advent of the Covid-19 global pandemic which has led to a dramatic health and economic crisis in the Jan-Mar quarter of FY2019-20. As per IMF estimates, due to the Covid-19 pandemic, the global economy would shrink by 3% in the calendar year 2020. However, the Governments across the world have been taking unprecedented steps to inject liquidity in the financial systems and support the economies to reduce impact of Covid-19 pandemic. As per IMF, the global economic growth is expected to revive significantly in the calendar year 2021 supported by policy measures.

The Indian economy, while being one of the fastest growing economies of the world, has also been impacted from the global economic shock and from the spread of COVID -19. As per the estimates released by the National Statistics Organisation (NSO), the growth in real GDP during FY2019-20 is estimated at 4.2% as compared to 6.1% in FY2018-19. Furthermore, the economic growth is expected to weaken in FY 2020-21. As is the case globally, the Indian Government and the Reserve Bank of India have also announced several unprecedented measures to support and revive economic activities. Additionally, the economic activities in agriculture sector and rural parts of India have been relatively less affected and is likely to support the economic growth during FY2020-21.

Unlike other economies, India has the ability to bounce back faster backed by strong fundamentals, several measures and reforms announced by the Government of India, relatively less impact on agriculture and rural activities and favourable demographics. Once the Covid-19 impact subsides, the Indian economy is expected to remain one of the fastest growing economies across the world.

INDIAN BANKING INDUSTRY

The banking industry plays a vital role in mobilising savings and stimulating the economic development of a nation. A new wave of change, more powerful and widespread than seen in recent years is expected to unfold the banking sector in the coming decade. The Banks' overall credit growth moderated to 6.8% in FY2019-20 primarily on account of sluggishness in credit to industries and large corporates while retail credit growth remained healthy at 15% during FY2019-20. The Banks' aggregate deposits grew by 7.9% in FY2019-20 to ₹135.71 lakh crore as against ₹125.73 lakh crore in FY2018-19.

The Reserve Bank of India has taken several measures to inject significant liquidity in the financial systems and ensuring stability in the financial markets. These measures include reduction in cash reserve ratio (CRR), reduction policy repo rate, allowed banks and other financial institutions to offer moratorium up to six months to their borrowers, LTRO and TLTRO schemes and Emergency Credit Line Guarantee Scheme for MSMEs up to ₹3 lakh crore etc. RBI has reduced policy repo rate to 4.4% in March 2020 and further by 40 bps in May 2020 to 4.0% to stimulate the economy.

SMALL FINANCE BANKS (SFBs) PENETRATING AND GROWING FASTER ON THE BACK OF DEEP-ROOTED PRESENCE AND WIDER PRODUCT OFFERINGS TO CUSTOMERS

Financial inclusion plays a major role in comprehensive growth of the country. In September 2015, RBI granted licenses to set up Small Finance Banks to ten entities. These entities included eight Microfinance Institutions (MFIs), one NBFC and one local area bank. The prime objective of SFBs is to provide basic banking services to the underserved and unserved sections of the society.

Within three-four years of commencing the banking operations, SFBs have performed well on expanding the banking services to the underserved and unserved customers supported by their deep-rooted presence specifically in the rural and semi-urban locations and wider product offerings. While credit growth for the banking sector as a whole moderated in FY2019-20, the credit growth for SFBs remained healthy at around 30% during FY2019-20. Total deposits of SFBs have also grown by more than 45% in FY2019-20.

SFBs are uniquely positioned to maintain healthy growth while also meeting financial inclusion agenda supported by following:

- SFB's track record of operating in rural and semi-urban locations and deep presence in these locations, a key competitive advantage over other banks.
- Better understanding of local markets and ability to understand informal sector gives competitive advantage.
- Offers full bouquet of financial products and services to serve low to middle income group which gives competitive advantage over NBFCs.
- Core competency of assessing the credit profiles of the 'underbanked'.
- Low cost of client acquisition over the long term due to wider reach, customer-centric approach and technology usage. Leverage on digitalisation for superior customer engagement simultaneously bringing down the operating expenses.

OPPORTUNITIES FOR SFBs:

- Formalisation of the economy and structural changes caused by demonetisation and implementation of GST will drive a gradual shift towards the organised sector.
- Opportunity for vertical penetration with an expanded range of products, unlike the MFIs/NBFCs that expand horizontally with limited number of products.
- Gradual formalisation of credit channels with focussed marketing strategies and growing branch network.
- Mobilising deposits at costs lower than debt with customer-centric offerings.
- Diversifying advances mix and focussing on retail and corporate lending businesses:
- Recent liquidity crisis for NBFCs is expected to drive market share gains for SFBs owing

to better access to retail and wholesale deposits.

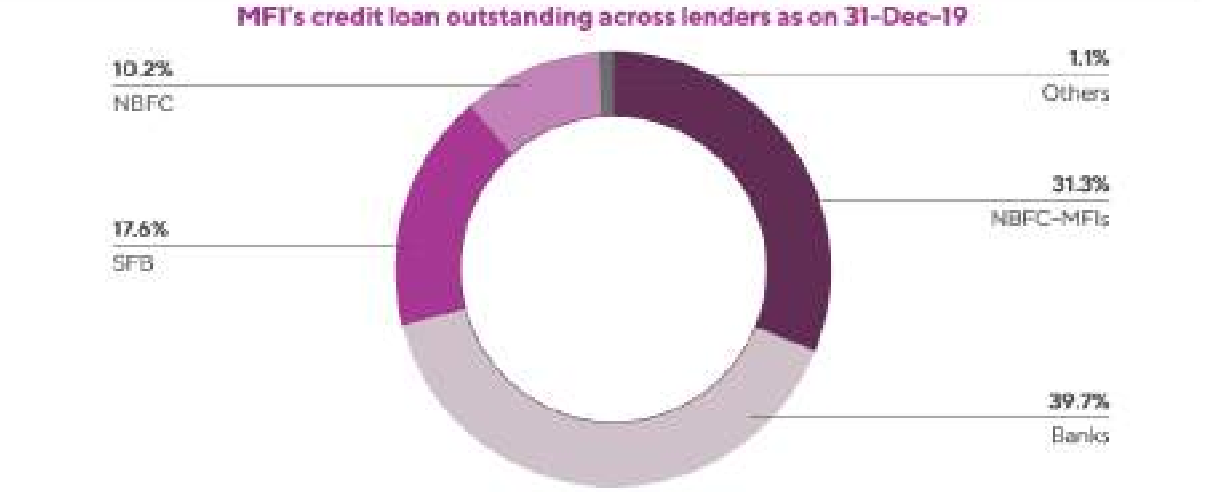
- Cautious foray in to micro and small and medium enterprises segment of the economy which, with its granular spread across the country, contributes well over 30% of the GDP of India.

KEY LENDING SECTORS FOR SFBs

SFBs Growing Faster than NBFC-MFIs in Microfinance Lending

The microfinance industry plays an important role in promoting financial inclusive growth by providing credit to entrepreneurs and small businesses lacking access to banking and related services. The industry has recorded a healthy growth in the past few years. As of December 31, 2019, the MFI's total Gross Loan Portfolio (GLP) i.e. loan amount outstanding stood at ₹ 2.11 lakh crore, registered growth of 24.2% on YoY basis. The number of MFI loan accounts increased by 16.6% YoY to 10.11 crore. This growth can be attributed to increasing geographical penetration of microfinance lending institutions including SFBs, supportive regulatory regime, strengthening of credit bureaus data, increase in digital payments and several initiatives by the government and regulatory authorities.

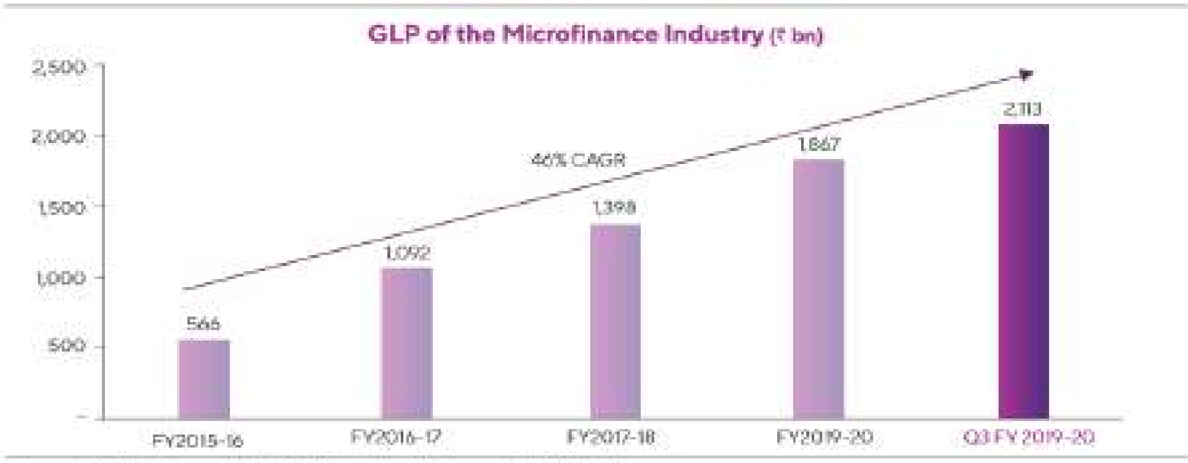
SFBs, which account for close to 17.6% of total microfinance credit in India, registered higher credit growth of 45% YoY in MFI sector as on December 31, 2019 vs. overall MFI portfolio growth of 24.2% during the same period. SFBs growth to the microfinance sector is supported by their increasing penetration, more diversified funding profile and consequent liquidity position and enhanced ability post conversion to bank to offer multiple products. As a result, share of SFBs in MFI loans increased to 17.6% as on December 31, 2019 from 15.1% as on December 31, 2018.



Source: MFIN Micrometer

Despite the presence of multiple players in the microfinance landscape and mature models of micro lending, with a significant portion of its population in the low-income band, India represents a huge opportunity for the microfinance sector. As per Microfinance Institutions Network (MFIN) estimates, microfinance currently reaches less than 20% of potential households. So, there is still a large gap to be met in terms of the reach of microfinance.

Also, as per a survey carried out by PWC, (PwC's Microfinance Lenders Survey 2019) 71% of the financial institutions believe that Eastern India offers the maximum potential for growth in future due to relative saturation in the southern markets. The Bank has a very strong presence in the eastern India (Eastern UP, Bihar and Jharkhand) and it presents a significant strategic advantage.



Source: CRISIL Research; Kotak Institutional Research & MFIN Micrometer

Despite being an unsecured product, the asset quality of microfinance portfolio is at par with the secured product due to the effective utilisation of social collateral by way of forming Joint Liability Groups (JLG). As per MFIN report, the industry level PAR>30 and PAR>90 of microfinance portfolio is 1.56% and 0.53% respectively as on December 31, 2019.

MSMEs

The Micro, Small and Medium Enterprises (MSMEs) continue to be an engine and critical pillar of India's economic growth. MSME sector contributed nearly 31% to India's GDP, 45% to exports and provide employment opportunities to more than 11.1 crore skilled and semi-skilled people. There are approximately 6.33 crore MSMEs in the country. MSMEs are widening their domain across sectors of the economy, producing a diverse range of products and services to meet demands of domestic as well as global markets. While the MSME sector is expected to be hit severely by the COVID-19 pandemic, the Government of India has announced several reforms, including change in definition of MSMEs, and financial measures to support the MSMEs.

In addition, the Government currently runs multiple schemes for funding to MSMEs including Credit Guarantee Trust Fund for Micro & Small Enterprises, Prime Minister's Employment Generation Programme, Interest Subsidy Eligibility Certificate, Credit Linked Capital Subsidy for Technology Upgradation, etc. As on January 2020, MSME Segment has a loan amount outstanding of approximately ₹17.8 lakh crore. In January 2020, MSME accounted for around 28% of the total commercial lending in India. As per a study carried out by IFC, the overall debt demand of MSME sector is ₹ 69.3 lakh crore and as of now less than 25% is being financed through formal sources indicating huge untapped potential for financing.

HOUSING FINANCE

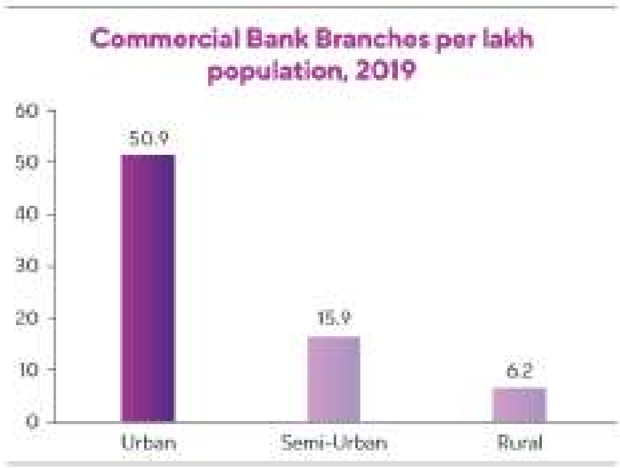
With the population of more than 1.3 billion and relatively low mortgage credit to GDP ratio in India, housing finance offers significant growth opportunities for the Banks. The housing industry has also received a boost from the increased growth in the affordable housing segment in the last few years, which has been driven by the Government's vision of 'Housing for All by 2022' under the Pradhan Mantri Awaas Yojna (PMAY). Policies and structural reforms, such as RERA and GST are playing a transformational role in opening opportunities, improving transparency and enhancing consumer trust. Bank's housing loan portfolio has been growing at a healthy pace and registered growth of 15.4% in FY2019-20.

CORPORATE & SME LENDING / WHOLESALE LENDING

Microfinance lending and lending to other retail assets and MSME sector has been and is likely to remain the main focus area for SFBs. However, with the transition as a bank and to achieve sectoral diversification of the loan portfolio, SFBs have ventured into providing loans to financial sector entities like NBFCs / HFCs / NBFC-MFIs and other corporates. The lending to HFCs / NBFCs / NBFC-MFIs is supported by SFBs deep understanding of these sectors and ensure geographical / sectoral diversification of their portfolio and their wider product offerings. Institutional / corporate lending still accounts for relatively small share of SFBs loan book.

FINANCIAL INCLUSION

Financial inclusion is increasingly being recognised as a key driver of economic growth, reducing poverty and creating income equality at the national level. Informal employment, lack of collateral, inability of rural populations to approach the formal financial institutions and lack of financial literacy has been preventing full-scale implementation of financial inclusion. SFBs and Micro Finance Institutions have been able to overcome these challenges and are playing key role in achieving financial inclusion objective. The Government has also implemented various reforms and national schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY), Direct Benefit Transfer (DBT) and issue of RuPay cards coupled with a strong payments network system, among others. To meet the objective, the RBI has also implemented the National Strategy for Financial Inclusion (NSFI) 2019-24 Vision. A vast geographical base and large population makes it difficult for banks and other financial institution to reach out to every individual. Although a huge emphasis is being laid on financial inclusion, the increase in number of bank branches and increasing customer reach in rural areas remains limited. Additionally, bank branches are largely concentrated in urban parts of the country. As a result, the rural population remains largely underserved. Hence, the need for small finance banks is inevitable to broaden the reach of financial services to small businesses, low-income households, small and marginal farmers among others.



Source: Financial Inclusion in Rural India January 2020 Report by Grant Thornton IN

THE BANK OVERVIEW

ABOUT THE BANK

Utkarsh Small Finance Bank Limited (hereafter referred as USFBL / the Bank), incorporated on April 30, 2016 in India, is a Small Finance Bank and is engaged primarily in providing banking and financial services to its customers with focus on underserved and unserved sections of the country. The Bank's lending activities are primarily focussed in rural and semi-urban locations of the country while its deposit mobilisations and other services are spread across the country. The Bank commenced its banking operations from January 23, 2017, pursuant to the small finance banking licence received from RBI on November 25, 2016. Before conversion to SFB, Utkarsh (as Utkarsh Micro Finance Limited) was engaged in providing microfinance lending primarily to the customers in rural and semi-urban segments and has a track record of more than 10 years.

USFBL is a wholly-owned subsidiary of Utkarsh CoreInvest Limited (formerly Utkarsh Micro Finance Limited – UMFL, operating since September 2009). The Bank extends microfinance loans based on Joint Liability Group (JLG) models to individuals, other retail asset loans including Micro, Small and Medium Enterprise (MSME) Loans, Housing Loans (HL), Personal Loans and Wholesale Lending to borrowers. The AUM of the Bank stood at ₹ 6,660 crore as on March 31, 2020.

The Bank is headquartered at Varanasi, Uttar Pradesh and its operations are currently spread across 15 States & 2 Union Territories through 507 branches in 173 districts of the country.

In line with the objective of providing financial services to the customers in underserved and unserved sections of the society, USFBL has deep presence in relatively less financially penetrated states of Bihar and Uttar Pradesh, which together accounted for 76% of the portfolio as on March 31, 2020. These geographies offer good growth potential on microfinance business. The Bank outlets provide a full range of banking services as permissible for small finance banks, ranging from Savings & Current Accounts, Fixed and Recurring Deposits, Microcredit, Retail Loans and distribution of third party products including insurance.

Apart from the Bank outlets, USFBL provides access to customers through other multiple channels like 24*7 ATMs, Internet Banking, Mobile Banking and Call Centre. USFBL has a well spread ATM network across 177 locations with 36 off-site ATMs and 141 on-site ATMs.

Particular	March 31, 2020	March 31, 2019	Additions
States	15 States & 2 UT	10 States & 1 UT	5 States & 1 UT
Districts	173	139	34
General Banking Outlets	103	61	42
Micro Banking Outlets	404	375	29
Total Banking Outlets	507	436	71
Number of ATMs			
On-site ATMs	141	88	53
Off-site ATMs	36	36	-
TOTAL	**177**	**124**	**53**

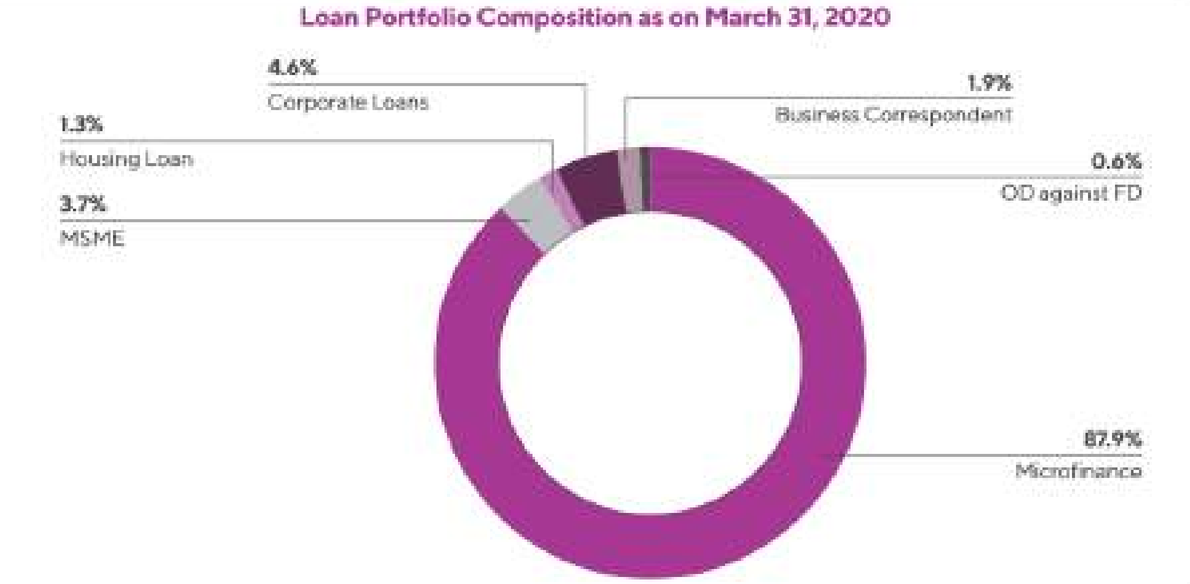
The Bank is offering MSME and housing loan product through its select General Banking (GB) and Micro Banking Branches. As of March 31, 2020, MSME lending vertical is operating out of 40 locations and Housing Loan vertical is operating out of 22 locations.

BUSINESS PERFORMANCE

USFBL is one of the youngest entrants in India's banking space. The Bank has strong rural and semi-urban presence with around 68% branches in semi-urban and rural locations. The Bank has clearly laid out strategy of continuous focus on rural and semi-urban segment for asset side build-up while equal focus on rural, semi-urban, urban and metropolitan locations for its liabilities franchise strength. Since inception, the Bank's advances as well as deposits have grown significantly year on year basis. Despite disruptions on account of demonetization and GST implication, the Bank's Asset under management has grown at a CAGR of 64% since March 31, 2017. Similarly, deposits of the Bank also grew multifold at a CAGR of 551% over last 3 years.

ASSETS – LENDING PRODUCTS

The Bank has been a retail focussed bank primarily engaged in microfinance lending through Joint Liability Group (JLG) product, loans to MSME, housing and other retail loans. As on March 31, 2020, the Bank's outstanding loan portfolio increased by 40.46% YoY to ₹ 6,660 crore.



1. **MICROFINANCE**

   Microfinance provides a comprehensive package of financial inclusion products and business development services to underprivileged or low-income individuals or groups who otherwise would have no other access to financial services. Microfinance Loans comprised about 90% of the Bank's loan portfolio including loans mobilised through BC channel. While the USFBL's core geography of Bihar and Uttar Pradesh remain the mainstay of Bank's microfinance portfolio, the Bank has been increasing its microfinance footprints to newer states.

   During FY2019-20, USFBL expanded its microfinance presence to state of Odisha, increasing overall microfinance reach to 11 states as on March 31, 2020. During the year, the Bank's microfinance loan client number extended to more than 25 lakh spread over 135 districts of 11 states and served through 404 Micro Banking Outlets. Microfinance segment continues to be very diversified, lending from the individual customer exposure perspective with average ticket size of Microfinance Loans is ₹ 21,252 on AUM. Microfinance loans are provided with tenor of 12 to 24 months. Microfinance loan portfolio (AUM) of the Bank mobilised through own network increased by 44% in FY2019-20 from ₹ 4,077 crore as on March 31, 2019 to ₹ 5,856 crore as on March 31, 2020.

   USFBL also provides microfinance loans through BC partners to enhance its reach. As of FY2019-20, the Bank is servicing JLG customers through the network of three BC partners. USFBL has also plans to extend this BC model to other products such as MSME & HL.

Microfinance Outreach	March 31, 2020	March 31, 2019	Change
No. of States	11	10	1
No. of Districts	135	120	15
No. of Micro Banking (MB) Outlets	404	375	29
Total No. of Centres	1,56,020	1,23,039	32,981
Active Client Base (in lakh)	25	20	5
Loan Portfolio Outstanding* (₹ in crore)	5,979	4,138	44.49%

*This includes ₹ 123 crore of portfolio mobilised through Business Correspondent (BC) Channel

In the microfinance vertical, the Bank offers loans through Joint Liability Group (JLG), Individual Business Loans to existing matured customers of JLG and two-wheeler loans to its existing JLG customers. While most MFIs were trying to compete in South, the Bank's Holding Company Utkarsh CoreInvest Limited was amongst the first to focus on Bihar and Eastern UP. Post the Business Transfer from its Holding Company to the Bank, the Bank continued to focus in these geographies by penetrating deeper. The Bank continues to maintain its strong foothold in the state of Bihar and UP and has 262 branches as of March 31, 2020. The Bank has always emphasised and focussed on originating and maintaining high quality portfolio. The Gross NPA for Microfinance portfolio as of March 31, 2020 is 0.63%.

a. JOINT LIABILITY GROUP (JLG) LOANS

The Bank offers Micro Loans ranging from ₹ 6,000 to ₹ 1,00,000 to its clients through Joint Liability Group (JLG) model. This represents the peer-guarantee loan model, which enables individuals to take loans without having to provide collateral or security on an individual basis. It mainly comprises business loan, family loan, agricultural loan, education loan etc. The microfinance loans to women clients on a joint liability basis constitute 90% of overall loan portfolio. More than 60% of microfinance borrowers are engaged in Agri and allied activities. Animal Husbandry is the largest category with Agri and allied services that caters to around 35% of microfinance borrowers. Services and trading is the second largest category accounting for around 28% of the Bank's microfinance borrowers. In addition, the Bank also offers Swachhata loans of ₹ 25,000 for construction/repair/renovation of toilet to its existing JLG clients. The Bank has achieved complete cashless disbursement in the micro banking segment. The Bank disburses all the loans in the Bank account of the client. The Bank intends to and taking steps to move to digital modes of collections in the micro banking segment which will significantly reduce the operational risk pertaining to physical cash as well as improve the efficiency of the field staff.

b. INDIVIDUAL BUSINESS LOANS

USFBL has been providing microfinance JLG over the years and have large number of borrowers who have completed multiple loan cycles and are matured borrowers from financial discipline perspective. The Bank, in a bid to meet the increasing funding requirement of these clients, introduced Individual business loan product. USFBL provides individual loans especially to those who have begun their formal credit under JLG. The Bank identifies a subset from its JLG customers, who are eligible for individual loans through good credit behaviour. Under this product, the Bank disburses the loan in the Bank account of the customer and the collection is also routed through the Bank account of the customer.

c. **TWO-WHEELER LOANS**

During FY2019-20, USFBL has initiated two-wheeler loan product for its Micro Banking customers on pilot basis. The results have been encouraging and the Bank will scale up this loan product in FY2020-21. The Bank provides two-wheeler loans to existing Micro Banking Customers, who have completed their two JLG Loan cycles with a minimum repayment of 24 months. Such clients can either be a Borrower or a Co-borrower.

2. **RETAIL ASSETS (INCLUDING MSME AND HOUSING LOAN)**

Under the Retail Assets vertical, the Bank offers MSME loans, Housing Loans and Personal loans. USFBL offers a combination of secured and unsecured loans to the small and medium size businesses catering to manufacturing and services sector.

The total loan portfolio of MSME vertical that also includes personal loans grew by 49.28% from ₹164.93 crore in FY2018-19 to ₹ 246.21 crore in FY2019-20. In order to expand its outreach to MSME borrowers, the Bank is strengthening its Direct Sales Agent (DSA) network. The DSA network will enable the MSME vertical to reach out to the places and to the new set of borrowers without adding much to the fixed cost.

The Bank has launched affordable housing loan products in FY2015-16 with the focus to provide small ticket size housing loans to salaried individuals. The average ticket size of the loan is ₹8.59 lakh on AUM with loan duration of 3 to 30 years with an average rate of interest at 12% per annum across customers. Housing loan portfolio of the Bank grew by 123.80% to ₹ 85.49 crore in FY2019-20. The Bank has started catering to mainstream housing segment, where ticket size ranges from ₹ 25.00 lakh to ₹ 1.00 crore and tenure ranges from 3 to 30 years.

3. **WHOLESALE LENDING**

While Retail lending and lending to MSME sector has been and is likely to remain the main focus area for USFBL, however, with the transition as a Bank and to achieve more diversification of the loan portfolio activity, USFBL has ventured into providing wholesale / corporate lending. The Wholesale Lending Business has an active client base of 30. The Loan Portfolio grew by 13.56% to ₹309.51 crore in FY2019-2020 and mainly includes lending to NBFC-MFIs, NBFCs engaged in Vehicle Financing, School Financing, Housing Finance Companies, Small & Medium Enterprises, and others.

Product/Particulars	Wholesale Lending
Average Ticket Size	₹ 11 crore
Tenor	Up to 7 years
Interest Rate Range (%)	10.0% - 14.5%

4. **LIABILITIES – DEPOSITS**

Within around three years of the commencement of banking operations, USFBL has been able to mobilise significant amount of deposits from its customers which include both retail and institutional customers. The Bank expanded its physical footprint by opening 42 new General Banking outlets and increased its outreach in 5 states and 1 union territory in FY 2019-20. Physical presence continues to be critical for deposit customer acquisition and the Bank intends to tap urban locations and top-100 Deposits locations of the country for deposits mobilization. These locations will also be tapped for high-ticket retail loans sourcing.

The Bank's total deposit base increased by 38.08% during FY2019-2020 to ₹ 5,235.21 crore as on March 31, 2020 from ₹ 3,791.39 crore as on March 31, 2019. The Bank focussed on building its retail deposits book and consequently CASA (Current Account & Savings Account) grew by 86.24% to ₹ 706.66 crore as on March 31, 2020 from ₹ 379.44 crore as on March 31, 2019. Retail Term Deposits grew by 119.73% to ₹ 1,814.52 crore as on March 31, 2020 from ₹ 825.78 crore as on March 31, 2019. The growth in retail term deposits was supported by the Bank's competitive interest rate offerings and improving stickiness of the Bank's customers with enhanced upselling and cross selling efforts. During the year the Bank also focussed on ease of banking for the customers through the Bank's digital channels.

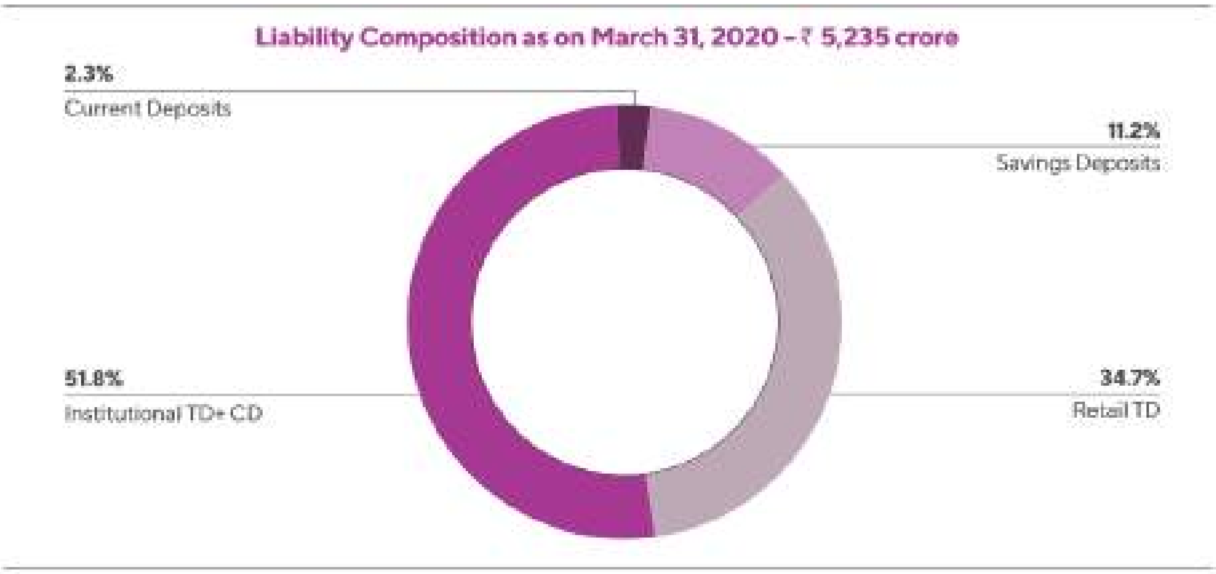
(₹ in crore)

Particulars	As on March 31, 2020	As on March 31, 2019	Change YoY
No. of States / UT	15/2	10/1	5/1
No. of Operational Districts	81	48	33
No. of General Banking Outlets	103	61	42
Total Deposits	**5,235.21**	**3,791.39**	**1,443.82**
Current Deposits	119.16	86.23	32.93
Savings Deposits	587.50	293.21	294.29
CASA Balance	**706.66**	**379.44**	**327.22**
Term Deposits	**4,528.55**	**3,411.95**	**1,116.60**
Retail TD	1,814.52	825.78	988.74
Wholesale Term Deposits (including Certificate of Deposits)	2,714.03	2,586.17	127.86

(₹ in crore)

Particulars	As on March 31, 2020	As on March 31, 2019	Change YoY
CASA Ratio	13.50%	10.01%	3.49%
No. of Savings Accounts	4,10,842	1,64,696	2,46,146
Of these, No. of BSBDAs	2,54,018	96,383	1,57,635
No. of Current Accounts	14,199	8,616	5,583
No. of Term Deposits	89,825	28,648	61,177

Under the Retail Segment, the Bank is currently offering Retail Savings Account, Current Account, Retail Term Deposit (TD) and Salary Account. The Bank is also broad basing its deposit profile by raising deposits from wholesale and institutional clients.



In FY2019-20, the Bank continued to focus on enlarging the retail franchise, including the HNI segment for Current Account - Savings Account (CASA) and Retail Term Deposits (RTD). Consequently, the ratio of CASA to overall Deposits has grown to 13.50% as on March 31, 2020 from 10.01% as on March 31, 2020, whereas Retail Deposits (CASA+RTD) ratio improved to 48.16% during the same period. In addition, 2 lakh plus New to Bank (NTB) customers were on-boarded, taking the total number of active accounts to 4 lakh, an increase by more than 2 times YoY. Also, the Bank is using its vast network of micro banking outlets to reach out rural and semi urban customers for deposit mobilisation. Currently, the Bank offers Rupay Debit Card to all its customers. Also, the Bank plans to offer global co-branded Debit Card to the customers in the near future. The Bank is also taking steps for faster and convenient onboarding of customers through its digital channels.

OTHER PRODUCTS AND OFFERINGS

USFBL also provides various other products and services. These include offering debit cards to the customers, locker services, distribution of third party products like life insurance, general insurance and mutual funds etc. The internet banking platform offers basic remittance services like NEFT and RTGS. In addition, the Bank has also extended Bharat Bill Pay System to aid digital transactions.

CUSTOMER SERVICES AND DIGITALISATION

Going forward, in order to accelerate retail expansion and diversification of customer base, the Bank will target Point of Sale (POS) business and enhance customer convenience by offering services such as Doorstep Banking and Corporate Internet Banking. USFBL has already taken steps to put in place suitable technology driven processes and systems that will help deliver superior customer experience. With the aim of embracing digital banking, the Bank is committed to building a strong technological infrastructure with high availability and a robust architectural foundation for overall deposit growth.

Providing superior customer experience is an integral part of the Bank functioning, the Bank continues to enhance customer experience with digital channels such as Debit Cards, POS, ATM's, Internet Banking, Mobile Banking and a well-served customer care call centre along with increase in the branch network.

With a focus on customer-centricity, the Bank aims to provide a differentiated banking experience through an entire gamut of digital touchpoints through the following initiatives:

- Providing ease of payments through Digital channels like internet and mobile banking.
- The Rupay debit card as being offered is currently having good traction and growth. Additionally, the Bank is planning for new arrangements with International card network such as MasterCard.
- Providing transactional ease to the MSME segment, planning for MPOS implementation.
- Implementing Tab Banking and Self on-boarding, will be a paradigm change in NTB client experience.
- In process to set up partnership with E-commerce players to use USFBL Debit Card on their portals.

The Bank's thrust on utilising digital channels can be validated by the fact that, USFBL has secured third rank amongst all SFBs in terms of nos. of transactions NEFT and RTGS (source RBI data) in FY2019-20 digital channel. USFBL application has seen a jump in rating on Play Store to 4.2 in FY2019-20 from 3.9 in FY2018-19, demonstrating improvement in customer satisfaction. The Bank is focussing on further enhancing the Retail Banking digital application with much more advanced features such as Fingerprint Login, Self on-boarding, Spend analyser analytics to name a few.

To provide easy access to the rural and remote customers, the Bank has pivoted the Micro-ATM project in some of the branch areas. This ATMs are easy to install and mobile in nature that may be carried as per suitable requirement. The device looks like similar to POS terminal with additional feature such as card reader/bar code scanner and fingerprint scanner. This terminal can connect to banking network via GPRS to perform banking transactions. The Micro-ATMs are very similar to ATMs in terms of functionality viz. Balance Enquiry, Mini Statement, Cash withdrawal and Fund transfer, but it will be operated by a staff of the Bank.

BUSINESS STRENGTH AND DEVELOPMENT STRATEGIES

EXPERIENCED MANAGEMENT TEAM:

The professional management team has a collective experience of around 400 years in the banking and microfinance sector. The management team has garnered this experience by working with various organisations such as Banks, NBFCs, MNCs and Regulators. The senior management comprises functional heads (core team members) and Business heads for each product verticals. As per the Bank's strategy to expand non-microfinance business segments, the Bank is continuously strengthening the senior management team to drive growth in these segments.

Ability to raise funds from diverse sources:

USFBL's liquidity profile remains comfortable due to a conservative liquidity policy, high cash balances and diverse source of funding especially from the promoter and investors. The Bank has successfully raised refinance loans from SIDBI, NABARD, MUDRA and other banks to cushion liquidity while it garners sizeable retail deposits.

Institutional Funding Sources

As a reliable source of funding on need basis, the Bank has a line of refinance facility with NABARD and SIDBI.

The facility supports the liability profile of the Bank as follows:
1. Diversification of the sources of liquidity
2. Flexibility in tenor and repayment schedules
3. De-risking in any liability mismatch

Expanding geographic presence:

USFBL intends to further expand its geographical presence by focussing on under-penetrated segments with low to middle income group in rural, semi-urban & urban areas. The Bank is exploring new regions for its liability base and aims to expand into other states.

Expanding product offerings:

By leveraging its wide network, USFBL is well-positioned to cater to entire life cycle needs of their clients with their innovative products across the segments viz. microfinance segments - JLG Loans, two-wheeler loans personal loans, business loans, MSME loans, housing loans, LAP, wholesale loans, etc.

Improving customer relationship and service:

The Bank's deep understanding of customer requirements and wide reach, has enabled it to establish a strong liability franchise and consequently the asset quality. Apart from offering the better interest rates, USFBL focusses on better services especially door-to-door services for customers over and above the age of 60 years. The Bank's superior services to rural customers augurs well for building strong and lasting relationships. The Bank is further leveraging right technology to identify opportunities and deliver products and services to the target customer segment.

Financial Inclusion & Priority Sector Lending

Expanding further the microfinance outreach of the Bank during the FY2019-20 period, the Bank had over 25 Lakh active Joint Liability Group clients (with an outstanding of ₹5,968.38 crore) that comprises for 89.78% of total loan book as at the close of FY19-20. Majority of the micro finance loans are for agriculture, livestock and small businesses.

Since the start of the banking operations, the Bank is opening Basic Savings Bank Deposit Account (BSBDA) for its customers, the active accounts under which were more than 2.50 Lakh as at the close of FY2019-20, thereby further deepening the Financial Inclusion initiatives.

The financial inclusion narrative also gets reflected in the Bank's lending towards priority sectors being substantially higher at 91.79% of loan portfolio as on March 31, 2020. After factoring a substantial Priority Sector Lending Certificate (PSLC) sale, the

Bank's PSL achievement 77.93% vis-a-vis regulatory requirement of 75%. Similarly, the lending to ticket size of less than ₹25 lakhs comprised 93.61% of the Bank's loan portfolio as against the regulatory minimum requirement of 50%.

Branch Banking and Operations

a. Collection Mechanism

USFBL is continuously strengthening its underwriting, collection processes and systems. The Bank continued to work on a taskforce-based model in-house for collections from its overdue clients which achieved good results during FY2019-20. Despite lending to low and mid income groups, the Bank has been able to maintain strong asset quality, which is demonstrated by healthy collection efficiency. An aggregate amount of ₹9.01 crore was collected in FY2019-20 from written-off clients, resulting a positive impact on the overall collections. USFBL achieved 99.39% collection efficiency in FY2019-20.

b. Central Processing Centre (CPC)

CPC was launched in FY2018-19 with the opening of liability accounts for the Bank's Micro Banking customers. With the help of twin locations of CPC i.e. Mumbai and Varanasi, USFBL has been able to scale up the account processing capacity. The CPC has taken over and centralised the disbursement activities of Housing Loan (HL). It also provides support in Bharat Bill Payment System (BBPS) and overseas remittance business with the Bank's strategic tie-up under Money Transfer Service Scheme (MTSS). Consequently, volumes are gradually picking-up on these segments.

c. Internal Ombudsman (IO)

The Bank is complied with the directions of RBI on implementation of Internal Ombudsman Scheme 2018. The office of Internal Ombudsman of the Bank is functioning within the SOP approved by the Board of Directors of the Bank as per RBI Scheme of IO 2018. The Internal Ombudsman of the Bank is actively monitoring the grievances through the access provided in (Customer Relationship Management) CRM, escalation of open cases through alerts and in close coordination with CRM team, which has strengthened the internal grievance redressal system in minimising TAT. The office of Internal Ombudsman is closely associated with training system of the Bank in creating awareness and sensitisation of field functionaries. The Internal Ombudsman has maintained close coordination and liaison with Principal Nodal Officer (PNO) of the Bank and all the business verticals for speedy redressal of grievances.

GRIEVANCES CLOSED BY INTERNAL OMBUDSMAN DURING THE YEAR 2019-20

No. of grievances received by the Bank during FY2019-20	No. of cases rejected by Bank partly/fully during FY2019-20	Cases reviewed by Internal Ombudsman during FY2019-20	No. of grievances closed by Internal Ombudsman during FY2019-20	No. of grievances outstanding as on March 31, 2020
27,632	13	13	13	0

DISPOSAL OF GRIEVANCES BY BANK DURING THE YEAR 2019-20

No. of grievances at the beginning of FY2019-20	No. of grievances received by the Bank during FY2019-20	No. of grievances disposed by the Bank during FY2019-20	No. of grievances outstanding/open as on March 31, 2020
280	27,632	27,861	51

d. Credit Operations

The Bank believes in the philosophy of proactively thinking and taking preventive measures before a crisis occurs. The Credit Risk Department, implements policies and processes for credit risk identification, assessment, measurement, monitoring and control. The Credit Risk Management Committee (CRMC) manages implementation of credit risk management framework across the Bank and provides recommendations to the Risk Management Committee of Board (RMCB).

e. Treasury

The Treasury department of the Bank conducts its business with the twin goal of compliance with regulatory and liquidity management. The department meticulously adheres to regulatory and liquidity of management criteria viz. SLR, Non-SLR, CRR, HTM portfolio, Investment limits etc.

The Treasury has access to the PSLC platform for the sale, if any, of excess portfolios under priority sector. The Bank is a member of the infrastructure of the financial market viz. Segment Settlement of CCIL shares, NDS-OM, NDS-Call, FTRAC, C-BRICS, e-kuber etc.

In its role to manage liquidity, the Treasury ensures availability of adequate liquidity to meet the needs of asset growth, operational expenses and payment obligations. In order to manage liquidity mismatches Treasury actively participates in money market operations like Call/Notice/Term Money, Certificate of Deposits, Commercial Papers, IBPC etc. Treasury raises liability resources through refinance, IBPC, Issue of Certificate of Deposits, bulk FDs.

The value of the investment book outstanding as on March 31, 2020 stood at ₹1,192.39 crore with a portfolio yield of 6,69% and average duration of 2.88 years. The outstanding investment book comprises of SLR portfolio of ₹1,192.39 crore and Non-SLR Portfolio of Nil.

RATING

During FY2019-2020, ICRA has upgraded rating of USFBL's certificates of deposits of ₹1,000 crore to A1+ from A1 based on the Bank's experienced management team, strong investor profile and adequate systems and processes. The rating also considers the USFBL's improvement in profitability in FY2019-20 with an increase in the scale of operations, an improvement in the net interest margin and the comfortable asset quality. Further, USFB has been able to maintain adequate capitalisation with CRAR reported at 22.19%. In addition, the bank has been successfully diversifying its borrowing profile while increasing the share of funds raised from financial institutions (FIs) through long term refinance lines and deposits. ICRA also assigned a rating of ICRA A (Stable) to Tier II bonds of ₹200 crore. CARE Ratings Limited has reaffirmed the rating as CARE A (Single A; outlook: stable) for Long Term Bank Facilities Non-Convertible Debentures and Long Term Tier II Bonds. Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk.

Instruments	Ratings	Rating Agency
Certificate of Deposit	ICRA A1+	ICRA
Tier II	ICRA A (Stable Outlook)	ICRA
NCD	CARE A (Stable Outlook)	CARE
Tier II	CARE A (Stable Outlook)	CARE
Bank Loan Rating	CARE A (Stable Outlook)	CARE

FINANCIAL PERFORMANCE

Income statement (₹ Crore)	FY2019-20	FY2018-19	Change (YoY)
Deposits	5,235.21	3,791.39	38.08%
Investments	1,192.39	862.21	38.29%
Advances (Net)	6,281.60	4,668.17	34.56%
Net Worth	954.55	742.68	28.53%
Net Interest Income	728.22	498.75	46.01%
Non-Interest Income	98.55	58.05	69.77%
Total Income	1,406.24	939.09	49.75%
Operating Expenses	476.48	326.27	46.04%
Operating Profit	350.29	230.53	51.95%
Provisions	99.88	81.72	22.22%
PBT	250.41	148.81	68.27%
TAX	63.67	54.92	15.93%
PAT	186.74	93.89	98.89%
Assets under Management (AUM) / Gross Advances	6,660.00	4,741.55	40.45%
Net Interest Margin	10.73%	10.63%	
Cost to Income	57.63%	58.65%	
Return on Average Total Assets (ROAA)	2.47%	1.83%	
Return on Average Net-worth (RONW)	21.18%	13.54%	
Gross Non-Performing Assets (GNPA)	0.71%	1.39%	
Net Non-Performing Assets (NNPA)	0.18%	0.12%	
AuM/Capital & Reserves	6.53	6.14	

- **INCOME**: The growth in portfolio along with robust portfolio quality yielded higher income. Net interest income grew by 46.01% to ₹728.22 crore in FY2019-20 from ₹498.75 crore in FY2018-19 while other income grew by 69.77% to ₹98.55 crore from ₹ 58.05 crore.

- **PAT**: Despite making a substantial provision of ₹ 99.88 crore (including ₹51 crore provision on COVID-19), the Bank posted Profit After Tax (PAT) of ₹186.74 crore. PAT increased significantly around two-fold to ₹186.74 crore from ₹93.89 crore. The higher profitability is attributed to maintaining the NIM and portfolio quality and improving on cost of funds and cost to income ratio.

- **AUM**: The Bank demonstrated superior portfolio growth with good asset quality. Assets under management (AUM) increased to ₹ 6,660.00 crore as at March 31, 2020 from ₹ 4,741.55 crore as at March 31, 2019, up by 40.45% YoY on account of scaled-up Business Activities.

- **NET ADVANCES**: Total net advances grew 34.56% YoY to ₹6,281.60 crore from ₹4,668.17 crore, owing to satisfactory performance of Core banking products, higher proportion of JLG disbursements and a pickup in retail and newly launched products.

- **DEPOSITS**: The aggregate deposit of the Bank at the end of the year stood at ₹5,235.21 crore, which represents a growth of 38.08% over previous financial year. The CASA deposits grew by 86.24% from ₹379.44 crore to ₹ 706.67 crore in FY2019-20 and Retail Term Deposits grew by 119.73% from ₹825.78 crore to ₹ 1,814.52 crore in FY2019-20.

- **NPAs**: USFBL's asset quality improved considerably during the year under review. The reduction in GNPA from 1.39% to 0.71% is on account of improved collections along with technical write off during FY2019-20.

- **CRAR**: Despite its high pace of loan portfolio growth, the Bank has been able to maintain good capitalisation indicators supported by regular capital infusion from promoter. The Bank's capital to risk weighted asset ratio (CRAR) and Tier-I CRAR stood at 22.19% and 19.41%, respectively as on March 31, 2020 vis-à-vis 24.14% and 20.34%, respectively as on March 31, 2019.

Particulars	FY2019-20	FY2018-19
CRAR	22.19%	24.14%
Tier I	19.41%	20.34%
Tier II	2.78%	3.80%

- **RETURN RATIOS**: USFBL continues to generate strong Return on Average Assets (ROAA) which has improved to 2.47% in FY2019-20 from 1.86% in FY2018-19. Return on Average Net worth (RONW) increased significantly to 21.18% for FY2019-20 from 13.49% for FY2018-19. This has been achieved by clocking growth, maintaining yield on assets, improving cost to income ratio and by reducing the cost of funds.

OUTLOOK

The banking platform provides huge opportunity in the form of penetrating the banking and financial services to the underserved and unserved sections and geographies of the country and at the same time offering the Bank's unique products and services to the customers across the country.

On the lending business, micro finance is expected to remain the focus area for the Bank. Within microfinance, Bihar and Uttar Pradesh along with few other states in the hinterlands of India have been core operating geography for the Bank. While on the back of relatively lower financial penetration and strong demand for microfinance lending, Bihar and Uttar Pradesh are likely to remain key geographies for the Bank, though at the same time the Bank is expanding its microfinance lending to other geographies offering good growth potential and stable asset quality environment. The Bank will be looking for geographical penetration into newer states as well as strengthen its presence in existing states by opening new branches in uncovered districts.

At the same time, the Bank is focusing on expanding its lending to other retail asset customers like housing loans, personal loans and loans to small and medium enterprises (MSME). The Bank is also in the advance stage of launching “wheels” products and different variants of working capital financing solutions to the customers. The Bank endeavors to launch several other retail loans products in the years to come. From products perspective, the strategy would be to do penetration of new products like secured portfolio of MSME and housing loans, as well as enhancing the penetration and productivity of existing microfinance products. The Bank intends to increase the share of secured lending in overall portfolio in the years to come. Supported by planned high growth in other segments, the product portfolio would be expected to be well balanced in the next few years.

On deposits mobilization front, the Bank has expanded presence in top deposits mobilizations locations of the country along with focus on its existing core geographies. Going forward, the Bank will be launching new products and services to its customers. To reduce the cost of funds further and build a profitable entity on long-term basis, the Bank will continue to focus on increasing its CASA ratio and retail term deposits.

The long-term plan of the Bank is to build a profitable franchise and reputation through technology, brand and customer service. Financial inclusion being the mainstay of the Bank, paying special attention to rural and small business clients will stay at the forefront. The Bank is well placed to leverage its deep- rooted franchise and large asset client base of more than 25 lakh clients for upselling and cross-selling various products. A large part of Bank’s customers is engaged in Agriculture & allied activities (more than 57% of the Bank’s Assets Under Management) and in micro enterprises (around 26%) which coupled with its presence in rural and semi urban locations (68% of the Bank’s banking outlets) makes the Bank relatively immune to macroeconomic shocks. Furthermore, Agriculture & allied activities and micro enterprises sector as well as rural geographies are financially underpenetrated and offers significant potential of high-quality credit growth for the Bank. The Bank intends to be one of the best SFBs going forward by focussing on profitable growth, innovative products and improving return ratios. The Bank endeavours to consistently build trust and wealth for its shareholders by efficiently deploying capital, in order to maximise return on equity.

UPDATE ON COVID-19

The Bank had invoked Business Continuity Planning (BCP) and formed a Crisis Management Team chaired by MD & CEO. Primarily goal was to effectively provide the banking services to its clients without comprising on health of employees. During the pandemic period, the Bank efficiently managed to run its branches though with the reduced manpower strength and also managed its other banking channels such as ATMs, Internet and Mobile Banking and Call Centre without any issues. The Central Processing Unit at Mumbai and Varanasi continued its daily operations with staff being rostered on daily basis to ensure timely settlement of all transactions.

The Bank had taken appropriate measures for health and safety of its employees during this period. Employees were educated from time to time to maintain social distancing and using appropriate methods for avoiding any health issues. During this period, the Bank ensured all regulatory reporting on timely basis. The special efforts were made to reach out to customers to check their well-being and sharing advise to tide over this difficult situation.

RISKS AND MITIGATION STRATEGIES

USFBL has a risk management structure that proactively identifies the risks faced by the Bank and helps in mitigating them. The risk management framework is steered through the Risk Management Committee (RMC) and Asset Liability Committee (ALCO) for enabling liquidity. The Board approves the overall risk management policy including risk framework, limits, etc.

1. **Concentration Risk**: USFBL is largely dependent on the microfinance segment; the segment contributed 90% of outstanding loan portfolio as on March 31, 2020. Further, the Bank's portfolio is largely concentrated in Uttar Pradesh and Bihar with a share of 31% and 46% respectively of the overall portfolio as on March 31, 2020. The Bank's portfolio is fairly diversified with respect to its exposures at the district level, which is important risk measurement unit in microfinance business. As on March 31, 2020, the Bank's exposure to any single district was not more than 4.0% of the Bank's total asset under management.

   Mitigation Measures: USFBL intends to bring down the share of the JLG loan book in the medium term while expanding into other segments like MSME loans, wholesale lending book, affordable housing loans, business correspondent book, two-wheeler loans. During the year under review, the Bank has expanded its operations in 5 states and 1 union territories. Going forward, the Bank targets to further diversify its operations into retail business and enter into new territories.

2. **Operational Risk:** The Bank is exposed to various types of operational risks such as inadequate or failed internal processes, people and systems.

   Mitigation Measures: USFBL has implemented a comprehensive operational risk management policy with a framework to identify, assess and monitor risks, strengthen controls, improve services and minimise operational losses. The Board approved Business Continuity Policy (BCP) is in place to ensure that the Banking operations continue with minimum disruption. A Crisis Management Team has been constituted to take suitable decisions during business disruptions.

3. **Fraud Risk:** The Bank is exposed to various types of error and fraud risks such as cyber threats, scam, processing errors, document mishandling, etc.

   Mitigation Measures: The Bank's Fraud Risk Management (FRM) Unit manages fraud prevention, monitoring, investigation, reporting and awareness creation as an independent group in the Bank. The Bank also has a dedicated Risk Containment Unit (RCU), which ensures that all loan files are thoroughly checked online. Currently, USFBL is using the Transaction Monitoring - NPCI Fraud Risk Management (FRM) Tool for monitoring fraudulent Debit Card transactions on ATM channels. The Bank is also working towards digital initiatives to prevent fake identification / forged documents during loan processing.

4. **IT Risk:** Information and cyber security risks may arise from the failure to respond to security and privacy requirements, internal fraud through software manipulation, external cyber fraud, obsolesce in applications and machines, reliability issues (including software malfunctions) or mismanagement.
   Mitigation Measures: The Bank has a dedicated team to manage the information systems security. In order to protect the Bank's assets, the Security Operations Centre is operating on a 24x7 basis. As per RBI guidelines and approved by the Board, USFBL

has successfully implemented a Cyber Crisis Management Plan. Further, the Bank has a Computer Incident Response Team (CIRT), responsible to promptly and correctly handle a cyber-security incident, so that it can be quickly contained, investigated and recovered.

5. **Credit Risk**: Lenders are exposed to default risk in virtually all forms of credit extensions to Individuals, Non-Corporate, Corporate, Bank, Financial Institutions, etc.

   Mitigation Measures: The Bank assesses the credit risk at each customer, product, enterprise, geography at bank levels. Standardised credit approval process including a comprehensive credit risk assessment is in place.

6. **Market risk**: Market risk is the risk of fluctuation in the Bank's income and/or valuation of financial instruments because of the market volatility.
   Mitigation Measures: The Investment Committee and Asset Liability Committee (ALCO) of the Bank oversee the investment and market risks; accordingly approve the framework for market risk and its thresholds. A monthly comprehensive Market risk & Liquidity risk dashboard is circulated to senior management, which provides all relevant information related to investment portfolio, liquidity position, depositors and borrowing.

7. **Liquidity Risk**: Liquidity risk is caused by an asset-liability mismatch resulting from a difference in the maturity profile of the assets and liabilities. The cost of such liquidity risk would be in terms of either raising fresh liabilities at higher cost or liquidating its assets at a higher discount rate.

   Mitigation Measures: Liquidity profile of USFBL is supported by access to diverse sources of funding. The Bank has set prudential internal limits in addition to regulatory limits on liquidity gaps, borrowing, deposits, placements, etc. ALCO reviews treasury operations, interest rate; cash flows etc. on monthly basis and provide internal guidelines. The Bank has adopted Internal Capital Adequacy Assessment Process (ICAAP) and Stress Testing framework, to provide detailed information of the Bank's entire spectrum of risks on the on-going assessment evaluation methods and sanction from respective authorities, credit approvals and follow-ups.

VIGILANCE MECHANISM

The Vigilance & Security Department has been formed in the Bank since inception. It undertakes Investigation of fraud, corruption cases and grievances, including those issued under the Bank's whistle-blower policy. The Department educates staff on Preventive Vigilance, Punitive actions, Surveillance & Identification areas. The Vigilance & Security team conducted a variety of inquiries related to fraud, cash theft, serious employee abuse, etc., and performed branch visits, surprise visits, and liaisons with local governments.

INFORMATION TECHNOLOGY (IT)

The Bank acknowledges that Information Technology (IT) is one of the key differentiators for improving customer experience. Customer-Centricity, Operational Efficiency and Regulatory requirements have been categorised as the three main themes for driving technology initiatives. The Bank is concentrating on stabilising its core banking framework (Enabling Active – Active for core banking application and database layer) in addition to developing new platforms such as CCIL, LAMS, Control Measures interface etc. and enhancing existing functionalities such as FD, RD development, Green PIN, e-statement etc. Robotics Process Automation (RPA) was also introduced to increase efficiency and reduce rising manpower costs.

The IT team has unveiled new Big-Data analytics and automation projects for process management and decision taking in real time. It is expected to boost the Bank's ability to deliver improved customer support and facilitate the execution of sales and operations activities. For infrastructural enhancement, scalability and efficiency in cost aspects, it plans to launch cloud-based technology.

COMPLIANCE

The Indian banking industry has recently witnessed the advent of new set of players with the rollout of Payments Banks and Small Finance Banks. Small Finance Banks have fared well on various parameters including achieving their major objective of furthering financial inclusion in the society in last three years and are displaying a strong positive outlook for the next decade.

Reserve Bank of India has released the final guidelines to set up Small Finance Banks (SFBs) under the 'on tap' licence regime to expand the banking services through high technology-low cost operations.

In the initial years of the evolution of SFBs, especially in light of their non-bank legacy, setting up a robust compliance structure and building a compliance culture at par with new generation Private Sector Banks would be challenging. Hence, the role of Compliance Department in these early years is critical.

COMPLIANCE ARCHITECTURE AT UTKARSH SMALL FINANCE BANK LIMITED:

Compliance is an integral feature of a well-managed business that would create value through enhanced reputation, investor confidence and lower cost of capital. Being a Bank, the expectations and stringency of applicability of RBI guidelines are higher. While majority of the regulatory requirements would emanate from RBI circulars, there are other regulators who would have an impact on the banking business.

Further, Compliance Department of a bank should act as an important interface between regulators and regulations on one hand, and business on the other. In this connection, Compliance Department of a bank communicates any new regulation or guidance issued by the regulator to the relevant departments in the bank.

To summarise, the role of the Compliance Department is as follows:
1. Facilitate the development and maintenance of Right Compliance culture
2. Advise on Regulatory issues
3. Monitoring Compliance Risks
4. Dissemination of guidelines
5. Handling regulatory issues

An Independent Compliance Function in Utkarsh SFB strives for best in class Compliance practices to be followed in the Bank. The Compliance Department of the Bank acts as a focal point for receipt and dissemination of all statutory, regulatory and internal guidelines and instructions in the matters of compliance among all Business departments / Operations units.

PROCESS FRAMEWORK WITHIN COMPLIANCE DEPARTMENT:

Compliance Department has instituted a process for dissemination of regulatory changes to the various departments and also for updating policies, informing timely submission of returns to regulatory/ statutory authorities, correspondence with regulatory authorities and ensure that the requirements of regulatory changes are effectively met.

Following is the key process framework of Compliance Department:
1. Circular Management Process
2. Returns Management Process
3. Policy Management Process
4. AML/Transaction Monitoring Process
5. Compliance Risk Assessment Framework (Compliance Testing)
6. Risk Based Supervision (RBS) Data Management
7. Legal Management

HUMAN RESOURCES & TRAINING

As a progressive organisation, the Bank's HR & Training programmes have been centered on hiring the best talent, retaining them and provide learning and development environment. The Bank takes concerted efforts to increase the representation of women in the workforce of the Bank. During FY2019-2020, there has been a net addition of 2,008 employees in the Bank, including 383 female employees. As of March 31, 2020, the Bank has an 8,800 plus strong employee base, up from 2,300 when USFBL received the banking licence. More than 12% of the Bank's total workforce, i.e. around 1,100 employees are females.

Employee capacity-building is at the root of the Bank's human resources growth. Numerous workplace training programmes were implemented including Refresher

Trainings, Promotion Trainings, Capacity Building Certification Programmes, Mandatory Certification Programmes, Soft Skill Programmes, and Train-The-Trainers. Throughout the year, more than 4,000 staff were educated under various programmes.

At the aggregate level, the Bank strives to build and imbibe its unique culture in the employees. To achieve this the Bank adopted the following mantra:
1. Expand, Nurture and Retain
2. Chart Career Progression
3. Enable Work-Life Balance
4. Learning and Development
5. Reward and Recognition

AUDIT AND INTERNAL CONTROL SYSTEMS

The Bank's Department of Internal Audit has switched to the Risk-Based Internal Audit process since FY2017-18. The Bank has developed audit checklists based on RBI's Framework for Risk-Based Internal Audit and internal audits were performed using these checklists in FY2019-20. The Bank has used "Pentana" integrated end-to-end audit programme software for preparation and execution of internal audits. The Audit MIS team has been given responsibility for systematically reviewing the audit results and their enforcement and reporting various audit related MIS on a monthly basis to the management.

Internal audit department has performed different forms of audits viz. from its own staff like comprehensive branch audit of all branches and central roles, concurrent account audit, centralised retail loan disbursement and concurrent audit of the Bank's assets and liabilities and outsourced vendor audit. The Bank has also employed professional firms to perform concurrent Treasury audit, centralised account opening procedure, properties of branches, audit of information protection, audit of cyber security and audit of management.

CSR

The Bank contributed ₹1.0 Crore which was higher than 2% of its net profits as prescribed under Section 135 of Companies Act, 2013 towards CSR to Utkarsh Welfare Foundation (UWF). For FY2019-20, the thematic areas of intervention under CSR had been financial awareness (promoting Education, Gender equality, thereby empowering women), Health Initiatives (promoting Primary Health), Skill & Vocational training (empowering women through vocational skills and livelihood enhancement), Learning Enhancement Programme for primary school children (promoting Quality Education) and Supporting Orphanage & elderly care centre.

The Company has also partnered with UWF for taking up the CSR Activities by contributing ₹40 lakh for FY2019-20. The thematic areas of intervention for the year has been various health initiatives through Regular Polyclinics and Health Awareness Programs. These interventions were also carried out under the Village Development Programs.

Utkarsh remains committed to the social cause, as it further enhances its financial inclusion and development interventions.

CAUTIONARY STATEMENT

Statements included in this MD&A describing the Bank's priorities, forecasts, predictions, general market conditions, expectations, etc., can constitute 'forward-looking statements' within the scope of applicable legislation. Statements contained in this MD&A describing the Bank's goals, estimates, projections, general market conditions, aspirations, etc., can constitute 'forward-looking statements' within the reach of applicable legislation. Such factors and uncertainties include, but are not limited to, the ability to execute plans for development and expansion, variation between anticipated and actual non-performing advances, credit loss reserve, technological change, investment income and various risk profiles.

To
The Members
Utkarsh CoreInvest Limited

Dear Shareholders

On behalf of the Board of Directors, it is our pleasure to present the 30th Annual Report on the business and operations of Utkarsh CoreInvest Limited (UCL), together with the Audited Financial Statements of the Company for the year ended March 31, 2020.

A. FINANCIAL PERFORMANCE

The Company has adopted Ind-AS since April 1, 2018 and accordingly the financials have been prepared in accordance with Indian Accounting Standard ("Ind-AS"), as notified by the Ministry of Corporate Affairs, Government of India under the Companies (Indian Accounting Standard) Rules, 2015 as amended from time to time.

The Company has recorded the following financial performance (on Standalone basis) for the year ended March 31, 2020:

Amount in ₹ crore

Particulars	For the Year ended March 31, 2020	For the Year ended March 31, 2019	Change in %
Total Income	6.21	10.29	(39.7%)
Profit Before Interest, Depreciation & Tax (EBITDA)	2.10	(125.45)	101.7%
Finance Charges	-	78.47	(100.0%)
Depreciation	0.07	0.09	(22.2%)
Provision for Income Tax	1.48	2.76	(46.6%)
Profit / (Loss) After Tax	0.55	(206.78)	100.3%
Other Comprehensive Income	0.00	1.40	(100.0%)
Total Comprehensive Income	0.55	(205.38)	100.3%

The Company has earned total comprehensive income of ₹0.55 crore for the year ended March 31, 2020 against the negative total comprehensive income of (₹205.38) crore for the previous year.

Further, the Company has recorded the following financial performance (on Consolidated basis) for the year ended March 31, 2020:

(Amount in ₹ crore)

Particulars	For the Year ended March 31, 2020	For the Year ended March 31, 2019	Change in %
Total Income	1,417.12	976.67	45.1%
Profit Before Interest, Depreciation & Tax (EBITDA)	**914.67**	**460.95**	**98.4%**
Finance Charges	589.53	460.64	28.0%
Depreciation	48.81	18.56	163.0%
Provision for Income Tax	73.81	70.61	4.5%

Particulars	For the Year ended March 31, 2020	For the Year ended March 31, 2019	Change in %
Profit / (Loss) After Tax	**202.51**	**(88.85)**	**327.9%**
Other Comprehensive Income	19.86	7.32	171.3%
Total Comprehensive Income	**222.37**	**(81.54)**	**372.7%**

The Company had earned total comprehensive income of ₹222.37 crore for the year ended March 31, 2020 against the negative total comprehensive income of (₹81.54) crore for the previous year.

B. FINANCIAL DISCLOSURES

Dividend

Your Directors have not recommended any dividend for this financial year ended FY2020.

Net Worth

The Company's Net-worth as on March 31, 2020 stood at ₹819.48 crore comprising of paid-up equity capital of ₹97.40 crore and Reserves of ₹722.08 crore (excluding Revaluation Reserve, Investment Reserve and Intangible Assets) on standalone basis. Whereas, on a Consolidated basis, the Net-worth stood at ₹1,082.75 crore comprising of paid-up equity capital of ₹97.40 crore, Reserves of ₹985.12 crore and non-controlling interest of ₹0.23 crore.

C. CORPORATE GOVERNANCE

The Company's Philosophy

The Company has a Corporate Governance framework that lays out various requirements of Corporate Governance as set out under various regulations and best practices.

Constitution of the Board of Directors

The Board of Directors is constituted in accordance with the provisions of the Companies Act, 2013 (CA 2013) and the Articles of Association (AoA) of the Company.

The Board consists of eminent persons with considerable professional expertise in Audit, Banking, Compliance, Finance, Risk, Strategy, Technology and other related fields. Their experience and professional credentials have helped the Company to gain insights for strategy formulation, monitoring control framework and direction setting for the Company, thus adding value to set a strong foundation enabling the overall growth objective of the Company.

The Board of the Company comprised of eight (8) Directors consisting of three (3) Independent Directors, four (4) Nominee Directors and One (1) Managing Director & CEO as on March 31, 2020. The term of one of the Independent Directors of the Company expired on May 19, 2020, being the last date of the second consecutive term of the appointment.

All the Independent Directors have given the declarations that they meet the criteria of independence, as laid down under Section 149(6) of the Companies Act, 2013. Based on the declaration of independence provided by them, all the aforesaid three (3) Independent Directors would qualify to be classified as Independent Directors under Section 149 of the Companies Act, 2013.

Committees of the Board of Directors

For effective decision-making, the Board acts through various Committees, which oversee specific operational or strategic matters falling within the ambit of the specific terms of reference of that Committee. The Board has constituted four (4) Committees. All the Board Committees have specific charter and these Committees monitor activities falling within their terms of reference.

Composition of the Committees and attendance of the Directors at the Committee and Board Meetings held during the financial year under review have been given as **Annexure –'A'** to this report.

Board Evaluation and Remuneration Policy

The Independent Directors of the Company carried out an annual performance evaluation of the entire Board, the Chairperson, the Directors, individually as well as the evaluation of the working of its Committees.

The Board has framed a Corporate Governance Policy, which inter alia deals with remuneration structure and criteria for selection and appointment of Directors.

D. STATUTORY DISCLOSURE

Extract of Annual Return to be Mandatorily Attached to The Directors' Report

As required by the provisions of Sections 92(3) and 134(3)(a) of the Companies Act, 2013 read with the rules framed thereunder, the extract of the annual return of the Company in the Form MGT-9 is attached as **Annexure – 'B'** to this Report.

Conservation of Energy and Technology Absorption

The particulars to be disclosed under Section 134(3)(m) of the Companies Act, 2013, relating to conservation of energy and technology absorption are not applicable to the Company.

Foreign Exchange Earnings / Outgo

As the Company has not carried out any activities relating to the export and import during the financial year, there are no foreign exchange expense and foreign exchange income during the financial year.

Changes in Directors and Key Managerial Personnel (KMP)

None of the Directors and Key Managerial Personnel has changed during the FY2020.

Whistle Blower Policy (Vigil Mechanism / Anti Bribery)

Pursuant to the provisions of Section 177(9) of the Companies Act, 2013 and the guidelines issued by Reserve Bank of India (RBI) and other applicable laws, the Company has established the Vigil Mechanism, as part of its Whistle Blower Policy, for the employees to report concerns about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. Additionally, the Company places zero tolerance for any integrity issue. Towards this end, all employee after joining are trained to maintain high standards of integrity of their work area. The Company's Whistle blower Policy, thus enables the employees to escalate any perceived integrity issues. The policy also encourages stakeholders other than employees to escalate such concerns.

In the FY2020, no any case of bribery or whistle blower disclosures or any case of corruption have been reported.

Statutory Auditors

M/s BSR and Associates LLP were appointed (pursuant to the provisions of section 139 and 141 of the Companies Act, 2013) by the Board of Directors, in their meeting held on May 21, 2015 to be the Statutory Auditors of the Company for four (4) years, which ended in FY2019.

The period of appointment of any firm as the Statutory Auditors of the Company, u/s 139 of Companies Act is restricted to a maximum of 10 years. BSR & Associates LLP were initially appointed for six (6) years from FY2010 up to FY2015 and subsequently for four (4) years from FY2016 up to FY2019. Hence, the terms of appointment of the Statutory of M/s BSR and Associated LLP ended with FY2019.

M/s Haribhakti & Co. LLP, Chartered Accountants (Firm Registration No. 103523W / W100048) were appointed, pursuant to Section 139 and 141 of the Companies Act, 2013 by the Board of Directors in their meeting held on June 28, 2019 to be the Statutory Auditors of the Company for five (5) years from the FY2020 upto FY2024.

Issue of Employee Stock Options

As a part of the policy of retention of employees in Utkarsh Group, the company has Board approved ESOP policy. During FY2020, as per policy, the ESOPs of the Company have also been allotted to the employees of subsidiary, namely Utkarsh Small Finance Bank Ltd. (USFBL) and Utkarsh Welfare Foundation (UWF). The employees of the subsidiary and of the respective Company were assessed and recommended by the Board Committees and the options at the employee level were decided by the respective Boards.

Details of ESOPs offered during the year are as below:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Number of Equity Shares	-	-
Outstanding at the Beginning of the Year	25,48,234	13,03,904
Granted During the Year	18,36,225	18,06,725
Forfeited During the Year	2,06,874	3,43,132
Exercised During the Year	3,26,101	2,19,263
Outstanding at the End of the Year	38,51,484	25,48,234
Exercisable at the End of the Year	5,26,482	2,19,189

Deposits

The Company is a non-deposit taking company i.e. Non-Banking Financial Company - Non-Deposit - Systemically Important - Core Investment Company (NBFC-ND-SI-CIC) and thus has not accepted any deposits during the FY2020.

Detail of Top Ten (10) employees in terms of Remuneration of the Company

The company had only nine (9) employees during FY2020, the details of which are as under:

SI	Name	Designation	DOJ	Qualifications	Age (in years)	Experience	Remuneration (₹)	Last Employment
1.	Ashwani Kumar	MD & CEO	19-Mar-2019	PGDRM CAIIB	38	14 years +	34,68,240	USFBL
2.	Harshit Agrawal	Chief Financial Officer	02-Apr-2018	CA	31	8 years +	7,69,983	USFBL
3.	Neeraj Kumar Tiwari	Company Secretary	10-Nov-2014	CS	30	6 years +	4,31,466	-
4.	Priyanka Bisht	Deputy Manager, HR & Training	02-Apr-2018	MCA	28	7 years +	4,81,787	USFBL
5.	Savitri Tiwari	Assistant Manager II, Accounts	01-Jan-2019	M. Com	31	9 years +	3,43,247	USFBL
6.	Ruchi Seth	Assistant Manager I, - Secretarial	04-Nov-2019	PGDM	27	1.5 years +	1,27,158	Bajaj Consumer Care Ltd.
7.	Saurabh Jaiswal	Senior Executive, Internal Audit	15-Apr-2019	MBA	32	8 years +	2,44,216	India First Life Insurance
8.	Raju Pandey	Senior Executive, Accounts	04-Oct-2018	M. Com	28	7 years +	2,22,519	USFBL
9.	Vikas Kumar Singh	Senior Executive, IT	23-Sep-2019	MCA	32	10 years +	1,26,197	CMS IT Services Pvt. Ltd

Other Statutory Disclosures:

a. All related party transactions that were entered into FY2020, were at arm's length basis, and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large;

b. There were no significant / material orders passed by the Regulators / a Court / Tribunal etc. during FY2020, which would impact the going concern status of the

Company and its future operations;

c. There are no adverse observations / qualifications in the Statutory Auditors' Report;

d. All recommendations of the Audit Committee were approved by the Board;

e. Proper internal financial controls were in place, and that the financial controls were adequate and were operating effectively;

f. There are no material changes and commitments, affecting the financial position of the Company, that have occurred between the end of the Financial Year of the Company i.e. March 31, 2020.

E. OTHER DISCLOSURES

Code of Conduct

The Company has adopted a Code of Conduct for all the Directors and Key Managerial Personnel. Some of the areas which are covered by the Code of Conduct are fairness of employment practices, protection of intellectual property, integrity, customer confidentiality and conflict of interest.

Vigilance

Your Company is responsible, both to the members and to the communities in which the company operates and aspires to be transparent in all the dealings. The Code of Conduct requires the employees not to be engaged in integrity related issues. The Code mentions that the Company maintain the highest level of professional ethics and personal integrity to avoid situations in which an individual's personal interest may conflict or appear to be in conflict with either the interest of the Company.

Secretarial Auditors

Pursuant to the section 204 of Companies Act, 2013 and relevant provisions of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Company has appointed M/s. S. N. Ananthasubramanian & Co. as the Secretarial Auditors for the FY2020. The Secretarial Auditors have carried out the audit and the audit report along with their observations are provided as **Annexure 'C'** to the report.

Corporate Social Responsibility (CSR)

Your Company has Board approved policy for CSR, which is drawn in line with the existing regulations. The CSR initiatives of the Company is routed through the Subsidiary, i.e. Utkarsh Welfare Foundation (UWF).

Your Company provides at least 2% of its Profit Before Tax (PBT) in line with statutory requirements (currently 2% of average of last 3 years' profit), every year as part of its CSR initiatives to UWF, for undertaking various welfare activities. The projects undertaken are in the area of Health Initiative.

Against the allocation of ₹40 lakh to UWF for CSR activities, full amount has been spent on health initiatives.

The CSR Activities are monitored by the CSR Committee of the Board comprised of following members:

i. Mr. G. S. Sundararajan, Independent Director
ii. Mr. Aditya Parekh, Nominee Director
iii. Mr. Ashwani Kumar, Managing Director & CEO

F. Directors' Responsibility Statement

In pursuance of Section 134(3)(c) of the Companies Act, 2013, your Directors do hereby confirm and declare that:

a) in the preparation of the annual accounts for financial year ended March 31, 2020, the applicable accounting standards have been followed and there is no material departures from the same;

b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the FY2020 and of the profit or loss of the Company for the FY2020;

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

d) the Directors had prepared the annual accounts on a going concern basis and

e) 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.

G. Acknowledgment

Your Directors would like to express their sincere appreciation for the co-operation and assistance received from all stakeholders including shareholders, bankers, regulatory bodies and other business constituents during the year under review.

The Directors of the Company are thankful to its customers for posing their faith in the products and services offered by Utkarsh Group and their continued patronage.

Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all the employees of the company, resulting in the committed performance of the Company and its subsidiaries during the year of review.

For and on behalf of the Board of Directors

G. S. Sundararajan*
Chairperson
DIN- 00361030

Ashwani Kumar
Managing Director & CEO
DIN - 07030311

Place: Varanasi and Chennai*
Date: June 09, 2020

Annexure 'A'

COMMITTEES OF BOARD OF DIRECTORS

The Board functions either as a full Board or through various Committees which oversee specific operational or strategic matters.

The Board has constituted various such Committees of Directors to monitor the activities falling within their terms of reference. Composition, date of meetings and name of the members of these Committees as on March 31, 2020 are given below:

Sl.	Name of the Committee	Members	No. of Meetings held During the FY2020	Date of Meetings
1	Audit Committee of Board (ACB)	1. Ms. Ramni Nirula*, (Chairperson) 2. Mr. Atul 3. Mr. Harjeet Toor 4. Mr. Vishal Mehta	7	11-Jun-2019 28-Jun-2019 26-Sep-2019 15-Oct- 2019 22-Nov-2019 24-Dec-2019 28-Feb-2020
2.	Corporate Social Responsibility (CSR) Committee	1. Mr. G. S. Sundararajan (Chairperson) 2. Mr. Aditya Parekh 3. Mr. Ashwani Kumar	2	11-Jun-2019 22-Nov-2019
3.	Nomination & Remuneration Committee (NRC)	1. Mr. G. S. Sundararajan 2. Mr. Atul 3. Mr. Gaurav Malhotra 4. Ms. Ramni Nirula*	-	-
4.	Share Allotment Committee (SAC)	1. Mr. Aditya Parekh 2. Mr. Harjeet Toor 3. Mr. Ashwani Kumar	3	15-Jul-2019 26-Sep-2019 28-Feb-2020

* The term of appointment expired on May 19, 2020, being the last date of her second consecutive term.

BOARD MEETINGS

The Board of Directors of the Company met eight (8) times during FY2020. The maximum gap between any two (2) Board meetings was not more than one hundred and twenty (120) days at any point of time. The details of the Meetings conducted are as under:

Members	Directorship	Date of Meetings	No. of Meetings
Mr. G. S. Sundararajan	Chairperson, Independent Director	11-Jun-2019 28-Jun- 2019 29-Aug-2019 26-Sep-2019 15-Oct- 2019 22-Nov-2019 24-Dec-2019 28-Feb-2020	8
Mr. Atul	Independent Director		
Ms. Ramni Nirula*	Independent Director		
Mr. Aditya Parekh	Nominee Director		
Mr. Gaurav Malhotra	Nominee Director		
Mr. Harjeet Toor	Nominee Director		
Mr. Vishal Mehta	Nominee Director		
Mr. Ashwani Kumar	Nominee Director		

* The term of appointment expired on May 19, 2020, being the last date of her second consecutive term.

Attendance of the Board of Directors

The details of the attendance of Directors at the Board Meetings, Committee Meetings and Annual General Meeting held during FY2020 along with the number of other Directorships and Committee membership chairmanship(s) held by them, is given below:

SI No	Name of Director	DIN	Category	BOD*	ACB*	CSR*	NRC*	SAC*	No of Directorship	
Number of meetings held during the FY2020				**8**	**7**	**2**	**-**	**3**	**Public**	**Private**
1.	Mr. G. S. Sundararajan	00361030	Chairperson, Independent Director	8	-	2	-	-	6	2
2.	Mr. Atul	07711079	Independent Director	8	7	-	-	-	1	-
3.	Ms. Ramni Nirula ^	00015330	Independent Director	5	6	-	-	-	7	2
4.	Mr. Aditya Parekh	02848538	Nominee Director	4	-	1	-	1	3	7
5.	Mr. Gaurav Malhotra	07640504	Nominee Director	7	-	-	-	-	2	2
6.	Mr. Harjeet Toor	02678666	Nominee Director	6	7	-	-	3	2	1
7.	Mr. Vishal Mehta	00256331	Nominee Director	3	3	-	-	-	2	4
8.	Mr. Ashwani Kumar	07030311	MD & CEO	8	-	2	-	3	1	1

* BOD - Board of Directors Meetings
* ACB - Audit Committee of Board Meetings
* CSR - Corporate Social Responsibility Committee Meetings
* NRC - Nomination & Remuneration Committee Meetings
* SAC - Share Allotment Committee Meetings
^ The term of appointment expired on May 19, 2020, being the last date of her second consecutive term.

<u>Annexure 'B'</u>

Form No. MGT-9

EXTRACT OF ANNUAL RETURN
(As on the financial year ended on March 31, 2020)
[Pursuant to section 92(3) *of the Companies Act, 2013* and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

- **CIN** - U65191UP1990PLC045609
- **Registration Date** - 15.05.1990
- **Name of the Company -**
  Utkarsh CoreInvest Ltd. (erstwhile Utkarsh Micro Finance Ltd.)
- **Category / Sub-Category of the Company** - Public Limited Company
- **Address of the Registered office and contact details-**
  S-24/1-2, Fourth Floor Mahavir Nagar, Orderly Bazar, Near Mahavir Mandir Varanasi - 221002, Uttar Pradesh, India. Mob: +91 7518903414
- **Whether listed company** - No
- **Name, Address and Contact details of Registrar and Transfer Agent, if any.**

  M/s. NSDL Database Management Limited (NDML)
  Unit: Utkarsh CoreInvest Limited
  4th Floor, "A" Wing, Trade World
  Kamala Mills Compound, Lower Parel,
  Mumbai - 400013, Maharashtra, India
  Tel: +91-22-2499 4200

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

Sl.	Name & Description of Main Products / Services	Business Activity Code List	% to total turnover of the company
1	Other Financial Services	K8	100

III. PARTICULARS OF HOLDING COMPANIES

SI	Name & Address of the Company	CIN	Subsidiary	% of Shares Held
1.	Utkarsh Small Finance Bank Limited	U65992UP2016PLC082804	Subsidiary	100%
2.	Utkarsh Welfare Foundation	U74900UP2010NPL041674	Subsidiary	78.49%

IV. SHARE HOLDING PATTERN

(Equity Share Capital Breakup as percentage of Total Equity)

Sl	Shareholder Name / Category	Foreign / Resident	No. of shares	%
1	CDC Group PLC	Foreign	1,37,26,978	14.09%
2	RBL Bank Limited	Resident	97,02,950	9.96%
3	NMI (NMI Frontier fund KS)	Foreign	77,02,602	7.91%
4	Faering Capital India Evolving Fund II	Resident	76,60,082	7.86%
5	Retail Shareholders	Resident	70,79,169	7.27%
6	Hero Enterprise Partner Ventures	Resident	48,45,496	4.97%
7	responsAbility Participations Mauritius	Foreign	48,45,495	4.97%
8	Shriram Life Insurance Company Limited	Resident	48,25,531	4.95%
9	SIDBI	Resident	42,52,134	4.37%
10	ICICI Prudential Life Insurance Limited	Resident	41,50,995	4.26%
11	Aavishkaar Goodwell India Microfinance Development Company II Ltd	Foreign	40,07,723	4.11%
12	Jhelum Investment FUND I	Resident	32,00,531	3.29%
13	HDFC Life Insurance Company Limited	Resident	31,13,246	3.20%
14	Raag Family Private Trust	Resident	29,84,998	3.06%
15	Sarva Capital LLC	Foreign	29,67,865	3.05%
16	International Finance Corporation	Foreign	27,86,969	2.86%
17	Sustainability – Finance – Real Economies SICAV – SIF	Foreign	21,98,828	2.26%
18	Faering Capital India Evolving Fund III	Resident	20,42,868	2.10%
19	Lok Capital Growth Fund	Resident	18,77,511	1.93%
20	Aavishkaar Bharat Fund	Resident	15,76,923	1.62%
21	HDFC Ergo General Insurance Company Ltd.	Resident	10,37,748	1.07%
22	HDFC Ltd.	Resident	4,31,589	0.44%
23	Utkarsh ESOP Welfare Trust	Resident	3,72,599	0.38%
24	Aavishkaar Venture Management Service Private Limited	Resident	7,476	0.01%
25	Mr. Govind Singh	Resident	500	0.001%

Shareholding Pattern of Top Ten (10) Shareholders

(other than Directors Promoters and Holders of GDRs and ADRs):

Sl	Shareholder Name / Category	Foreign / Resident	No. of shares	%
1.	CDC Group PLC	Foreign	1,37,26,978	14.09%
2.	RBL Bank Limited	Resident	97,02,950	9.96%
3.	NMI (NMI Frontier fund KS)	Foreign	77,02,602	7.91%
4.	Faering Capital India Evolving Fund II	Resident	76,60,082	7.86%
5.	Hero Enterprise Partner Ventures	Resident	48,45,496	4.97%
6.	responsAbility Participations Mauritius	Foreign	48,45,495	4.97%
7.	Shriram Life Insurance Company Limited	Resident	48,25,531	4.95%
8.	SIDBI	Resident	42,52,134	4.37%
9.	ICICI Prudential Life Insurance Limited	Resident	41,50,995	4.26%
10.	Aavishkaar Goodwell India Microfinance Development Company II Ltd	Foreign	40,07,723	4.11%

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment:

Particulars	Secured Loans Excluding Deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the Financial Year				
i. Principal Amount	-	-	-	-
ii. Interest due but not paid	-	-	-	-
iii. Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**-**	**-**	**-**	**-**
Change in Indebtedness during the Financial Year				
i. Addition	-	-	-	-
ii. Reduction	-	-	-	-
Net Change (Total (i+ii)	**-**	**-**	**-**	**-**
Indebtedness at the end of the Financial Year				
i. Principal Amount	-	-	-	-
ii. Interest due but not paid	-	-	-	-
iii. Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**-**	**-**	**-**	**-**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director:

Particulars of Remuneration	Name of MD Mr. Ashwani Kumar	Total Amount (in ₹)
Gross Salary: Salary as per provisions contained in section 17(1) of the Income-tax Act,1961 Value of perquisites u/s 17(2) Income-tax Act,1961 Profits in lieu of salary under section 17(3) Income-tax Act, 1961	34,68,240	**34.68,240**
Stock Option (Units)	14,450	-
Sweat Equity	-	-
Commission as % of profit Others, specify	-	-
Others, please specify	-	-
Total (A)	-	-
Ceiling as per the Act	-	-

B. Remuneration to other Directors:

Particulars of Remuneration	Name of Directors			Total
	Mr. G. S. Sundararajan	Mr. Atul	Ms. Ramni Nirula	
				Amount in ₹
Independent Directors				

Particulars of Remuneration	Name of Directors			Total
	Mr. G. S. Sundararajan	Mr. Atul	Ms. Ramni Nirula	
				Amount in ₹
• Fee for attending Board & Committee meetings • Commission • Others, please specify • Non-Executive Part Time Chairman Remuneration	3,60,000.00	4,60,000.00	3,00,000.00	11,20,000.00
Total (1)	**3,60,000.00**	**4,60,000.00**	**3,00,000.00**	**11,20,000.00**
Other Non-Executive Directors • Fee for attending board committee meetings • Commission • Others, please specify				
Total (2)	**-**	**-**	**-**	**-**
Gross Total=(1+2)	**3,60,000.00**	**4,60,000.00**	**3,00,000.00**	**11,20,000.00**
Total Managerial Remuneration	-	-	-	-
Overall Ceiling as per the Act	**-**	**-**	**-**	**-**

C. **Remuneration to Key Managerial Personnel other than MD:**

Particulars of Remuneration	Key Managerial Personnel			
	CEO	Company Secretary	CFO	Total
Gross Salary: Salary as per provisions contained in section 17(1) of the Income-tax Act,1961 Value of perquisites u/s 17(2) Income-tax Act,1961 Profits in lieu of salary under section 17(3) Income- tax Act,1961	34,68,240	4,31,466	7,69,983	**46,69,689**
Stock Option (Units)	14,450	-	4,662	**19,112**
Sweat Equity	-	-	-	-
Commission as % of profit Others, specify	-	-	-	-
Others, please specify	-	-	-	-
Total (A)	-	-	-	-

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

Place: Varanasi
Date: June 09, 2020

S. N. ANANTHASUBRAMANIAN & CO
Company Secretaries

10/25-26, 2nd Floor, Brindaban,
Thane (W) – 400 601
T: +91 22 25345648 | +91 22 25432704
E: snaco@snaco.net | W: www.snaco.net
ICSI Unique Code: P1991MH040400

FORM No. MR – 3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
Utkarsh Coreinvest Limited,
CIN: U65191UP1990PLC045609
S-24/1-2, 4th Floor, Mahavir Nagar, Orderly bazar,
New Mahavir Mandir, Varanasi, Uttar Pradesh,
India - 221002

We have conducted Secretarial Audit of compliance with the applicable statutory provisions and adherence to good corporate practices by **Utkarsh Coreinvest Limited** (hereinafter called 'the Company') for the **Financial Year** ended **31st March, 2020**. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books and papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the **Financial Year ended 31st March, 2020** complied with statutory provisions listed hereunder and

S.N. ANANTHASUBRAMANIAN & CO. COMPANY SECRETARIES ASHWINI VARTAK PARTNER ACS 29463 C.O.P. No. 16723 also, that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books and papers, minute books, forms and returns filed and other records maintained by the Company for the **Financial Year ended 31st March, 2020** according to the provisions of:

(i) The Companies Act, 2013 ('the Act') and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder **[Not applicable as the securities of the Company are not listed on any Stock Exchange];**

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; [Not applicable to the extent of Overseas Direct Investment and External Commercial Borrowings];

(v) The following Regulations and Guidelines prescribed under the **Securities and Exchange Board of India Act, 1992 ('SEBI Act')**: **[Not applicable as the securities of the Company are not listed on any of the Stock Exchange];**

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

S. N. ANANTHASUBRAMANIAN & CO. COMPANY SECRETARIES
ASHWINI VARTAK
PARTNER
ACS 29463
C.O.P. No. 16723

f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client**;**

g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009**;**

h) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;

(vi) The management has identified and confirmed the following laws as being specifically applicable to the Company:

1. Reserve Bank of India Act, 1934 and guidelines made there under;
2. Master Direction **-** Core Investment Companies (Reserve Bank) Directions, 2016;
3. Master circulars, directions, guidelines issued to Core Investment Companies by the Reserve Bank of India from time to time; and
4. Non-Banking Financial Company **-** Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions 2016 and Modifications thereof.

We have also examined compliance with the applicable clauses/regulations of the following:

(i) Secretarial Standards with respect to Meetings of Board of Directors **(SS-1)** and General Meetings **(SS-2)** issued by The Institute of Company Secretaries of India;

(ii) Listing Agreement entered into with the Stock Exchanges. [Not applicable as the securities of the Company are not listed on any Stock Exchange];

S. N. ANANTHASUBRAMANIAN & CO. COMPANY SECRETARIES
ASHWINI VARTAK
PARTNER
ACS 29463
C.O.P. No. 16723

During the period under review, the Company has complied with provisions of the Act, Rules, applicable Regulations, Guidelines, Standards etc. mentioned above except -

1) the constitution of the Audit Committee of the Board as the majority of the Directors are not Independent as required under Section 177(2) of the Act;

2) the constitution of the Nomination and Remuneration Committee as the Chairman of the Board is also the Chairman of the Committee which is not as per the first proviso to Section 178 of the Act.

We report that:

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, and Independent Directors including Woman Director. There were no changes in the composition of Board of Directors that took place during the year under review;
- Adequate notice is given to all Directors to schedule Board Meetings; agenda and detailed notes on agenda were sent at least seven days in advance before the meeting except where consent of directors was received for receiving notice of meetings, circulation of the Agenda and notes on Agenda at a shorter notice, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting;
- As recorded in the minutes, all the decisions of the Board and Committees thereof were carried through with requisite majority.

We further report that based on the representation made by the Company and on the basis of the internal Compliance Certificate(s) taken on record by the Board of Directors at their meeting(s), we are of the opinion that the management has adequate systems and processes commensurate with its size and operations, to

S. N. ANANTHASUBRAMANIAN & CO. ★ COMPANY SECRETARIES ★ ASHWINI VARTAK PARTNER ACS 29463 C.O.P. No. 16723 monitor and ensure compliance with all applicable laws, rules, regulations and guidelines.

- as informed, the Company has responded appropriately to notices received from various statutory/regulatory authorities including, payment of penalties/compounding fees, initiating actions for corrective measures, wherever found necessary

We further report that during the review period, following major action having a bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. above have taken place:-

- **Alteration of Object Clause of MOA and AOA -**
  1) The Company has vide Special Resolution(s) passed at the Extraordinary General Meeting held on 09th May, 2019 approved the amendment to;
     a) Article 9 of the Articles of Association of the Company, authorizing transfer of upto 3,00,000 (Three Lakh Equity Shares) and/or Share Equivalents held by the Sponsors without restrictions as contained Article 16 and Article 17 thereof and to include 'Liquidity Transfer Shares' in the calculating the threshold of "the Sponsor Lock-in Shares".
     b) Article 19(II) of the Articles of Association of the Company, "Buyback/ Put Right' of the Investor Superior majority was replaced by "Third Party Sale", providing the Investors to exit, by way of undertaking a transaction that enables the Investors to fully dispose of the Investor Securities to any third party in accordance with the terms thereof and the Applicable Law.
     c) Object Clauses B(1), B(3) and B(7) of the Memorandum of Association of the Company, prohibiting the Company from contributing to the capital of any Partnership Firm, or become

S.N. ANANTHASUBRAMANIAN & CO. COMPANY SECRETARIES
ASHWINI VARTAK
PARTNER
ACS 29463
C.O.P. No. 16723

the member of such firm, in compliance with the provisions of the Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 ("Directions").

2) The Company has vide a Special Resolution(s) at the Extra Ordinary General Meeting held on 24th September, 2019 approved the amendment to
   a) objects clause B (The objects incidental to the attainment of above main objects) of the Memorandum of Association of the Company, by the insertion of a new Object Clause 12 after the existing Clause 11, enabling the Company to enter into the Composite Scheme of Arrangement with Utkarsh Small Finance Bank Limited (its subsidiary) and its shareholders.
3) The Company has vide a Special Resolution(s) at the Extra Ordinary General Meeting held on 20th January 2020 approved the amendment to
   a) Article 13 of the Articles of Association of the Company allowing extension of time of 3 (three years) to the existing period of 3 (three years) either to the Company or the Utkarsh Small Finance Bank Limited to issue and allot up to 3% of the paid up share capital of the Company on a fully diluted basis as on the effective date to Mr. Govind Singh or a Trust set up by Mr. Govind Singh by way of issue of equity shares / share equivalents / other securities, in such mode or manner as may be permitted under applicable law.
4) The Company has approved the Composite Scheme of Arrangement between the Company and Utkarsha Small Finance Bank Limited, which *inter alia* provides for issuance and allotment of 7.798659471 fully paid equity shares of face value of Rs 5/- each of the Bank to the Members of the Company for every fully paid up equity share Rs 10/- held by them as on the Record Date to be fixed by the Board of the

S.N. ANANTHASUBRAMANIAN & CO. COMPANY SECRETARIES
ASHWINI VARTAK
PARTNER
ACS 29463
C.O.P. No. 16723

Utkarsha Small Finance Bank Limited. The Company is in the process of obtaining necessary regulatory approvals to give effect to the Scheme.

‘This Report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

For S. N. ANANTHASUBRAMANIAN & Co.
Company Secretaries
ICSI Unique Code: P1991MH040400
Peer Review Cert. No.: 606/2019

Ashwini Vartak
Partner
ACS: 29643 | COP No.: 16723

ICSI UDIN : A029463B000314286

3rd June, 2020
Thane

'Annexure A'

To,

The Members,

Utkarsh Coreinvest Limited,

CIN: U65191UP1990PLC045609

S-24/1-2, 4th Floor, Mahavir Nagar, Orderly bazar,

New Mahavir Mandir, Varanasi, Uttar Pradesh,

India - 221002

Our Secretarial Audit Report for the financial year ended **31st March, 2020** of even date is to be read along with this letter.

Management's Responsibility:

1. It is the responsibility of management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

Auditor's Responsibility:

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.

3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.

4. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.

S. N. ANANTHASUBRAMANIAN & CO. COMPANY SECRETARIES
ASHWINI VARTAK
PARTNER
ACS 29463
C.O.P. No. 16723

Disclaimer:

5. The Secretarial Audit Report is neither an assurance as to future viability of the Company nor of the efficacy or effectiveness with which the management has conducted affairs of the Company.

6. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

For S. N. ANANTHASUBRAMANIAN & Co.
Company Secretaries
ICSI Unique Code: P1991MH040400

S. N. ANANTHASUBRAMANIAN & CO. ★ COMPANY SECRETARIES ★
ASHWINI VARTAK
PARTNER
ACS 29463
C.O.P. No. 16723

Ashwini Vartak
Partner
ACS: 29463 | COP No.: 16723
Peer Review Cert. No.: 606/2019
ICSI UDIN : A029463B000314286
3rd June, 2020
Thane

INDEPENDENT AUDITOR'S REPORT

To the Members of Utkarsh Coreinvest Limited
(formerly known Utkarsh Micro Finance Limited)

Report on the Audit of the Standalone Ind AS Financial Statements

Opinion

We have audited the accompanying standalone Ind AS financial statements of Utkarsh Coreinvest Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the standalone Ind AS financial statements including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "standalone Ind AS financial statements").

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 the Indian Accounting Standards ("Ind AS") prescribed under section 133 of the Act, of the state of affairs of the Company as at March 31, 2020, its profit (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards 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 standalone Ind AS financial statements under the provisions of the Act and Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the standalone Ind AS financial statements.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' Report and Management Discussion and Analysis and other elements forming part of the Annual Report but does not include the standalone Ind AS financial statements, consolidated Ind AS financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this report.

Our opinion on the standalone Ind AS financial statements does not cover the other information accordingly, 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 identified above when it becomes available 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, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including Ind AS prescribed under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone 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 Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities 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 or 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 this 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 or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to 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 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 disclosures 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 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 transactions 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.

Other Matter

The audit of standalone Ind AS financial statements for the year ended March 31, 2019, was carried out and reported by another firm of Chartered Accountants, vide their unmodified audit report dated June 28 2019, whose report has been furnished to us by the management and which has been relied upon by us for the purpose of our audit of the standalone Ind AS financial statements.

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

(1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of section 143(11) of the Act, we give in "Annexure 1", a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

(2) As required by section 143(3) of the Act, we report 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 Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report are in agreement with the books of account;

d. In our opinion, the aforesaid standalone Ind AS financial statements comply with the Ind AS prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;

e. On the basis of the written representations received from the directors as on March 31, 2020, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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 with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure 2";

g. With respect to the other matter to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act:

   In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid/ provided by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act;

h. 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, 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 litigations on its financial position in its standalone Ind AS financial statements – Refer Note 24 and 25 to the standalone Ind AS financial statements;

   (ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;

   (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W / W100048

Purushottam Nyati

Partner

Membership No. 118970

UDIN: 20118970AAAACQ6879

Place: Mumbai

Date: June 9, 2020

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the members of Utkarsh Corinvest Limited on the standalone financial statements for the year ended March 31, 2020

Based on the audit procedures performed for the purpose of reporting a true and fair view on the standalone 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, we report that:

(i)

(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a program of physical verification of fixed assets to cover all the items in a phased manner over a period of 1 year, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, fixed assets were physically verified by the management during the year and no material discrepancies were noticed on such verification.

(c) The Company does not own any immovable properties. Hence, the provision of Clause 3(i)(c) of the said order is not applicable to the Company.

(ii) The Company is a Non-Banking Finance Company. Accordingly, it does not hold any physical inventory. Hence, the provisions of Clause3 (ii) of the said Order are not applicable to the company.

(iii) The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, clause 3(iii) of the Order is not applicable to the Company.

(iv) The Company has not granted any loans, made investment or provided guarantees under section 185 of the Act and has complied with the provisions of Section 186(1) of the Act. The Company being a NBFC, nothing contained in Section 186 is applicable, except subsection (1) of that section.

(v) In our opinion, the Company has not accepted any deposits from the public within the provisions of sections 73 to 76 of the Act and the rules framed there under. Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) The Central Government has not prescribed the maintenance of cost records for any of the products of the Company under sub-section (1) of section 148 of the Act and the rules framed there under.

(vii)

(a) The Company is regular in depositing with appropriate authorities, undisputed statutory dues including provident fund, income tax, goods and services tax (GST), cess and any other material statutory dues applicable to it and no undisputed amounts payable in respect of provident fund, income tax, GST, cess and any other material statutory dues applicable to it, were outstanding, at the year end, for a period of more than six months from the date they became payable. As explained to us, the company did not have any dues on account of Employee's State Insurance, Duty of customs and duty of Excise.

(b) There are no dues with respect to income tax, sales tax, service tax, value added tax, GST which have not been deposited on account of any dispute.

(viii) During the year, the Company has not taken any loans or borrowings from any financial institution, bank or government nor has it issued any debentures. Accordingly, clause 3(viii) of the Order is not applicable to the Company.

(ix) The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) or term loans during the year. Accordingly, clause 3(ix) of the Order is not applicable to the Company.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company or any fraud on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such instance by the management.

(xi) Managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Therefore, clause 3(xii) of the Order is not applicable to the Company.

(xiii) All transactions entered into by the Company with the related parties are in compliance with sections 177 and 188 of Act, where applicable, and the details have been disclosed in the standalone financial statements as required by the applicable Indian accounting standards.

(xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Therefore, clause 3(xiv) of the Order is not applicable to the Company.

(xv) The Company has not entered into any non-cash transactions with directors or persons connected with them during the year and hence provisions of section 192 of the Act are not applicable.

(xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and the registration has been obtained by the Company.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration Number:.103523W / W100048

Purushottam Nyati

Partner

Membership No. 118970

UDIN: 20118970AAAACQ6879

Place: Mumbai

Date: June 9, 2020

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT
[Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section in our Independent Auditor's Report of even date to the members of **Utkarsh Coreinvest Limited** on the standalone Ind AS financial statements for the year ended March 31, 2020]

Report on the Internal Financial Controls with reference to Financial Statements under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to financial statements of Utkarsh Coreinvest Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

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 on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). 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 Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing specified under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both issued by the ICAI. 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 with reference to financial statements and their operating effectiveness.

Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 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 with reference to financial statements.

Meaning of Internal Financial Controls with reference to Financial Statements

A company's internal financial control 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to 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 controls 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.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal controls stated in the Guidance Note issued by the ICAI.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W / W100048

Purushottam Nyati

Partner

Membership No. 118970

UDIN: 20118970AAAACQ6879

Place: Mumbai

Date: June 9, 2020

Utkarsh CoreInvest Limited (Formerly known as Utkarsh Micro Finance Limited)
Standalone Balance Sheet as at 31 March 2020
(All amounts are in Rupees millions unless otherwise stated)

	Note	As at 31 March 2020	As at 31 March 2019
Assets			
Financial assets			
Cash and cash equivalents	3	15.35	677.89
Bank balance other than above	3	229.16	95.19
Investments	4	-	0.22
Other financial assets	5	7.10	21.65
Non-financial assets			
Investments in subsidiaries	6	7,816.09	7,172.39
Current tax assets (net)		121.63	136.22
Property, plant and equipment	8	0.92	2.53
Other non-financial assets	9	8.51	8.61
Total assets		**8,198.76**	**8,114.70**
Liabilities and equity			
Liabilities			
Financial liabilities			
Other financial liabilities	10	3.36	3.67
Non-financial liabilities			
Current tax liabilities (net)		-	11.08
Provisions	11	0.18	1.04
Other non-financial liabilities	12	0.39	0.23
Equity			
Equity share capital	13	973.99	972.02
Other equity	14	7,220.84	7,126.66
Total liabilities and equity		**8,198.76**	**8,114.70**

Summary of significant accounting policies 2

The accompanying notes are an integral part of these standalone financial statements.

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 09 June 2020

Place: Varanasi & Chennai*
Date: 09 June 2020

Utkarsh CoreInvest Limited (Formerly known as Utkarsh Micro Finance Limited)
Standalone Statement of Profit and Loss for the year ended 31 March 2020
(All amounts are in Rupees millions unless otherwise stated)

	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Other income	15	62.05	102.86
Total income		**62.05**	**102.86**
Expenses			
Finance costs	16	-	784.72
Net loss on fair value changes	17	-	1,328.78
Employee benefits expenses	18	9.00	5.45
Depreciation	19	0.74	0.94
Others expenses	20	32.05	23.11
Total expenses		**41.79**	**2,143.00**
Profit/(Loss) before tax		**20.26**	**(2,040.14)**
Tax Expense:			
Current tax	7	6.31	27.65
Tax for earlier years	7	8.45	-
Profit/(Loss) for the year		**5.50**	**(2,067.79)**
Other comprehensive income			
Items that will not be reclassified to profit or loss :			
-Actuarial gain/(loss) on defined benefit obligation*		0.00	(0.08)
- Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss		-	14.03
Total		**0.00**	**13.95**
Total Comprehensive Income for the year		**5.51**	**(2,053.84)**

**Absolute amount for FY 2019-20 is INR 4,948*

Earnings per equity share

	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
Basic earnings per share of INR 10 each	32	0.06	(184.91)
Diluted earnings per share of INR 10 each	32	0.06	(184.91)

Summary of significant accounting policies 2
The accompanying notes are an integral part of these standalone financial statements.

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

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Company Secretary
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Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 09 June 2020

Place: Varanasi & Chennai*
Date: 09 June 2020

Utkarsh CoreInvest Limited (Formerly known as Utkarsh Micro Finance Limited)
Cash flow statement for the year ending 31 March 2020
(All amounts are in Rupees millions unless otherwise stated)

	Note	For the year ended 31 March 2020	For the year ended 31 March 2019
A. CASH FLOW FROM OPERATING ACTIVITES			
Net Profit/(loss) before Tax		**20.26**	**(2,040.14)**
Adjustments for:			
Depreciation and amortisation		0.74	0.94
Loss on sale of property, plant and equipment		0.46	0.23
Finance cost on subordinated liabilities		-	784.72
Net loss on fair value changes		-	1,328.78
Dividend income		-	(0.80)
Interest income		(36.57)	(51.92)
Operating (Loss)/profit before Working Capital Changes		**(15.11)**	**21.81**
Adjustments for:			
Decrease/(Increase) in Other Financial Assets		32.15	(21.64)
Decrease in other non financial asset		0.10	45.55
(Decrease) in other financial liability		(0.31)	(13.53)
Increase in other non financial liability		0.16	0.12
(Decrease)/Increase in Provision		(0.86)	0.42
Cash Flow before taxation		**31.24**	**10.92**
Income Tax (paid)/ refund - Net		(11.25)	(30.25)
Net cash flow from operating activities		**4.89**	**2.48**
B. CASH FLOW FROM INVESTING ACTIVITIES			
Investments in subsidiaries		(601.48)	(14.65)
Net sale/(purchase) of mutual funds		0.22	(13.90)
Dividend income		-	0.80
Interest income		30.92	52.46
Net proceeds from sale of property, plant and equipments		0.40	0.05
Fixed deposits with maturity of more than three months		(128.32)	(25.00)
Net cash used in Investing Activities		**(698.26)**	**(0.24)**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Issue of Equity Shares		30.82	11.35
Net cash flow from Financing Activities		**30.82**	**11.35**
Net (Decrease)/Increase in Cash and Cash Equivalent Flow (A+B+C)		(662.55)	13.59
Opening Cash and Cash Equivalent	3	677.90	664.31
Closing Cash and Cash Equivalent	3	15.35	677.90
Summary of significant accounting policies	2		

The accompanying notes are an integral part of these standalone financial statements

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 09 June 2020

Place: Varanasi & Chennai*
Date: 09 June 2020

Utkarsh CoreInvest Limited (Formerly known as Utkarsh Micro Finance Limited)
Standalone statement of changes in equity for the year ended 31 March 2020
(Amount in millions unless otherwise stated)

A. Equity Share Capital

	Balance as at 31 March 2018	Changes during the year	Balance as at 31 March 2019	Changes during the year	Balance as at 31 March 2020
Paid up share capital	971.04	0.98	972.02	1.97	973.99
Less: Equity share capital classified as financial liability	(863.62)	863.62	-	-	-
	107.42	**864.60**	**972.02**	**1.97**	**973.99**

B.

Other Equity	Reserves and Surplus									Other comprehensive income		Total
	Share application money pending allotment	Equity component of financial instruments	Statutory reserve	Other Equity - Fair valuation changes	Capital redemption reserve	Securities premium	ESOP reserve	Treasury shares	Retained Earnings	Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss	Actuarial gain / loss on post employment defined benefit plan	Total
Balance as at 31 March 2018	**-**	**(109.01)**	**198.10**	**(6,069.06)**	**90.00**	**6,286.73**	**20.62**	**(4.18)**	**(1,295.44)**	**(174.65)**	**(0.05)**	**(1,056.94)**
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	(2,067.79)	14.03	(0.08)	(2,053.84)
Issue of equity shares	-	-	-	-	-	9.71	-	-	-	-	-	9.71
Transfer to / from retained earnings	-	-	9.13	-	-	-	-	-	(9.13)	-	-	-
Impact of extinguishment of financial liabilities and classification as equity (net of extinguishment loss of INR 7,719.04)	-	-	-	10,190.73	-	-	-	-	-	-	-	10,190.73
Share options exercised	-	-	-	-	-	5.87	(3.20)	(0.90)	-	-	-	1.77
Equity settled share based plan	-	-	-	-	-	-	34.58	-	-	-	-	34.58
Share application money received	0.66	-	-	-	-	-	-	-	-	-	-	0.66
Balance as at 31 March 2019	**0.66**	**(109.01)**	**207.23**	**4,121.67**	**90.00**	**6,302.31**	**52.00**	**(5.08)**	**(3,372.36)**	**(160.62)**	**(0.13)**	**7,126.66**
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	5.50	-	0.00	5.51
Share options exercised	-	-	-	-	-	32.36	(10.53)	1.35	-	-	-	23.18
Transfer to / from retained earnings	-	-	1.10	-	-	-	-	-	(1.10)	-	-	-
Equity settled share based plan	-	-	-	-	-	-	59.82	-	-	-	-	59.82
Shares issued	(0.66)	-	-	-	-		-		-	-	-	(0.66)
Share application money received	6.32	-	-	-	-	-	-	-	-	-	-	6.32
Balance as at 31 March 2020	**6.32**	**(109.01)**	**208.33**	**4,121.67**	**90.00**	**6,334.67**	**101.29**	**(3.73)**	**(3,367.96)**	**(160.62)**	**(0.13)**	**7,220.84**

Summary of significant accounting policies 2
The accompanying notes are an integral part of these standalone financial statements.

As per our report of even date attached

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 09 June 2020

Place: Varanasi & Chennai*
Date: 09 June 2020

(Amount in millions unless otherwise stated)

		As at 31 March 2020	As at 31 March 2019
3	**Cash and Bank Balances**		
	Cash and cash equivalents		
	Balances with Banks		
	- On current accounts	15.35	9.50
	- Deposits with original maturity of less than three months	-	668.39
	Total (A)	**15.35**	**677.89**
	Bank balance other than above		
	Deposits with maturities greater than three months	229.16	95.19
	Total (B)	**229.16**	**95.19**
	Grand Total (A) + (B)	**244.51**	**773.08**

Information about the Company’s exposure to credit risk is included in Note 34

		As at 31 March 2020	As at 31 March 2019
4	**Investments:**		
	Measured at fair value through profit or loss		
	Mutual funds	-	0.22
	Total (A)	**-**	**0.22**
	(i) Overseas Investments	-	-
	(ii) Investments in India	-	0.22
	Total (B)	**-**	**0.22**
	Less: Allowance for Impairment loss (C)	-	-
	Total (D) = (A)-(C)	**-**	**0.22**

Information about the Company’s exposure to fair value measurement, is included in Note 33

		As at 31 March 2020	As at 31 March 2019
5	**Other financial assets**		
	Receivable from Utkarsh Small Finance Bank Limited	7.09	21.64
	Other recoverables	0.01	0.01
	Total	**7.10**	**21.65**

Information about the Company’s exposure to credit risk is included in Note 34

		As at 31 March 2020	As at 31 March 2019
6	**Investments in subsidiaries**		
	Investment in -		
	- 759,272,222 (31 March 2019:736,995,406) Equity shares of Utkarsh Small Finance Bank Limited	7,815.59	7,171.89
	-50,000 (31 March 2019: 50,000) Equity shares of Utkarsh Welfare Foundation	0.50	0.50
		7,816.09	**7,172.39**

(Amount in millions unless otherwise stated)

7 Income tax

A. Amounts recognised in profit or loss

Particulars	Year ended 31 March 2020	Year ended 31 March 2019
Current tax expense	6.31	27.65
Tax for earlier years	8.45	-
Tax expense	**14.76**	**27.65**

B. Reconciliation of effective tax rate

Particulars	Year ended 31 March 2020		Year ended 31 March 2019	
	%	Amount	%	Amount
Profit before tax		20.26		(2,040.14)
Tax using the Company's domestic tax rate	25.17%	5.10	34.94%	(712.91)
Effect of:				
Permanent differences	3.53%	0.72	-36.29%	740.45
Tax for earlier years	41.70%	8.45		
Tax exempt income	0.00%	(0.00)	0.01%	(0.28)
Change in unrecognised temporary differences	1.81%	0.37	0.00%	0.09
Others	0.62%	0.13	-0.01%	0.28
Effective tax rate/tax expense	72.83%	14.76	-1.35%	27.65

C. Uncertain tax positions

The company does not have any income tax matter under dispute. Hence, there is no uncertain tax position taken by the Company.

D. Unrecognised deferred tax balances

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	As at 31 March 2020	As at 31 March 2019
Deductible temporary differences	0.46	83.51
Deferred tax on account of indexation on equity shares of investment in subsidiary	209.62	151.37
Total	**210.08**	**234.88**

(Amount in millions unless otherwise stated)

8 Property, Plant and Equipment

	Gross value				Depreciation				Net value
Particulars	**As at 31 March 2018**	**Additions**	**Disposals**	**As at 31 March 2019**	**As at 31 March 2018**	**For the year**	**Disposals**	**As at 31 March 2019**	**As at 31 March 2019**
Owned Assets									
Vehicles	4.76	-	0.40	4.36	1.01	0.94	0.12	1.83	2.53
Total	**4.76**	**-**	**0.40**	**4.36**	**1.01**	**0.94**	**0.12**	**1.83**	**2.53**

	Gross value				Depreciation				Net value
Particulars	**As at 31 March 2019**	**Additions**	**Disposals**	**As at 31 March 2020**	**As at 31 March 2019**	**For the year**	**Disposals**	**As at 31 March 2020**	**As at 31 March 2020**
Owned Assets									
Vehicles	4.36	-	2.40	1.96	1.83	0.73	1.42	1.14	0.83
Computers	-	0.10	-	0.10	-	0.00	-	0.00	0.09
Total	**4.36**	**0.10**	**2.40**	**2.06**	**1.83**	**0.74**	**1.42**	**1.14**	**0.92**

(Amount in millions unless otherwise stated)

		As at 31 March 2020	As at 31 March 2019
9	**Other non-financial assets**		
	Balance with tax authorities	8.23	8.23
	Staff advances	0.02	0.14
	Pre-paid expenses	0.26	0.24
	Total	**8.51**	**8.61**
10	**Other financial liabilities**		
	Security deposit from staff	-	0.03
	Employee benefits payable	0.94	0.62
	Expenses payable	2.42	3.02
		3.36	**3.67**

Information about the Company’s exposure to liquidity risk is included in note 34

		As at 31 March 2020	As at 31 March 2019
11	**Provisions**		
	Provision for employee benefits		
	Provision for gratuity	0.00	0.49
	Provision for leave benefits	0.18	0.55
	Total	**0.18**	**1.04**

Refer Note 28 for employee benefits

		As at 31 March 2020	As at 31 March 2019
12	**Other non-financial liabilities**		
	Statutory dues payable	0.39	0.23
		0.39	**0.23**

(Amount in millions unless otherwise stated)

		As at 31 March 2020	As at 31 March 2019
13	**Share capital**		
	Authorised		
	Equity shares		
	100,000,000 (31 March 2019: 100,000,000) Equity shares of INR 10 each	1,000.00	1,000.00
	Issued, subscribed and paid-up		
	Equity shares		
	97,398,806 (31 March 2019 - 97,201,786) equity shares of INR 10 each, fully paid up	973.99	972.02
		973.99	**972.02**

(a) Reconciliation of the number of shares outstanding is set out below:

	31 March 2020		31 March 2019	
	Number of shares (in units)	**Amount**	**Number of shares (in units)**	**Amount**
Outstanding as at the beginning of the year	9,72,01,786	972.02	9,71,04,098	971.04
Issued during the year	1,97,020	1.97	97,688	0.98
Outstanding at the end of the year	**9,73,98,806**	**973.99**	**9,72,01,786**	**972.02**

(b) Rights, preferences and restrictions attached to equity shares

The Company has single class equity shares having a par value of INR 10 per equity share. They entitle the holders to participate in the dividends in proportion to the number of shares held.
However, as per the Shareholders Agreement, in the event of liquidation, the net proceeds shall be distributed in the following manner:
- First preference shall be given to the Investors (ABF, AGIMDC II, AVMS, CDC, FCIEF II, FCIEF III, HDFC Ergo, HDFC Life, HDFC Ltd., Hero, ICICI Pru, IFC, JIF, Lok CGF, NMI, rAPM, RBL, Sarva Capital, SFRE-SICAV-SIF, Shriram and SIDBI), shareholders which have been allotted equity shares pursuant to ESOP plan 2010 and other shareholders (other than the shareholders which have been allotted equity shares pursuant to grant of employee stock option of the Company excluding ESOP Plan 2010)
- Second preference shall be with shareholders which have been allotted equity shares pursuant to grant of employee stock options of the Company (excluding ESOP Plan 2010) and sponsors of the Company.
- Remaining shareholders shall have third preference over the residual assets of the Company at the time of liquidation.

(c) Details of shareholder holding more than 5% shares is set below:

Equity shares	**As at 31 March 2020**		**As at 31 March 2019**	
Name of the shareholder	**Number of shares (in units)**	**% of Holding**	**Number of shares (in units)**	**% of Holding**
NMI Frontier Fund KS, Norway	77,02,602	7.91%	77,02,602	7.92%
CDC Group PLC	1,37,26,978	14.09%	1,37,26,978	14.12%
Faering Capital India Evolving FUND II	76,60,082	7.86%	76,60,082	7.88%
RBL Bank Limited	97,02,950	9.96%	97,02,950	9.98%
	3,87,92,612	**39.83%**	**3,87,92,612**	**39.91%**

(d) Shares reserved for issue under options - Refer Note 29 for details of shares to be issued under employee stock option plan.

(e) Pursuant to shareholder agreement Mr. Govind Singh or the Trust (RAAG FAMILY PRIVATE TRUST) has right to subscribe upto 2,566,969 equity shares of the Company at a price of INR 109.36.or its equivalent equity in Utkarsh Small Finance Bank Limited(USFBL).During the current year Mr. Govind Singh has exercised his right and USFBL has granted 2,00,18,918 shares of face value INR 10 each by way of ESOP under "Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020" on January 14, 2020, subject to RBI approval.

(f) Also refer Note 32.

(Amount in millions unless otherwise stated)

		As at 31 March 2020	As at 31 March 2019
14	**Other equity**		
	Capital redemption reserve		
	Balance as at the beginning of the year	90.00	90.00
	Add: Transfer from surplus in Statement of Profit and Loss	-	-
	Balance as at the end of the year	**90.00**	**90.00**
	Securities premium		
	Balance as at the beginning of the year	6,302.31	6,286.73
	Add: On issue of shares during the year	-	9.71
	Add: Transfer from stock option outstanding	32.36	5.87
	Balance as at the end of the year	**6,334.67**	**6,302.31**
	Employees stock options outstanding		
	Balance as at the beginning of the year	52.00	20.62
	Add: Compensation for options granted	59.82	34.58
	Exercise of stock options	(10.53)	(3.20)
	Balance as at the end of the year	**101.29**	**52.00**
	Equity component of financial instruments		
	Balance as at the beginning of the year	(109.01)	(109.01)
	Balance as at the end of the year	**(109.01)**	**(109.01)**
	Remeasurement of defined benefit plans		
	Balance as at the beginning of the year	(0.13)	(0.05)
	Other comprehensive income	0.00	(0.08)
	Balance as at the end of the year	**(0.13)**	**(0.13)**
	Statutory reserve		
	Balance as at the beginning of the year	207.23	198.10
	Add: Transferred from surplus	1.10	9.13
	Balance as at the end of the year	**208.33**	**207.23**
	Other Equity - Fair valuation changes		
	Balance as at the beginning of the year	4,121.67	(6,069.06)
	Add: Fair valuation of equity share capital (refer note 32)	-	17,909.77
	Less: Loss on extinguishment (refer Note 32)	-	(7,719.04)
	Balance as at the end of the year	**4,121.67**	**4,121.67**
	Retained earnings		
	Balance as at the beginning of the year	(3,372.36)	(1,295.44)
	Add: Profit/(loss) for the year	5.50	(2,067.79)
	Add: Amount transferred to statutory reserve (created under Section 45-1C of RBI Act, 1934)	(1.10)	(9.13)
	Balance as at the end of the year	**(3,367.96)**	**(3,372.36)**
	Share Application money pending allotment		
	Balance as at the beginning of the year	0.66	-
	Shares issued during the year	(0.66)	
	Share application money received during the year	6.32	0.66
		6.32	**0.66**
	Treasury shares		
	Balance as at the beginning of the year	(5.08)	(4.18)
	Treasury shares exercised during the year	1.35	(0.90)
	Balance as at the end of the year	**(3.73)**	**(5.08)**
	Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss		
	Balance as at the beginning of the year	(160.62)	(174.65)
	Total Comprehensive Income for the year	-	14.03
		(160.62)	**(160.62)**
	Total	**7,220.84**	**7,126.66**

Nature and purpose of other reserve :

Capital Redemption Reserve
Capital Redemption Reserve represents amount transferred from surplus in statement of profit and loss towards redemption of preference shares without fresh issue of capital, as was required under Companies Act, 2013.

Securities premium
Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

ESOP Reserve
The said amount is used to recognise the grant date fair value of options issued to employees under Utkarsh CoreInvest Ltd and its subsidiary Utkarsh Small Finance Bank.

Equity component of financial instruments
This represents the equity component of the financial liability created on account of classification of equity share capital as financial liability.

Remeasurement of defined benefit plans
Remeasurements of defined benefit plans represents the following as per Ind AS 19, Employee Benefits:
(a) actuarial gains and losses
(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)

Statutory reserve
The said reserve has been created under Section 45-IC of Reserve Bank of India Act, 1934. As per the said section, every Non-Banking Financial Company shall create a reserve fund and transfer a sum not less than 20% of net profit every year before declaration of dividend.

Other Equity - Fair valuation changes
The said reserve represents the premium amount paid by the shareholders transferred on account of reclassification of equity share capital as financial liabilities. During the previous year ended 31 March 2019, due to substantial modification of the shareholder agreement, the Company has reclassified the equity share capital from financial liability to equity. Accordingly, the amount debited to said reserve in the previous periods was credited. Further, on the date of said reclassification, the Company has recorded the equity at the fair valuation on the date of reclassification and accordingly, the impact of the same has been booked in other equity. Loss on extinguishment of financial liability has been recorded in the said reserve.

Retained Earnings
The said amount represents accumulated surplus/(deficit) of the profits earned by the Company.

Share Application money pending allotment
This amount represents amount received from share holders against which shares are yet to be allotted.

Treasury shares
The said amount represents shares issued to the ESOP trust and subsequently issued to the employees of the Company.

Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss
The said amount represents fair value changes on financial liabilities designated at fair value through profit or loss relating to own credit risk which is recognised in other comprehensive income.

(Amount in millions unless otherwise stated)

		For the year ended 31 March 2020	For the year ended 31 March 2019
15	**Other income**		
	Interest on financial assets at amortised cost	36.57	51.92
	Dividend income from current investments	-	0.80
	Recovery from written off portfolio	24.70	49.95
	Miscellaneous income	0.79	0.19
	Total	**62.05**	**102.86**
16	**Finance cost**		
	On Financial liabilities measured at fair value through profit or loss		
	- Interest on subordinated liabilities	-	784.72
	Total	**-**	**784.72**
17	**Net gain/ (loss) on fair value changes**		
	Net loss on financial instruments at fair value through profit or loss	-	(1,328.78)
	Total Net gain/(loss) on fair value changes	**-**	**(1,328.78)**
	Fair value changes :		
	- Realised	-	-
	- Unrealised*	-	(1,328.78)
	Total Net gain/(loss) on fair value changes	**-**	**(1,328.78)**
	* the said instruments have been settled in the previous year.		
18	**Employee benefit expenses**		
	Salaries and bonus	8.28	4.84
	Contribution to provident and other funds	0.50	0.11
	Share based payment to employees	0.22	-
	Staff welfare expenses	-	0.50
	Total	**9.00**	**5.45**
19	**Depreciation**		
	Depreciation of property, plant and equipment	0.74	0.94
	Total	**0.74**	**0.94**
20	**Other expenses**		
	Repairs and maintenance	0.08	0.04
	Contribution towards Corporate Social Responsibilities (refer note 21 below)	4.00	10.20
	Legal and professional charges (Refer note 22 on auditor remuneration below)	17.57	9.87
	Loss on sale of property, plant and equipment	0.46	0.23
	Director sitting fees	1.32	0.47
	RBI Compounding fees	4.31	-
	Miscellaneous expenses #	3.38	2.30
	Lease rent *	0.93	-
	Total	**32.05**	**23.11**

* Represents lease rentals for short term leases in the current year
# Includes INR 1.2 (31 March 2019 INR 0.5) for director travel

		For the year ended 31 March 2020	For the year ended 31 March 2019
21	**Details of corporate social responsibility expenditure**		
	Average net profit of the Company for last three financial years	(512.96)	(275.19)
	Prescribed CSR expenditure to be spent (2% of the average net profit)	Nil	Nil
	Amount spent	4.00	10.20
	Amount unspent	Nil	Nil

As per Section 135 of the Companies Act 2013, the Company has formed a CSR Committee of the Board of Directors. The CSR Committee has also approved a CSR Policy where certain focus areas out of list of activities covered in Schedule VII of the Companies Act 2013, has been identified.

		For the year ended 31 March 2020	For the year ended 31 March 2019
22	**Auditors remuneration (Included in legal and professional charges, excluding taxes)**		
	Payments to auditor (excluding tax)		
	- Statutory auditor	1.80	2.05
	- Other services	0.40	0.20
	- Reimbursement of expenses	0.06	0.06
	Total	**2.26**	**2.31**

(Amount in millions unless otherwise stated)

23 Amounts payable to Micro and Small enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2020 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Particulars	As at 31 March 2020	As at 31 March 2019
Principal amount remaining unpaid to any supplier as at the end of the year.	0.8	Nil
Interest due thereon remaining outstanding as at the end of the year.	Nil	Nil
The amount of interest paid by the buyer as per Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
The amount of the payments made to micro and small suppliers beyond the appointed date during each accounting year.	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the accounting year.	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil

24 A. Contingent liabilities

Details of Provident fund contribution as per Supreme Court Judgement

“The Supreme Court of India in its judgement in the case of THE REGIONAL PROVIDENT FUND COMMISSIONER (II) WEST BENGAL v/s VIVEKANANDA VIDYAMANDIR AND OTHERS on February 28, 2019 has clarified that any emolument paid universally, necessarily and ordinarily to all employees across the board is to be considered as basic wage and accordingly needs to be considered for calculation of Provident Fund contribution. The Company would record any further effect in its financial statements, in the period in which it receives additional clarity on the said subject, if necessary and the effect of this order has been taken into effect from 1 April 2019.”

Claims against the company not acknowledged as debts in respect of Income Tax is INR 114.30 (31 March 2019: INR Nil).

B. Commitments

There are no commitments as at 31 March 2020 and 31 March 2019.

C. Contingent assets

There are no contingent assets as at 31 March 2020 and 31 March 2019 .

25 Details of pending litigations

	As at 31 March 2020	As at 31 March 2019
Proceedings by Company against theft	2.51	2.51

An amount of INR 0.14 (31 March 2019: 0.14) has been recovered in earlier years and INR 2.37 (31 March 2019 : 2.37) is yet to be recovered. The total unrecovered amount is written off in the previous years.

(Amount in millions unless otherwise stated)

26 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

		As at 31 March 2020			As at 31 March 2019		
		Within 12 months	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
(I)	**Assets**						
A	**Financial assets**						
	Cash and cash equivalents	15.35	-	15.35	677.89	-	677.89
	Bank balance other than above	144.16	85.00	229.16	95.19	-	95.19
	Investments	-	-	-	0.22	-	0.22
	Other financial assets	7.10	-	7.10	21.65	-	21.65
	Total financial assets	**166.61**	**85.00**	**251.61**	**794.95**	**-**	**794.95**
B	**Non-financial assets**						
	Investment in subsidiary	-	7,816.09	7,816.09	-	7,172.39	7,172.39
	Current tax assets (net)	-	121.63	121.63	136.22	-	136.22
	Property, plant and equipment	-	0.92	0.92	-	2.53	2.53
	Other non-financial assets	8.51	-	8.51	8.61	-	8.61
	Total non-financial assets	**8.51**	**7,938.64**	**7,947.15**	**144.83**	**7,174.92**	**7,319.75**
	Total Assets	**175.12**	**8,023.64**	**8,198.76**	**939.78**	**7,174.92**	**8,114.70**
(II)	**Liabilities**						
A	**Financial liabilities**						
	Other financial liabilities	3.36	-	3.36	3.67	-	3.67
B	**Non-financial liabilities**						
	Provisions	0.18	-	0.18	1.04	-	1.04
	Current tax liabilities (net)	-	-	-	11.08	-	11.08
	Other non-financial liabilities	0.39	-	0.39	0.23	-	0.23
	Total financial liabilities	**3.93**	**-**	**3.93**	**16.02**	**-**	**16.02**
	Total Liabilities	**3.93**	**-**	**3.93**	**16.02**	**-**	**16.02**
	Net	**171.19**	**8,023.64**	**8,194.83**	**923.76**	**7,174.92**	**8,098.68**

27 Segment reporting

The Board of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, "Operating Segments." The Company's operating segments are established in the manner consistent with the components of the Company that are evaluated regularly by the Chief Operating Decision Maker as defined in 'Ind AS 108 - Operating Segments.' As the Company is not having any commercial operations, hence there are no separate reportable segments as per Ind AS 108.

Information about products and services:
The Company does not have any commercial operations. Hence, the said disclosure is not applicable.

Information about geographical areas:
The Company does not have any commercial operations. Hence, the said disclosure is not applicable.

Information about major customers (from external customers):
The Company does not have any commercial operations. Hence, the said disclosure is not applicable.

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(Amount in millions unless otherwise stated)

28 Employee benefits

The Company operates the following post-employment plans -

i. Defined Benefit plan

Gratuity

Every employee is entitled to a benefit equivalent to 15 days salary last drawn for each completed year of service in line with the payment of Gratuity Act, 1972. The same is payable at the time of separation from the Company or retirement, whichever is earlier.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2020. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

	31 March 2020	31 March 2019
Net defined benefit liability	0.00	0.49

A) Funding

The scheme is fully funded with Life Insurance Corporation of India (LIC). The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in Section D below. Employees do not contribute to the plan.

Expected contributions to gratuity plan for the year ending 31 March 2021 is INR 0.12

B) Reconciliation of the net defined benefit (asset) / liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

	As at 31 March 2020			As at 31 March 2019		
	Defined benefit obligation	**Fair value of plan assets**	**Net defined benefit (asset)/ liability**	**Defined benefit obligation**	**Fair value of plan assets**	**Net defined benefit (asset)/ liability**
Balance at the beginning of the year	0.50	0.01	0.49	0.41	0.01	0.40
Included in profit or loss						
Current service cost	0.11		0.11	0.00	-	-
Past Service cost	0.10	0.10	(0.00)	0.00	-	-
Interest cost (income)	0.05	0.01	0.04	0.01	0.01	(0.00)
Total (A)	**0.26**	**0.11**	**0.15**	**0.01**	**0.01**	**(0.00)**
Included in Other comprehensive income						
Remeasurements loss (gain)						
– Actuarial loss (gain) arising from:						
- demographic assumptions	(0.37)		(0.37)	-	-	-
- financial assumptions	0.38		0.38	0.08	-	0.08
- experience adjustment	0.01		0.01	0.00	-	0.00
– Return on plan assets excluding interest income		0.02	(0.02)	-	(0.00)	0.00
Total (B)	**0.02**	**0.02**	**(0.00)**	**0.08**	**(0.00)**	**0.09**
Other						
Contributions paid by the employer	-	0.63	(0.63)	-	0.00	(0.00)
Total (C)	**-**	**0.63**	**(0.63)**	**-**	**0.00**	**(0.00)**
Balance at the end of the year	**0.77**	**0.77**	**0.00**	**0.50**	**0.01**	**0.49**

C. Plan assets

	31 March 2020	31 March 2019
Insurer managed funds	100%	100%

The Company has purchased insurance policy, which is basically a year-on-year cash accumulation plan in which the interest rate is declared on yearly basis and is guaranteed for a period of one year. The insurance Company, as part of the policy rules, makes payment of all gratuity outgoes happening during the year (subject to sufficiency of funds under the policy). The policy, thus, mitigates the liquidity risk. However, being a cash accumulation plan, the duration of assets is shorter compared to the duration of liabilities. Thus, the Company is exposed to movement in interest rate (in particular, the significant fall in interest rates, which should result in a increase in liability without corresponding increase in the asset).

(Amount in millions unless otherwise stated)

D. Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	31 March 2020	31 March 2019
Discount rate	5.40%	7.60%
Future salary growth	7% for first two years and 9% thereafter	9.00%
Withdrawal rate:		
All ages	12% - 31.90%	2.00%
Retirement Age (in year)	60	60-65
Mortality	Indian Assured Lives Mortality (2012-14)	Indian Assured Lives Mortality (2006-08)

Discount rate: The rate used to discount post-employment benefit obligations is determined by reference to market yields at the balance sheet date on government bonds. The currency and term of the government bonds is consistent with the currency and estimated term of the post-employment benefit obligations.

Salary escalation rate: Salary increase takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

E. Sensitivity analysis of significant assumptions

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

	31 March 2020		31 March 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(0.05)	0.06	(0.10)	0.13
Salary growth rate (1% movement)	0.05	(0.05)	0.07	(0.07)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

F. Expected maturity analysis of the defined benefit plans in future years

	31 March 2020	31 March 2019
0 to 1 Year	0.11	0.01
1 to 5 Year	0.33	0.05
5 Year onwards	0.80	3.09
Total	**1.24**	**3.15**

As at 31 March 2020, the weighted-average duration of the defined benefit obligation was 7 years (31 March 2019: 25 years)

G. Description of risk exposures

Investment risk
The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Interest risk (discount rate risk)
Interest Rate risk: The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability.

Mortality risk
The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants. For the current year, we have used Indian Assured Lives Mortality (2012-14) ultimate table and in the previous year, Indian Assured Lives Mortality (2006-08) had been used.

A change in mortality rate will have a bearing on the plan's liability.

Salary risk
The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liabilty.

ii. Defined contribution plan

The Company makes monthly contribution towards Provident Fund which is a defined contribution plan. The Company has no obligations other than to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. The amount recognised as expense towards such contribution are as follows:

	Year ended 31 March 2020	Year ended 31 March 2019
Provident fund	0.35	0.11

iii. Other long-term benefits

The Company provides compensated absences benefits to the employees of the Company which can be carried forward to future years. Amount recognised in the Statement of Profit and Loss for compensated absences is as under-

	Year ended 31 March 2020	Year ended 31 March 2019
Amount recognised in Statement of Profit and Loss		
Provision for leave encashment	0.43	0.09

(Amount in millions unless otherwise stated)

29 Employee stock options

A Description of share-based payment arrangements

The Company has formulated an Employees Stock Option Scheme to be administered through a Trust. The Scheme is applicable to all the eligible employees of the Company and its subsidiary Companies ('Group'). The scheme provides that subject to continued employment with the company, the employees are granted an option to acquire equity shares of the Company that may be exercised within a specified period.
The Company formed Utkarsh ESOP Welfare Trust ('Trust') to issue ESOPs to employees of the Company as per Employee Stock Option Scheme. Total 1,200,000 equity shares has been reserved under ESOP scheme 2016 and pursuant to Shareholder agreement executed in the year 2016-17 additional 5,989,594 equity shares has been reserved for the purpose of ESOP scheme.
The trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the compensation committee. The Trust in turn allots the shares to employees on exercise of their right against cash. The compensation costs of stock options granted to employees are accounted by the Company using fair value method.
The Trust does not have any transactions/activities other than those mentioned above, hence it is treated as a part of the Company and gets consolidated with the standalone books of the Company.
The Company granted 1,836,225 (31 March 2019: 1,806,725) options to the employees of the Company which are not routed through the Trust.
The options vested shall be exercised within a period of 24 months from the date of vesting. The plan shall be administered, supervised and implemented by the Compensation Committee under the policy and frame work laid down by the Board of Directors of the Company in accordance with the authority delegated to the Compensation Committee in this regard from time to time.
The said ESOP scheme is an equity settled scheme as the same would lead to a settlement in its own equity instruments.

These options shall vest on graded basis as follows:

Time period	Percentage	Vesting condition
On completion of 1 year	25%	Service
On completion of 2 years	25%	Service
On completion of 3 years	25%	Service
On completion of 4 years	25%	Service

B Reconciliation of outstanding share options

Set out below is a summary of options granted under the plan

	31 March 2020		31 March 2019	
	Number of share options (in Units)	Average exercise price per share	Number of share options (in Units)	Average exercise price per share
Outstanding options at the beginning of the year	25,48,234	57.55	13,03,904	80.43
Add: Granted during the year	18,36,225	109.36	18,06,725	109.36
Less: Lapsed/forfeited during the year	2,06,874	108.18	3,43,132	103.30
Less: Exercised during the year	3,26,101	73.01	2,19,263	62.94
Outstanding options at the end of the year	**38,51,484**	**105.89**	**25,48,234**	**99.37**
Options vested and exercisable at the end of the year	9,34,521	95.06	2,14,189	57.55

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2020 was INR 78.54 (31 March 2019 - 64.69).

C

Share options outstanding at the end of the year have the following contractual expiry date and exercise options

Grant date	Expiry date	Exercise price	No of options outstanding As at 31 March 2020	No of options outstanding As at 31 March 2019
1 April 2014	1 April 2016 - 1 April 2019	21.60	9,750	28,747
1 April 2015	1 April 2017 - 1 April 2020	21.60	39,824	97,679
1 April 2016	1 April 2018 - 1 April 2021	21.60	1,02,692	1,63,696
1 April 2017	1 April 2019 - 1 April 2022	109.36	5,20,475	6,49,687
1 April 2018	1 April 2020 - 1 April 2023	109.36	13,98,768	16,08,425
1 June 2019	1 June 2021 - 1 June 2024	109.36	17,79,975	-
Weighted average remaining contractual life of options outstanding at the end of the year			4.23 years	4.46 years

D Measurement of Fair values

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option on the grant date ranged between INR 13.95 - 67.99
The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plans are as follows:

Grant date	Expiry date	Historical volatility	Exercise price	Share price	Risk free rate	Fair value
1 April 2014	1 April 2016 - 1 April 2019	33.83%	21.6	28.72	8.81%	11.57 - 16.12
1 April 2015	1 April 2017 - 1 April 2020	43.09%	21.6	45.51	7.74%	27.54 - 32.21
1 April 2016	1 April 2018 - 1 April 2021	52.41%	21.6	71.4	7.46%	53.15 - 57.95
1 April 2017	1 April 2019 - 1 April 2022	30.91%	109.36	82.19	6.68%	9.54 - 23.70
1 April 2018	1 April 2020 - 1 April 2023	29.51%	109.36	107.19	7.40%	23.88 - 42.55
1 June 2019	1 June 2021 - 1 June 2024	19.60%	109.36	132.13	7.03%	49.31 - 67.99

The dividend yield has been taken as 0% in all the fair value calculations as Company has never distributed dividend in the past and does not intend to distribute its earnings in the foreseeable future.

E. Expense recognised in statement of profit and loss

For details on the employee benefits expense, refer Note 18

As the scheme is applicable to all the employees of the group, the Company has made a cross charge to Utkarsh Small Finance Bank for the ESOP expense incurred by the Company on behalf of Utkarsh Small Finance Bank.

(Amount in millions unless otherwise stated)

30 Related party disclosure

i. Name of the related party and nature of relationship:-

A. Name of the Related Party — Nature of Relationship

a. Key managerial personnel

Name of the Related Party	Nature of Relationship
i Mr. Raghvendra Singh	– Managing Director and CEO (resigned from the post of MD & CEO on 16 March 2019)
ii Mr. Ashwani Kumar	– Managing Director & CEO (w.e.f. 19 March 2019)
iii Mr. G.S. Sundararajan	– Director
iv Mr. Gaurav Malhotra	– Additional Director
v Mr. Abhisheka Kumar	– Ceased to be Director (w.e.f. 25 May 2018)
vi Mr. Atul	– Director
vii Ms. Ramni Nirula	– Director
viii Mr. Harjeet Toor	– Nominee Director
ix Mr. Aditya Deepak Parekh	– Nominee Director
x Mr. Vishal Mehta	– Nominee Director

b. Subsidiaries

Utkarsh Small Finance Bank Limited
Utkarsh Welfare Foundation

B. Related party transactions during the year and balance receivable from and payable to related parties as at the balance sheet date:

Name of related party	Nature of transaction	Year ended 31 March 2020	Year ended 31 March 2019
Utkarsh Welfare Foundation	(i) Contribution towards CSR activities	4.00	10.2
Utkarsh Small Finance Bank Limited (SFB)	(i) Convestion of CCD's to equity shares	-	2,670.00
	(ii)Transactions (collection and payment) carried out on behalf of Bank, net	23.54	35.91
	(iii)ESOP cost cross charge	17.37	1.40
	(iv) Fixed deposits placed during the year	2,085.90	3,972.67
	(v) Fixed deposits matured during the year	2,621.18	3,911.59
	(vi)Interest received	44.46	51.92
	(vii) Service Charge on Collection	0.25	-
	(viii) Right Issue subscribed	600.00	-
	(ix) Rent Paid	0.93	-
Key Managerial Personnel	(i) Purchase of Securities	0.03	-

C. Compensation of key managerial personnel

	As at 31 March 2020	As at 31 March 2019
Short-term employee benefits		
Raghvendra Singh	-	1.82
Ashwani Kumar	2.49	0.13
Post-employment defined benefit plan		
Ashwani Kumar	0.47	0.37
Other long term benefits		
Ashwani Kumar	0.60	0.43
Share-based payments		
Ashwani Kumar	0.15	-
Sitting fees		
GS Sundararajan	0.42	0.14
Atul	0.54	0.17
Ramni Nirula	0.35	0.17
	5.03	**3.23**

Terms and conditions
All transactions with these related parties are priced on an arm's length basis and at normal commercial terms.

D. (Payable)/ receivables as at balance sheet date:

Name of related party	As at 31 March 2020	As at 31 March 2019
Utkarsh Small Finance Bank Ltd. - Investment in FDR	221.00	756.28
Utkarsh Small Finance Bank Ltd. - Current Account	12.35	2.45
Utkarsh Small Finance Bank Ltd. - Other receivables/(Payables)	7.00	28.33

(Amount in millions unless otherwise stated)

31 Earnings per share

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
a) Basic earning per share		
Profit/(loss) after tax	5.50	(2,067.79)
Weighted average number of equity shares outstanding during the year – Basic	9,69,21,588	1,11,82,743
b) Diluted		
Profit/(loss) after tax	5.50	(2,067.79)
Weighted average number of equity shares outstanding during the year – Basic	9,69,21,588	1,11,82,743
Add: Weighted average number of potential equity shares on account of employee stock options	9,49,175	14,99,404
Weighted average number of equity shares outstanding during the year – Diluted	9,78,70,763	1,26,82,147
Earnings per share		
Basic – par value of INR 10 each	0.06	(184.91)
Diluted - par value of INR 10 each	0.06	(184.91)

Note: The options which are not exercised have anti-dilutive effect on loss per share and accordingly basic loss per share is considered as dilutive loss per share

32 Treatment of share capital classified as liability in the books of accounts and subsequently reclassified as equity share capital on substantial modification

Prior to 28 March 2019, as per the shareholder agreement, the investor had the right to require the Company/Sponsors to buy back/purchase the entire securities if there is a failure of Company to provide an exit via secondary sale or listing. Since, the secondary sales and holding of the IPO event is outside the control of the Company and in case the investors decide to exit through buy back of the shares by the Company, then the Company shall not have any unconditional right to avoid the payment to the investors.

As at 28 March 2019, due to substantial modification in the share holder agreement, the buy back clause has been removed. Hence, the share capital earlier classified as subordinate liability has been reclassified as share capital in the books of the Company. Accordingly, there is no subordinate liability relating to equity shares as at 31 March 2019.

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(Amount in millions unless otherwise stated)

33 Financial instruments - fair value and risk management

A. Financial instruments by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

	As at 31 March 2020		
	FVTPL	**FVTOCI**	**Amortised cost**
Financial assets:			
Cash and cash equivalents	-	-	15.35
Bank balance other than above	-	-	229.16
Other financial assets	-	-	7.10
	-	**-**	**251.61**
Financial liabilities:			
Other financial liabilities	-	-	3.36
	-	**-**	**3.36**

	As at 31 March 2019		
	FVTPL	**FVTOCI**	**Amortised cost**
Financial assets:			
Cash and cash equivalents	-	-	677.89
Bank balance other than above	-	-	95.19
Investments	0.22	-	-
Other financial assets	-	-	21.65
	0.22	**-**	**794.73**
Financial liabilities:			
Other financial liabilities	-	-	3.67
	-	**-**	**3.67**

B. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:
Financial assets and liabilities measured at fair value - recurring fair value measurements

Financial assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2020	**Amortised cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					
Cash and cash equivalents	15.35	-	-	15.35	15.35
Bank balance other than above	229.16	-	-	229.16	229.16
Other financial assets	7.10	-	-	7.10	7.10
	251.61	**-**	**-**	**251.61**	**251.61**
Financial liabilities:					
Other financial liabilities	3.36			3.36	3.36
	3.36	**-**	**-**	**3.36**	**3.36**

Financial assets measured at fair value - recurring fair value measurements

As at 31 March 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:				
Investments	-	0.22	-	0.22
	-	**0.22**	**-**	**0.22**

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2019	**Amortised cost**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets:					
Cash and cash equivalents	677.89	-	-	677.89	677.89
Bank balance other than above	95.19	-	-	95.19	95.19
Other financial assets	21.65	-	-	21.65	21.65
	794.73	**-**	**-**	**794.73**	**794.73**
Financial liabilities:					
Other financial liabilities	3.67	-	-	3.67	3.67
	3.67	**-**	**-**	**3.67**	**3.67**

The respective carrying values of certain on-balance sheet financial instruments approximated their fair value. These financial instruments include cash in hand, balances with other banks and certain other financial assets and liabilities. Carrying values were assumed to approximate fair values for these financial instruments as they are short-term in nature and their recorded amounts approximate fair values or are receivable or payable on demand.

(Amount in millions unless otherwise stated)

C. Valuation framework

The finance department of the Company includes a team that performs the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3 : If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Bank develops Level 3 inputs based on the best information available in the circumstances.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

i) Level 3 fair values
Reconciliation of Level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

Particulars	**Subordinated liabilities**	**Investment in .01% CCD**
Balance as at 1 April 2018	**8,954.88**	**2,475.09**
Total gain or losses:		
- in profit or loss	(5,605.54)	(45.60)
- in OCI	(14.03)	-
Settlement	(3,335.31)	(2,429.49)
Balance as at 31 March 2019	-	-

Total gain or losses for the year in the above table are presented in the statement of profit or loss and OCI as follows :

Particulars	**Subordinated liabilities**	**Investment in .01% CCD**
Total gain or losses recognised in profit or loss :		
- Net fair value change from financial instruments carried at fair value	1,328.78	(45.60)
- Finance cost	784.72	-
Total gain or losses recognised in OCI :		
- Fair value reserve (debt instruments) - net change in fair value	(14.03)	-
Profit or loss - attributable to the change in unrealised gain and losses relating to assets and liabilities held at the end of the year:		
- Net fair value change from financial instruments carried at fair value	-	-

ii) Significant unobservable inputs used

Type	**Valuation technique**	**Significant unobservable input**
Investment in Compulsory Convertible Debenture ('CCD')	Discounted free cash flow method	Terminal growth rate - 2% Premium over market return - 5%
Subordinated liabilities	Linear interpolation	Volatility - 35%

(Amount in millions unless otherwise stated)

34 Financial risk management

The Company's activities exposure is to credit risk, liquidity risk, market risk and operational risk.

A. Risk management framework

(a) Risk management structure and Company's risk profile

The Company’s board of directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company’s risk management policies. The committee reports regularly to the board of directors on its activities.

Efficient and timely management of risks involved in the Company's activities is critical for the financial soundness and profitability of the Company. Risk management involves the identifying, measuring, monitoring and managing of risks on a regular basis. The objective of risk management is to increase shareholders' value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the Company employs leading risk management practices and recruits skilled and experienced people.

The Company’s risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company’s activities. The company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company’s audit committee oversees how management monitors compliance with the Company’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

B. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's investment in debentures, cash and cash equivalents, other bank balances, etc.

The carrying amounts of financial assets represent the maximum credit risk exposure.

Cash and bank balances

Cash and bank balances of the Company are held with banks which have high credit rating. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

C. 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, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Exposure to liquidity risk
The following are the remaining contractual maturities of financial labilities at the reporting date. The amount are gross and undiscounted.

As at 31 March 2020	Contractual cash flows						
	Carrying amount	Gross nominal inflow/ (outflow)	6 month or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non - derivative financial liabilities							
Other financial liabilities	3.36	(3.36)	(3.36)				

As at 31 March 2019	Contractual cash flows						
	Carrying amount	Gross nominal inflow/ (outflow)	6 month or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non - derivative financial liabilities							
Other financial liabilities	3.67	(3.67)	(3.67)	-	-	-	-

D. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The company is not exposed to any currency risk as Company does not have any foreign currency transactions during the current year and comparative year.

(ii) Interest rate risk

The Company does not have any borrowings

Exposure to interest rate risk
The interest rate profile of the Company's interest-bearing financial instruments as reported to the management is as follows:

Particulars	31 March 2020	31 March 2019
Fixed rate instruments		
Financial assets	244.51	773.30
Financial liabilities	-	-

(iii) *Legal and operational risk*

a *Legal risk*
Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

The Company has developed preventive controls and formalised procedures to identify legal risks so that potential losses arising from non-adherence to laws and regulations, negative publicity, etc. are significantly reduced. The Company also has well established legal procedures to scrutinise product offerings and manage risks arising out of its transactions.

b *Operational*
Operational risk is the exposure to loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company has clearly defined operations procedures for each of its products and services. It also has advanced computer systems that enable it to run operations with speed and accuracy.

The operational risk department operates independently from other units of the Company and reports directly to the Audit Committee, which consists of members of the Board. It conducts regular reviews of all business areas of the Company and reports control deficiencies and exceptions to the Company's policies and procedures. It also recommends measures to mitigate operational risk, which are implemented by management immediately.

(Amount in millions unless otherwise stated)

35 Capital management

The basic approach of capital adequacy framework is that, a financial institution should have sufficient capital to absorb shocks on account of any unexpected losses arising from the risks in its business.

As per RBI guidelines, the Company is required to maintain a minimum capital to risk weighted asset ratio. Capital management entails optimal utilization of scarce capital to meet extant regulatory capital requirements. The Company has put in place an appropriate Risk Appetite framework and computes its capital requirements and adequacy as per extant regulatory guidelines. Going forward, attempt shall be made to strengthen Capital allocation practices and enhance efficiency of capital.

i. Regulatory capital

The Company's regulatory capital consists of the sum of the following elements :

- Common equity Tier 1 (CET1) capital, which includes ordinary share capital, related share premiums, retained earnings and reserves after adjustment for dividend declared and deduction for goodwill, intangible assets and other regulatory adjustments relating to items that are not included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes preference shares, qualifying subordinated liabilities and any excess of impairment over expected losses.

	As at 31 March 2020	As at 31 March 2019
Common equity Tier 1 (CET1) capital		
Paid up share capital	973.99	972.02
Capital redemption reserve	90.00	90.00
Securities premium account	6,334.67	6,299.63
(Deficit)/Surplus in statement of Profit and loss account	(3,367.96)	(3,372.34)
Statutory reserve	208.33	207.23
ESOP outstanding account	97.57	49.59
Prepaid expenditure	(0.26)	(0.24)
	4,336.34	**4,245.88**
Tier 2 capital instruments	-	-
Less: Investment in excess of 10% of Own fund	-	-
	4,336.34	**4,245.88**
Total regulatory capital	4,336.34	4,245.88
Risk weighted assets	7,824.11	7,196.79
CRAR (%) - Refer note 39 (a)	55.42%	59.00%
CRAR -Tier I Capital (%)	55.42%	59.00%
CRAR -Tier II Capital (%)	0%	0%

ii. Capital allocation

Management uses extant regulatory capital ratios to monitor its capital base. The amount of capital allocated to each operation or activity is based primarily on regulatory capital requirements. Theoretically, maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Company to particular operations or activities. Going forward, capital allocation for various lines of business and activities shall be attempted, as part of annual business plan based on synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Company's longer-term strategic objectives.

36 During the previous year, the Company received a letter from Ministry of Finance, Department of Economic Affair (FDI Section) (MoF) directing Company to approach Reserve Bank of India (RBI) for compounding for regularization of past foreign investments made in the Company (including share transfer among non-residents) without Government Approval, subsequent to change in status of the Company from NBFC-MFI to a Core Investment Company pursuant to transfer of micro finance business to Utkarsh Small Finance Bank in January 2017, resulting in contravention of Foreign Exchange Management Act regulations. The Company filed an application before MoF for compounding. In the current year, MoF directed the Company to approach RBI on the aforesaid matter for compounding, which the Company did vide its application dated June 13, 2019, duly representing the matter. RBI has accepted the application and issued the order on dated Nov 18, 2019 levying a compunding fees of INR 4.30 mn. on the Company against the settlement of the said matter.

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

Rent expense recognised in the statement of profit and loss on account of short term exemption is INR 1

38 Application for approval of the composite scheme of arrangement between the Company (UCL), its respective shareholders and Utkarsh Small Finance Bank Limited (USFBL), its subsidiary company under Section 230 and other applicable provisions of the Companies Act, 2013, was filed with the National Company Law Tribunal, bench at Allahabad ("NCLT") on 25 October 2019.

The proposed arrangement envisages the reduction in the face value of the equity share capital of the USFBL and for the issuance and allotment of fully paid-up equity shares of USFBL to the shareholders of UCL from the reserves created from such reduction in the face value of the equity share capital of USFBL.

The Proposed Arrangement is expected to:
a. Achieve partial satisfaction in the process of compliance of the conditions laid down by RBI in relation to the shareholding of the USFBL (i.e., by dilution of UCL's shareholding in USFBL from one hundred per cent. (100%) to fifty per cent. (50%)); and
b. Provide shareholders of UCL with direct shareholding in USFBL, which is presently held through UCL. Consequently, the shareholders of UCL can take independent decisions with respect to their holdings in UCL and USFBL.

The Proposed Arrangement is purely amongst the Companies and their respective shareholders and there is no compromise or arrangement contemplated with any creditor or depositors of the Companies, nor will the Scheme involve any paring of liabilities (other than shareholders liabilities pursuant to the reduction in the face value of the equity share capital of USFBL).

The Company is yet to receive the approval from National Company Law Tribunal, Allahabad.

(Amount in millions unless otherwise stated)

39 Additional Disclosures as required by Reserve Bank of India (RBI)

a) Capital to Risk Asset Ratio (CRAR)

Particulars	As at 31 March 2020	As at 31 March 2019
i) CRAR % (refer Note below)	55.42%	59.00%
ii) CRAR – Tier I Capital (%)	55.42%	59.00%
iii) CRAR – Tier II Capital (%)	0.00%	0%
iv) Amount of sub-ordinated debt raised as Tier II capital	Nil	Nil
v) Amount raised by issue of Perpetual Debt Instruments	-	-

Note:
The CRAR as at 31 March 2020 disclosed above is as per RBI circular "DNBS (PD) CC No.393/ 03.02.001/ 2014-15 dated 1 July 2014, Master Circular– Regulatory Framework for Core Investment Companies (CICs)".

CRAR% as at 31 March 2020 has been calculated without considering the fair value changes in other equity as part of free reserves. If the Company consider the fair value changes in other equity and equity component of financial instruments, the CRAR% as at 31 March 2020 will be 106.71%.

b) The Company has the following direct exposure to real estate sector:

Particulars	As at 31 March 2020	As at 31 March 2019
Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	-	-

c) Maturity pattern of certain items of assets and liabilities:

Particulars (31 March 2020)	1 day to 30/31 days (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Borrowings	-	-	-	-	-	-	-	-
Advances	-	-	-	-	-	-	-	-
Deposits accepted	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	7,971.93

Particulars (31 March 2019)	1 day to 30/31 days (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Borrowings	-	-	-	-	-	-	-	-
Advances	-	-	-	-	-	-	-	-
Deposits accepted	-	-	-	-	-	-	-	-
Investments	0.20	-	-	-	-	-	-	7,172.39

d) Investments:

Particulars	31 March 2020	31 March 2019
Value of Investments		
(i) Gross Value of Investments		
(a) in India	7,971.93	7,172.61
(a) outside India,	-	-
(ii)Provisions for Depreciation		
(a) in India	-	-
(a) outside India,	-	-
(iii)Net Value of Investments		
(a) in India	7,971.93	7,172.61
(a) outside India,	-	-
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	-	-

e) Provision and contingency

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Provisions for depreciation on Investment	-	-
Provision towards NPA	-	-
Provision made towards Income tax	147.60	27.65
Provision for Standard Assets	-	-

f) Draw down from Reserves

There has been no draw down from reserves during the year ended 31 March 2020 (previous year: Nil).

g) Concentration of Advances, Exposures and NPAs

Particulars	As at 31 March 2020	As at 31 March 2019
Concentration of Advances		
Total advances to twenty largest borrowers	-	-
(%)of advances to twenty largest borrowers to total advances	-	-

(Amount in millions unless otherwise stated)

h) Sector wise Non-Performing Assets (NPA)

Sector	Percentage of NPAs to total advances in that sector	
	As at 31 March 2020	As at 31 March 2019
Agriculture & allied activities	-	-
MSME	-	-
Corporate borrowers	-	-
Services	-	-
Unsecured personal loans	-	-
Auto loans	-	-
Other personal loans	-	-

i) Movement in Non-Performing Asset (NPA)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Net NPA to net advances percentage	-	-
Movement of NPAs (Gross)		
a) Opening balance	-	-
b) Additions during the year	-	-
c) Reduction during the year	-	-
d) Closing balance	-	-
Movement of net NPAs		
a) Opening balance	-	-
b) Additions during the year	-	-
c) Reduction during the year	-	-
d) Closing balance	-	-
Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	-	-
b) Provisions made during the year	-	-
c) Write off/ write back of excess provisions	-	-
d) Closing balance	-	-

j) Disclosure with respect to customer complaints

Particulars	Number of complaints	
	For the year ended 31 March 2020	For the year ended 31 March 2019
No. of complaints pending at the beginning of the year	-	-
No. of complaints received during the year	-	-
No. of complaints redressed during the year	-	-
No. of complaints pending at the end of the year	-	-

k) Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by the NBFC:

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2020 and 31 March 2019

l) Registration obtained from other financial sector regulators

Regulator	Registration No.	Date of Registration
Ministry of Corporate Affairs	U65191UP1990PLC045609	24 June 2016

m) Details of penalties imposed by RBI and other regulators

No penalties has been imposed by RBI and other regulators on the Company during the financial year ended 31 March 2020 and 31 March 2019. Aside, during FY20, an amount of INR 4.31 has been paid to RBI against compounding fees.

n) Unsecured Advances

The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the financial year ended 31 March 2020 and 31 March 2019

o) Details of non-performing financial assets purchased / sold

The Company has not purchased/sold any non-performing financial assets during the financial year ended 31 March 2020 and 31 March 2019

p) Disclosure of frauds reported during the year ended 31 March 2020 vide DNBS. PD. CC No. 256/03.10.042/2011-12 dated 2 March 2012

During the year ended 31 March 2020

Particulars	Less than INR 1 Lakh		INR 1 Lakh to INR 5 Lakh		More than INR 5 Lakh	
	No. of accounts	Value (INR)	No. of accounts	Value (INR)	No. of accounts	Value (INR)
A) Person involved						
Staff	-	-	-	-	-	-
Customers	-	-	-	-	-	-
Staff and Customers	-	-	-	-	-	-
Total	-	-	-	-	-	-
B) Type of Fraud						
Misappropriation and Criminal Breach of Trust	-	-	-	-	-	-
Fraudulent Encashment/ manipulation of books of accounts or through fictitious accounts and conversion of property.	-	-	-	-	-	-
Unauthorised credit facilities extended for reward or for illegal gratification	-	-	-	-	-	-
Negligence and cash shortages	-	-	-	-	-	-
Cheating and forgery	-	-	-	-	-	-
Irregularities in foreign exchange transactions	-	-	-	-	-	-
Any other type of fraud not coming under the specific heads as above	-	-	-	-	-	-
Total	-	-	-	-	-	-

Utkarsh CoreInvest Limited (Formerly known as Utkarsh Micro Finance Limited)
Notes to standalone financial statements for the year ended 31 March 2020
(Amount in millions unless otherwise stated)

p) Disclosure of frauds reported during the year ended 31 March 2020 vide DNBS. PD. CC No. 256/03.10.042/2011-12 dated 2 March 2012 (continued)
During the year ended 31 March 2019:-

Particulars	**Less than INR 1 Lakh**		**INR 1 Lakh to INR 5 Lakh**		**More than INR 5 Lakh**	
	No. of accounts	**Value (INR)**	**No. of accounts**	**Value (INR)**	**No. of accounts**	**Value (INR)**
A) Person involved						
Staff	-	-	-	-	-	-
Customers	-	-	-	-	-	-
Staff and Customers	-	-	-	-	-	-
Total	-	-	-	-	-	-
B) Type of Fraud						
Misappropriation and Criminal Breach of Trust	-	-	-	-	-	-
Fraudulent Encashment/ manipulation of books of accounts or through fictitious accounts and conversion of property.	-	-	-	-	-	-
Unauthorised credit facilities extended for reward or for illegal gratification	-	-	-	-	-	-
Negligence and cash shortages	-	-	-	-	-	-
Cheating and forgery	-	-	-	-	-	-
Irregularities in foreign exchange transactions	-	-	-	-	-	-
Any other type of fraud not coming under the specific heads as above	-	-	-	-	-	-
Total	-	-	-	-	-	-

q) The Company has no exposure or transactions regarding overseas assets.

r) There are no derivatives as at 31 March 2020 and 31 March 2019. Accordingly disclosure pertaining to derivatives vide DNBR (PD) CC.No.053/03.10.119/2015-16 dated 01 July 2015 are not provided.

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 09 June 2020

Place: Varanasi & Chennai*
Date: 09 June 2020

1. Reporting entity

Utkarsh Coreinvest Limited ("the Company' or 'Holding Company") is domiciled in India. The Company is having its registered office at Varanasi. The Company was formerly known as Utkarsh Micro Finance Limited and got the name changed to Utkarsh Coreinvest Limited w.e.f. 11 October 2018.

The company was primarily engaged in the business of micro finance, following group lending methodology and providing small value unsecured bank loans to lower income group of below poverty line ('BPL') in urban and rural areas. During the financial year 2016-17, the Company executed a business transfer agreement with its subsidiary Company 'Utkarsh Small Finance Bank Limited' ('USFB') and transferred all its assets and liabilities (except certain statutory assets, vehicle and statutory liabilities). Accordingly, the business of micro finance was also transferred to USFB.

On 3 May 2018, the RBI has granted its approval to the Holding Company for carrying on the business of a Non-Deposit taking- Systemically Important Core Investment Company (CIC-ND-SI) under the Certificate No C.07.00781.

2. Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in the financial statements.

a. Basis of preparation

i. Statement of compliance

The financial statements of the Company comply in all material aspects with Indian Accounting Standards ("Ind AS") as prescribed under Section 133 of the Companies Act, 2013 ("the Act"), as notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) and other relevant provisions of the Act.

These financial statements were authorised for issue by the Company's Board of directors on 9 June 2020.

The Company is regulated by the Reserve Bank of India ('RBI'). The RBI periodically issues/amends directions, regulations and/or guidance (collectively "Regulatory Framework") covering various aspects of the operation of the Company, including those relating to accounting for certain types of transactions. The Regulatory Framework contains specific instructions that need to be followed by the Company in preparing its financial statements. The financial statements for the current and previous year may need to undergo changes in measurement and / or presentation upon receipt of clarifications on the Regulatory Framework or changes thereto.

ii. Basis of measurement

These standalone financial statements have been prepared on a historical cost basis, except for the following material items:

- Net defined benefit (asset)/ liability - fair value of plan assets less present value of defined benefit obligation

iii. Functional and presentation currency

These financial statements are presented in Indian Rupee (INR), which is the Company's functional currency. All amounts have been rounded to the nearest million rupees, unless otherwise stated.

iv. Use of judgements and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Management believes that the estimates used in the preparation of these financial statements are prudent and reasonable. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

Information about the judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the standalone financial statements have been given below:

Note 33 - classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the standalone financial statements for the every period ended is included below:

- Note 28 - measurement of defined benefit obligations: key actuarial assumptions;
- Note 8 - useful life and residual value of property, plant and equipment
- Note 34 – impairment of financial assets: key assumptions in determining the average loss rate
- Note 33 – Fair value measurement of financial instruments

b. Revenue Recognition

i. Dividend is accounted on an accrual basis when the right to receive the dividend is established.

ii. Income from interest on deposits and interest bearing securities is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate.

iii. All other fees are accounted for as and when they become due.

c. 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.

Financial assets

Initial recognition and measurement

The Company initially recognises loans and advances on the date on which they are originated. All other financial assets are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provision of the instrument.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Classification and subsequent measurement

Classifications

The Company classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Debt instruments at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met:

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

After initial measurement, such financial assets are subsequently measured at amortised cost using the 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 finance income in the profit or loss. The losses arising from ECL impairment are recognised in the profit or loss.

Debt instrument at fair value through Other Comprehensive Income (FVTOCI)

A financial asset is measured at amortised cost only if both of the following conditions are met:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

After initial measurement, such financial assets are subsequently measured at fair value with changes in fair value recognised in other comprehensive income (OCI). Interest income is recognised basis EIR method and the losses arising from ECL impairment are recognised in the profit or loss.

Debt instrument at fair value through profit and loss (FVTPL)

Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

Instruments at fair value through profit and loss (FVTPL)

The Company classifies its investment in financial assets at fair value through profit and loss. The said classification depends upon the entity's business model for managing the financial assets and the contractual terms of the cash flow. The said assets are measured at fair value whose gains and losses shall be recorded in statement of profit or loss.

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. If the Company evaluates that substantial risk and reward have not been transferred, the Company continues to recognise the transferred asset. If the Company evaluates that substantial risk and rewards are neither transferred nor retained and the control of the asset is also not transferred, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of amortised cost, net of directly attributable transaction costs.

Classification and subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities measured at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss.

Financial liabilities designated at fair value through profit and loss

When a financial liability contract contains one or more embedded derivative, the Company may designate the entire hybrid contract as at fair value through profit and loss unless:

- the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract; or

- it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

The fair valuation change on the liabilities subsequently measured at fair value through profit and loss account is recognised in profit and loss account except the changes in the liablity's credit risk which is recognised in 'Other Comprehensive Income'

Derecognition of financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability or equity based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability or equity recognised with modified terms is recognised in profit or loss or in other equity in case the same is a transaction with the shareholders.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously ('the offset criteria').

Fair value measurement

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects it non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument.

d. Impairment of Financial Assets

Impairment of financial instruments

The Company recognises impairment allowances for ECL on all the financial assets that are not measured at FVTPL:

- Financial assets that are debt instruments

No impairment loss is recognised on equity investments.

ECL are probability weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit impaired – as the present value of all cash shortfalls that are possible within 12 months after the reporting date.

With respect to other financial assets, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

e. Investment in Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses, if any. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amounts are recognised in the Statement of Profit and Loss.

f. Foreign Currency transactions and balances

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Statement of Profit and Loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year end rates. The resultant exchange differences are recognised in the Statement of Profit and Loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

g. **Property, Plant and Equipment(PPE)**

Initial Measurement

Property, plant and equipment are stated at cost less accumulated depreciation as adjusted for impairment, if any.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as a separate items (major components) of property, plant and equipment. Any gain on disposal of property, plant and equipment is recognised in statement of Profit and loss.

Any gain on disposal of property, plant and equipment is recognised in statement of profit and loss.

The Company has elected to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and used it as its deemed cost as at the date of transition.

Subsequent Measurement

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Impairment

Carrying amounts of cash generating assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is recognised in the statement of Profit and Loss whenever the carrying amount exceeds the recoverable amount.

Depreciation

Depreciation is provided as per straight-line method from the date of addition over the estimated useful life of the asset. The management believes that depreciation rates currently used, fairly reflect its estimate of the useful lives and residual values of property, plant and equipment which are in accordance with lives prescribed under Schedule II of Companies Act, 2013.

Depreciation methods, useful lives and residual values are reviewed in each financial year end and changes, if any, are accounted for prospectively.

h. Employee benefits

i. **Short term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. **Share-based payment arrangements**

The Company has formulated an Employees Stock Option Scheme to be administered through a Trust and also issues options to employees which are not routed through trust. The scheme provides that subject to continued employment with the Company, the employees are granted an option to acquire equity shares of the Company that may be exercised within a specified period.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

iii. **Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided. The Company has following defined contribution plans:

Provident Fund

The Company contributes to mandatory government administered provident funds which are defined contribution schemes as the Company does not carry any further obligation, apart from the contributions made on a monthly basis. The contributions are accounted for on an accrual basis and recognised in the statement of Profit and Loss

iv. **Defined benefit plans**

The Company's net obligation in respect of gratuity is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

v. **Other long-term employee benefits**

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

i. **Income Tax**

Income tax expense comprises of current tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Company:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

j. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

k. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors of the Company has been identified as the chief operating decision maker for the Company.

l. Provision, Contingent Liabilities and Contingent Assets

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A disclosure for Contingent Liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

The provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. Where an inflow of economic benefits is probable, an entity shall disclose a brief description of the nature of the contingent assets at the end of the reporting period, and, where practicable, an estimate of their financial effect.

Contingent assets are not recognised in the financial statements but disclosed, where an inflow of economic benefit is probable.

m. Leases

Transition to Ind AS 116

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2019 and Companies (Indian Accounting Standards) Second Amendment Rules, has notified Ind AS 116 Leases which replaces the existing lease standard, Ind AS 17 leases, and other interpretations. Ind AS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It introduces a single, on-balance sheet lease accounting model for lessees.

The Company has adopted Ind AS 116, effective annual reporting period beginning April 1, 2019 and applied the standard to its leases. For transition, the Company has elected not to apply the requirements of Ind AS 116 to leases which are expiring within 12 months from the date of transition. The Company has also used the practical expedient provided by the standard when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17 and therefore, has not reassessed whether a contract, is or contains a lease, at the date of initial application.

The Company's lease asset class consists of lease for building taken on lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration.

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

n. Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

INDEPENDENT AUDITOR'S REPORT

To the Members of Utkarsh Coreinvest Limited
(formerly known as Utkarsh Micro Finance Limited)

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying consolidated Ind AS financial statements of Utkarsh Coreinvest Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the Consolidated Balance Sheet as at March 31, 2020, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated Ind AS financial statements including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "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 report of other auditor on separate Ind AS financial statements and on the other financial information of the subsidiary, 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 the Indian Accounting Standards ("Ind AS") prescribed under section 133 of the Act, of the consolidated state of affairs of the Group, as at March 31, 2020, their consolidated profit (including other comprehensive income), their consolidated changes in equity and their consolidated cash flows 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 Standards 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 provisions of the Act and Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated Ind AS financial statements.

Emphasis of Matter

We draw attention to Note 46 to the consolidated Ind AS financial statements which explains that the extent to which COVID-19 pandemic will impact the Group's operations and financial results is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Holding Company's Directors' Report and Management Discussion and Analysis and other elements forming part of the Annual Report but does not include the standalone Ind AS financial statements, consolidated Ind AS financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this report.

Our opinion on the consolidated Ind AS financial statements does not cover the other information accordingly, 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act 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 Ind AS prescribed under section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies 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 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 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 Board of Directors of the companies included in the Group are responsible for assessing the ability of 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 Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

Auditor’s Responsibilities 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 or 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 consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company and its subsidiary companies, which are companies incorporated in India, have adequate internal financial controls with reference to 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 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 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 disclosures 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 of which we are the independent auditors, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the Ind AS financial statements of such entities included in the consolidated Ind AS financial statements of which we are the independent auditors. For the other entity included in the consolidated Ind AS financial statements, which have been audited by other auditor, such other auditor 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 and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Other Matters

(a) We did not audit the Ind AS financial statements of one subsidiary, whose Ind AS financial statements reflects total assets of Rs. 14.65 million and net assets of Rs. 2.84 million as at March 31, 2020, total revenues of Rs. 29.81 million and net cash inflows amounting to Rs. 10.18 million for the year ended on that date, as considered in the consolidated Ind AS financial statements. This Ind AS financial statements have been audited by other auditor whose report 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 amounts and disclosures included in respect of this subsidiary and our report in terms of section 143(3) of the Act, in so far as it relates to the aforesaid subsidiary, is based solely on the report of the other auditor.

(b) The audit of consolidated Ind AS financial statements for the year ended March 31, 2020, was carried out and reported by another firm of Chartered Accountants, vide their unmodified audit report dated June 28, 2019, whose report has been furnished to us by the management and which has been relied upon by us for the purpose of our audit of the consolidated Ind AS financial statements.

Our opinion on the consolidated Ind AS financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the report of the other auditor.

Report on Other Legal and Regulatory Requirements

As required by section 143(3) of the Act, based on our audit and on the consideration of report of the other auditor on separate Ind AS financial statements and the other financial information of subsidiary, as noted in the Other Matters section above 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 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 reports of the other auditors;

c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;

d. In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Ind AS specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended;

e. On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, incorporated in India, none of the directors of the Group companies, incorporated in India, is disqualified as on March 31, 2020 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 with reference to financial statements of the Holding Company and its subsidiary companies incorporated in India and the operating effectiveness of such controls, refer to our separate report in "Annexure 1";

g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act:

   In our opinion and to the best of our information and according to the explanations given to us by the Holding Company and the report of the statutory auditor of its subsidiary company other than Utkarsh Small Finance Bank Limited (hereinafter referred to as "Bank") incorporated in India, the remuneration paid/ provided to their directors during the year by the Holding Company and subsidiary company other than Bank incorporated in India is in accordance with the provisions of section 197 of the Act. Further, requirements prescribed under section 197 of the Act is not applicable to the Bank by virtue of section 35B (2A) of the Banking Regulation Act, 1949;

h. 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, in our opinion and to the best of our information and according to the explanations given to us:

   (i) The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group - Refer Note 32 to the consolidated Ind AS financial statements;

   (ii) Provision has been made in the consolidated Ind AS financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 4 and 17 to the consolidated Ind AS financial statements in respect of such items as it relates to the Group;

(iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies incorporated in India.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W / W100048

Purushottam Nyati

Partner

Membership No. 118970

UDIN: 20118970AAAACR7178

Place: Mumbai

Date: June 9, 2020

ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT

[Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section in our Independent Auditor's Report of even date to the members of Utkarsh Coreinvest Limited on the consolidated Ind AS financial statements for the year ended March 31, 2020]

Report on the Internal Financial Controls with reference to Financial Statements under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated Ind AS financial statements of Utkarsh Coreinvest Limited ("Holding Company") as of and for the year ended March 31, 2020, we have audited the internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company and its subsidiary companies which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of Holding Company and its subsidiary companies which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditor, 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 financial statements of Holding Company and its subsidiary companies.

Meaning of Internal Financial Controls with reference to Financial Statements

A company's internal financial control 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to 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.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on consideration of reporting of other auditor as mentioned in Other Matters paragraph below, the Holding Company and its subsidiary companies, which are companies incorporated in India, have, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control with reference to financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other Matters

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 financial statements in so far as it relates to one subsidiary company, which is company incorporated in India, is based on the corresponding report of the auditor of such company incorporated in India.

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No.103523W / W100048

____

Purushottam Nyati

Partner

Membership No. 118970

UDIN: 20118970AAAACR7178

Place: Mumbai

Date: June 9, 2020

Utkarsh CoreInvest Limited
(formerly known as Utkarsh Micro Finance Limited)
Consolidated Balance Sheet as at 31 March 2020
(All amounts are in Rupees millions unless otherwise stated)

	Notes	As at 31 March 2020	As at 31 March 2019
Assets			
Financial assets			
Cash and cash equivalents	3	16,120.74	5,039.13
Bank balance other than (a) above	3	39.74	150.36
Derivative financial instruments	4	25.78	15.13
Loans	5	65,633.33	46,396.35
Investments	6	12,402.27	8,753.44
Other financial assets	7	355.33	179.83
Non-financial assets			
Current tax assets (net)		217.54	189.35
Deferred tax assets (net)	8	318.99	264.11
Property, plant and equipment	9	2,520.25	713.92
Capital work-in-progress		0.75	27.58
Other intangible assets	10	219.97	160.21
Other non-financial assets	11	377.95	193.26
Total assets		**98,232.64**	**62,082.67**
Liabilities and equity			
Liabilities			
Financial liabilities			
Debt securities	12	-	3,200.62
Borrowings (other than debt securities)	13	30,123.05	9,404.73
Deposits	14	54,275.82	38,322.12
Subordinated liabilities	15	1,977.93	1,976.09
Other financial liabilities	16	888.19	566.36
Non-financial liabilities			
Current tax liabilities (net)		-	13.53
Provisions	17	50.25	25.15
Other non-financial liabilities	18	89.86	59.40
Equity			
Equity share capital	19	973.99	972.02
Other equity	20	9,851.21	7,540.76
Equity attributable to equity holders of the parent		10,825.20	8,512.77
Non controlling interest		2.34	1.89
Total liabilities and equity		**98,232.64**	**62,082.67**

Summary of significant accounting policies 2
The accompanying notes are an integral part of these financial statements.

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 09 June 2020

Place: Varanasi and Chennai*
Date: 09 June 2020

Utkarsh CoreInvest Limited
(formerly known as Utkarsh Micro Finance Limited)
Statement of Consolidated profit and loss for the year ended 31 March 2020
(All amounts are in Rupees millions unless otherwise stated)

		Notes	For the year ended 31 March 2020	For the year ended 31 March 2019
I.	**Revenue from operations**			
	Interest income	21	13,407.31	9,259.57
	Dividend income		27.56	18.86
	Fees and commission income	22	94.29	47.26
	Total revenue from operations		**13,529.16**	**9,325.69**
II.	Other income	23	642.08	441.01
III.	**Total income**		**14,171.24**	**9,766.70**
IV.	**Expenses**			
	Finance costs	24	5,895.32	4,606.41
	Fees and commission expense	25	122.07	36.97
	Net loss on fair value changes	26	3.15	1,329.95
	Impairment on financial instruments	27	775.32	529.76
	Employee benefits expenses	28	2,678.92	1,907.22
	Depreciation and amortisation	29	488.10	185.59
	Others expenses	30	1,445.13	1,353.27
	Total expenses		**11,408.01**	**9,949.17**
V.	**Profit/(loss) before tax**		**2,763.23**	**(182.47)**
	Tax Expense:			
	Current tax	8	852.25	397.44
	Tax for earlier years	8	8.45	
	Deferred tax	8	(122.61)	308.63
VI.	**Profit/(Loss) for the year**		**2,025.15**	**(888.54)**
VII.	**Other comprehensive income**			
A	**(i) Items that will not be reclassified to profit or loss**			
	-Actuarial gain/(loss) on Defined benefit obligation		(3.91)	(10.98)
	- Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss		-	14.03
	-Income Tax relating to items that will not be reclassified to profit or loss		1.00	3.84
	Subtotal (A)		(2.91)	6.89
B	**(i) Items that will be reclassified to profit or loss**			
	-Debt securities measured at FVTOCI - reclassified to other comprehensive income		270.23	101.90
	- Income Tax relating to items that will be reclassified to profit or loss		(68.74)	(35.61)
	Subtotal (B)		201.49	66.29
	Other comprehensive income (A + B)		**198.58**	**73.18**
VIII.	**Total comprehensive income for the year**		**2,223.72**	**(815.36)**
IX.	**Profit / (loss) for the year attributable to :**			
	- Equity holders of the parent		2,024.19	(888.53)
	- Non-controlling interest		0.95	(0.01)
X.	**Other comprehensive income for the year attributable to :**			
	- Equity holders of the parent		198.53	73.17
	- Non-controlling interest		0.05	0.01
XI.	**Total comprehensive income for the year attributable to :**			
	- Equity holders of the parent		2,222.72	(815.36)
	- Non-controlling interest		1.00	(0.00)
XII.	**Earnings per equity share**			
	Basic earnings per share of INR 10.00 each		20.89	(79.46)
	Diluted earnings per share of INR 10.00 each		20.69	(79.46)
	Summary of significant accounting policies	2		

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

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 09 June 2020

Place: Varanasi and Chennai*
Date: 09 June 2020

Utkarsh CoreInvest Limited
(formerly known as Utkarsh Micro Finance Limited)
Cash flow statement for the year ending 31 March 2019
(All amounts are in Rupees millions unless otherwise stated)

	Note	As at 31 March 2020	As at 31 March 2019
I. Cash flows from operating activities			
Net Profit / (loss) before Tax		2,763.23	(182.47)
Adjustments for:			
Depreciation and amortisation		488.10	185.59
Impairment provision/ write offs		775.32	529.76
Net change in fair value changes		3.15	1,329.95
Interest expense		5,853.12	4,571.49
Interest income on investments		(917.38)	(625.01)
Employee share based expense		59.82	34.58
Impairment on Non-financial asset		-	4.85
Loss/(Profit) on Sale of property, plant and equipment		2.85	(21.38)
Foreign exchange gain/(loss)		(1.52)	21.43
Dividend income		(27.56)	(18.86)
Operating cash flow before working capital changes		**8,999.13**	**5,829.92**
Adjustments for:			
(Increase)/ decrease in Loans		(20,012.12)	(15,561.69)
(Increase)/ decrease in Other Financial Assets		(196.79)	88.97
(Increase)/ decrease in Other Non-financial Asset		(231.66)	(118.16)
Increase/ (decrease) in Deposits		14,965.17	16,379.39
Increase/ (decrease) in Other Financial Liability		321.83	(283.46)
Increase/ (decrease) in Other Non-financial Liability		30.46	30.28
Increase/ (decrease) in Provision		21.19	(29.25)
Cash flow from/(used in) operations		3,897.22	6,336.01
Income Tax (paid)/ refund - Net		(902.42)	(423.91)
Net cash flow from/(used in) operating activities (A)		**2,994.80**	**5,912.10**
II. Cash flow from investing activities			
Purchase of property, plant and equipments (including capital work in progress)		(302.68)	(443.52)
Proceeds from sale of property, plant and equipments		0.79	142.40
Purchase of intangible assets		(135.29)	(3.72)
Purchase of Investments		(62,933.23)	(57,349.46)
Purchase of Non controlling interest		(1.48)	-
Proceeds from sale of Investments		59,823.92	55,312.55
Deposit/withdrawal in other bank balances		110.62	559.18
Dividend income		27.56	18.86
Interest received		655.36	634.84
Net cash used in investing activities (B)		**(2,754.43)**	**(1,128.87)**
III. Cash flow from financing activities			
Issue of Equity Shares		30.82	16.31
Repayment of Debt Securities		(3,118.16)	(2,254.53)
Repayment of Borrowings		(4,401.12)	(5,701.18)
Payment of lease liabilities		(320.87)	-
Proceeds from Borrowings		23,500.00	5,800.00
Proceeds from issue of Subordinated Debt		-	400.00
Interest paid		(4,849.43)	(3,051.91)
Net cash (used in)/ from financing activities (C)		**10,841.24**	**(4,791.31)**
Net increase/(decrease) in cash and cash equivalents (A + B + C)		11,081.61	(8.07)
Opening Cash and Cash Equivalent		5,039.13	5,047.20
Closing Cash and Cash Equivalent		16,120.74	5,039.13
For composition of cash & cash equivalents	3		
Summary of significant accounting policies	2		

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

As per our report of even date attached.

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 09 June 2020

Place: Varanasi and Chennai*
Date: 09 June 2020

Utkarsh CoreInvest Limited
(formerly known as Utkarsh Micro Finance Limited)
Statement of changes in equity for the year ended 31 March 2020
(All amounts are in Rupees millions unless otherwise stated)

A. Equity Share Capital

	Balance as at 31 March 2018	Changes during the year	Balance as at 31 March 2019	Changes during the year	Balance as at 31 March 2020
Paid up share capital	971.04	0.98	972.02	1.97	973.99
Less: Equity share capital classified as financial liability	(863.62)	863.62	-	-	-
	107.42	**864.60**	**972.02**	**1.97**	**973.99**

B. Other Equity

	Reserve and Surplus											Other Comprehensive Income					
	Share application money pending allotment	Equity component of financial instruments	Statutory reserve	Capital redemption reserve	Securities premium	Other Equity - Fair valuation changes	ESOP Reserve	Investment fluctuation reserve	Treasury shares	Capital reserve	Retained earnings	Debt instruments through other comprehensive income	Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss	Actuarial gain / loss on post employment defined benefit plan	Total attributable to equity holders of the parent	Total non-controlling interest	Total
Balance as at 31 March 2018	-	(109.01)	210.19	90.00	6,286.72	(6,069.05)	20.62	-	(4.18)	-	(2,060.64)	(71.14)	(174.65)	(0.17)	(1,881.32)	1.89	(1,879.43)
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	(888.54)	66.29	14.03	(7.15)	(815.36)	(0.00)	(815.36)
Transfer to / from retained earnings	-	-	243.85	-	-	-	-	13.17	-	-	(257.02)	-	-	-	-	-	-
Issue of equity shares	-	-	-	-	9.71	-	-	-	-	-	-	-	-	-	9.71	-	9.71
Share options exercised	-	-	-	-	5.87	-	(3.20)	-	(0.90)	-	-	-	-	-	1.77	-	1.77
Equity settled share based plan	-	-	-	-	-	-	34.58	-	-	-	-	-	-	-	34.58	-	34.58
Impact of extinguishment of financial liabilities and classification as equity (Refer Note 36)	-	-	-	-	-	10,190.72	-	-	-	-	-	-	-	-	10,190.72	-	10,190.72
Share application money received	0.66	-	-	-	-	-	-	-	-	-	-	-	-	-	0.66	-	0.66
Balance as at 31 March 2019	**0.66**	**(109.01)**	**454.04**	**90.00**	**6,302.30**	**4,121.67**	**52.00**	**13.17**	**(5.08)**	**-**	**(3,206.20)**	**(4.85)**	**(160.62)**	**(7.32)**	**7,540.76**	**1.89**	**7,542.65**
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	2,024.14	201.49	-	(2.92)	2,222.72	1.00	2,223.72
Transactions with Non-Controlling Interest	-	-	-	-	-	-	-	-	-	-	(0.93)				(0.93)	(0.55)	(1.48)
Transfer to / from retained earnings	-	-	467.96	-	-	-	-	39.24	-	3.59	(510.79)	-	-	-	-	-	-
Share options exercised	-	-			32.36	-	(10.53)	-	-	-		-	-	-	21.83	-	21.83
Equity settled share based plan	-	-	-	-	-	-	59.82	-	-	-	-	-	-	-	59.82	-	59.82
Others	-	-	-	-		-	-	-	1.35	-	-	-	-	-	1.35	-	1.35
Shares issued	(0.66)	-	-	-	-	-	-	-	-	-	-	-	-	-	(0.66)	-	(0.66)
Share application money received	6.32	-	-	-	-	-	-	-	-	-	-	-	-	-	6.32	-	6.32
Balance as at 31 March 2020	**6.32**	**(109.01)**	**922.00**	**90.00**	**6,334.66**	**4,121.67**	**101.29**	**52.41**	**(3.73)**	**3.59**	**(1,693.78)**	**196.64**	**(160.62)**	**(10.24)**	**9,851.21**	**2.34**	**9,853.55**

As per our report of even date attached

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 09 June 2020

Place: Varanasi and Chennai*
Date: 09 June 2020

(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2020	As at 31 March 2019
3 Cash and bank balances		
Cash and cash equivalents		
Cash in hand	412.74	239.54
Balances with banks		
- in current accounts (includes remittances in transit of INR Nil (31 March 2019 - 7.00)	152.67	213.11
- in RBI current accounts	1,503.84	1,336.21
- term lending (with less than three months maturity)	250.00	-
Balances with others		
- call/notice lending (with maturity less than three months maturity)	-	300.22
Reverse repo	13,801.59	2,951.35
	16,120.84	5,040.43
Less : Allowance for Impairment loss	0.10	1.30
Total (A)	**16,120.74**	**5,039.13**
Bank balance other than above		
Deposits with remaining maturity less than 12 months	39.74	150.36
	39.74	150.36
Less : Allowance for Impairment loss	-	-
Total (B)	**39.74**	**150.36**
Total (A+B)	**16,160.48**	**5,189.49**

Information about the Group's exposure to fair value measurement and credit and market risks are included in Note 43 and 44 respectively.

	As at 31 March 2020			As at 31 March 2019		
	Notional amounts	**Fair Value - Assets**	**Fair Value - Liabilities**	**Notional amounts**	**Fair Value - Assets**	**Fair Value - Liabilities**
4 Derivative financial instruments						
Cross currency interest rate swap (CCIRS)	189.58	25.78	-	259.68	15.13	-
Total derivatives	**189.58**	**25.78**	**-**	**259.68**	**15.13**	**-**
Included in above are derivatives held for hedging and risk management purposes as follows:						
Undesignated Derivatives	189.58	25.78	-	259.68	15.13	-
Total derivatives	**189.58**	**25.78**	**-**	**259.68**	**15.13**	**-**

	As at 31 March 2020	As at 31 March 2019
5 Loans		
At Amortised cost		
(A)		
Term Loans	66,881.82	47,405.46
Total (A) - Gross	**66,881.82**	**47,405.46**
Less : Allowance for Impairment loss	(1,248.49)	(1,009.11)
Total (A) - Net	**65,633.33**	**46,396.35**
(B)		
(i) Secured by tangible assets and intangible assets	5,236.41	4,396.27
(ii) Covered by Bank/Government Guarantees	-	-
(iii) Unsecured	61,645.41	43,009.19
Total (B)- Gross	**66,881.82**	**47,405.46**
Less : Allowance for Impairment loss	(1,248.49)	(1,009.11)
Total (B)-Net	**65,633.33**	**46,396.35**
(C)		
(i) Priority Sector	60,892.86	42,073.72
(ii) Banks	39.07	950.54
(iii) Others	5,949.89	4,381.20
Total (C)- Gross	**66,881.82**	**47,405.46**
Less : Allowance for Impairment loss	(1,248.49)	(1,009.11)
Total (C)-Net	**65,633.33**	**46,396.35**

(All amounts are in Rupees millions unless otherwise stated)

			At Fair Value				
		Amortised cost	Through other comprehensive income	Through profit or loss	Designated at fair value through profit or loss	Sub- Total	Others*	Total
6	**Investments:**	(1)	(2)	(3)	(4)	(5)=(2)+(3)+(4)	(6)	(7)=(1)+(5)+(6)
	As at 31 March 2020							
	Mutual funds	-	-	-	-	-	-	-
	Government securities	-	12,402.27	-	-	12,402.27	-	12,402.27
	Debt securities	-	-	-	-	-	-	-
	Total – Gross (A)	**-**	**12,402.27**	**-**	**-**	**12,402.27**	**-**	**12,402.27**
	(i) Investments in India	-	12,402.27	-	-	12,402.27	-	12,402.27
	(ii) Investments outside India	-	-	-	-	-	-	-
	Total (B)	**-**	**12,402.27**	**-**	**-**	**12,402.27**	**-**	**12,402.27**
	Less: Allowance for Impairment loss (C)	-	-	-	-	-	-	-
	Total – Net D= (A)-(C)	**-**	**12,402.27**	**-**	**-**	**12,402.27**	**-**	**12,402.27**
	As at 31 March 2019							
	Mutual funds	-	-	0.36	-	0.36	-	0.36
	Government securities	-	8,054.12	-	-	8,054.12	-	8,054.12
	Debt securities	-	698.96	-	-	698.96	-	698.96
	Total – Gross (A)	**-**	**8,753.08**	**0.36**	**-**	**8,753.44**	**-**	**8,753.44**
	(i) Investments in India	-	8,753.08	0.36	-	8,753.44	-	8,753.44
	(ii) Investments outside India	-	-	-	-	-	-	-
	Total (B)	**-**	**8,753.08**	**0.36**	**-**	**8,753.44**	**-**	**8,753.44**
	Less: Allowance for Impairment loss (C)	-	-	-	-	-	-	-
	Total – Net D= (A)-(C)	**-**	**8,753.08**	**0.36**	**-**	**8,753.44**	**-**	**8,753.44**

		As at 31 March 2020	As at 31 March 2019
7	**Other financial assets**		
	Advances recoverable in cash	356.01	179.26
	Other recoverables	0.01	1.21
		356.02	180.47
	Less : Allowance for Impairment loss	0.69	0.64
	Total	**355.33**	**179.83**

Information about the Group’s exposure to fair value measurement and credit and market risks are included in Note 43 and 44 respectively.
Amount pertaining to capital advances has been reclassified from Advances recoverable in cash to Other non-financial assets and Interest accrued on investments has been reclassified to the carrying value of Investment

(All amounts are in Rupees millions unless otherwise stated)

8 Income tax

A. Amounts recognised in profit or loss

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Current tax		
Current period (a)	852.25	397.44
Changes in estimates related to prior years (b)	8.45	-
Deferred tax (c)		
Attributable to-		
Origination and reversal of temporary differences	(207.48)	308.63
Increase/reduction in tax rate	69.62	-
MAT credit writte off	15.25	-
Sub-total (c)	(122.61)	308.63
Tax expense (a)+(b)+(c)	**738.09**	**706.07**

B. Income tax recognised in other comprehensive income

	For the year ended 31 March 2020			For the year ended 31 March 2019		
	Before tax	Tax (expense)/ income	Net of tax	Before tax	Tax (expense)/ income	Net of tax
Remeasurements of the net defined benefit liability/ asset	(3.91)	1.00	(2.92)	(10.98)	3.84	(7.14)
Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss	-	-	-	14.03	-	14.03
Debt Instruments fair value through Other Comprehensive Income	270.24	(68.74)	201.50	101.90	(35.61)	66.29
	266.33	**(67.74)**	**198.58**	**104.95**	**(31.77)**	**73.18**

C. Reconciliation of effective tax rate

Particulars	Year ended 31 March 2020		Year ended 31 March 2019	
	%	Amount	%	Amount
Profit before tax	25.17%	2,763.23	34.94%	(182.47)
Tax using the Company's domestic tax rate		695.45		(63.76)
Effect of:				
Permanent differences	-1.71%	(47.13)	-418.29%	763.25
Tax exempt income	-0.25%	(6.93)	0.15%	(0.28)
Change in unrecognised temporary differences	0.00%	0.11	-0.05%	0.09
Changes in estimate related to prior years	0.31%	8.45	0.00%	-
Changes in tax rate	2.49%	68.93	0.00%	-
MAT credit written off	0.55%	15.25	0.00%	-
Others	0.14%	3.95	-3.72%	6.78
Effective tax rate/tax expense		738.09		706.08

D. Recognised deferred tax assets and liabilities

Movement of deferred tax assets / liabilities presented in the balance sheet

Particulars	As at 01 April 2019	Recognised in profit or loss during the year	Recognised in OCI during the year	As at 31 March 2020
Deferred tax assets:				
Loans	126.74	79.69	-	206.43
Lease Liabilities	60.70	5.95	-	66.65
MAT credit entitlement	15.25	(15.25)	-	-
Others	119.05	20.11	(67.75)	71.41
	321.74	**90.50**	**(67.75)**	**344.49**
Deferred tax liabilities:				
Property, plant and equipment	41.50	(23.91)	-	17.59
Others	16.13	(8.22)	-	7.91
	57.63	**(32.13)**	**-**	**25.50**
Net deferred tax assets	**264.11**	**122.63**	**(67.75)**	**318.99**

	As at 31 March 2018	Recognised in profit or loss during the year	Recognised in OCI during the year	As at 31 March 2019
Deferred tax assets:				
Loans	248.68	(121.94)	-	126.74
Unabsorbed depreciation and losses	232.30	(232.30)	-	-
Others	165.74	45.78	(31.77)	179.75
	-	15.25	-	15.25
	646.72	**(293.21)**	**(31.77)**	**321.74**
Deferred tax liabilities:				
Property, plant and equipment	22.1	19.4	-	41.5
Others	20.10	(3.97)	-	16.13
	42.20	**15.43**	**-**	**57.63**
Net deferred tax assets	**604.52**	**(308.64)**	**(31.77)**	**264.11**

E. Unrecognised deferred tax balances

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	As at 31 March 2020	As at 31 March 2019
Deductible temporary differences	0.46	83.51
Total	**0.46**	**83.51**

F. Uncertain tax positions

Refer Note 32 on contingent liabilities and commitment relating to income tax matter under dispute.

Utkarsh CoreInvest Limited
(formerly known as Utkarsh Micro Finance Limited)
Notes to consolidated financial statements for the year ended 31 March 2020
(All amounts are in Rupees millions unless otherwise stated)

9 Property, Plant and Equipment

	Gross Block					Depreciation				Net Block	
	As at 1 April 2019	**Adjustment**	**Additions**	**Disposals**	**As at 31 March 2020**	**As at 1 April 2019**	**For the year**	**Disposals**	**As at 31 March 2020**	**As at 31 March 2020**	**As at 1 April 2019**
Owned Assets											
Leasehold improvement	78.38	-	104.98	-	183.36	6.99	15.01	-	22.00	161.36	71.39
Computers	203.91	-	85.80	38.63	251.09	106.05	79.60	37.37	148.27	102.80	97.86
Vehicles	8.74	-	-	2.40	6.34	2.54	1.32	1.42	2.43	3.91	6.20
Office equipment	44.53	-	42.23	0.63	86.13	14.04	16.71	0.53	30.22	55.91	30.49
Electrical equipment	97.74	-	31.82	1.38	128.18	15.50	14.88	0.67	29.71	98.47	82.25
Furniture and fixtures	302.30	-	54.80	1.50	355.60	68.58	40.44	0.93	108.09	247.51	233.72
Generator	41.82	-	9.91	0.04	51.69	6.97	4.84	0.01	11.80	39.89	34.85
Land	121.20	-	-	-	121.20	-	-	-	-	121.20	121.20
Right of use assets											
Premises	-	1,368.64	506.38	-	1,875.02	-	232.32	-	232.32	1,642.70	-
ATM Machines	43.40	-	18.01	-	61.41	7.45	7.46	-	14.91	46.50	35.95
TOTAL	**942.04**	**1,368.64**	**853.92**	**44.58**	**3,120.02**	**228.12**	**412.57**	**40.94**	**599.75**	**2,520.25**	**713.92**

	Gross Block					Depreciation				Net Block	
	As at 1 April 2018	**Adjustment**	**Additions**	**Disposals**	**As at 31 March 2019**	**As at 1 April 2018**	**For the year**	**Disposals**	**As at 31 March 2019**	**As at 31 March 2019**	**As at 1 April 2018**
Owned Assets											
Leasehold improvement	4.32	-	74.06	-	78.38	0.69	6.30	-	6.99	71.39	3.63
Computers	145.92	-	58.93	0.94	203.91	53.36	52.69	-	106.05	97.86	92.56
Vehicles	9.26	-	0.23	0.75	8.74	1.50	1.51	0.47	2.54	6.20	7.75
Office equipment	26.82	-	18.37	0.66	44.53	5.94	8.12	0.02	14.04	30.49	20.88
Electrical equipment	72.13	-	27.12	1.50	97.74	6.58	9.04	0.12	15.50	82.25	65.55
Furniture and fixtures	241.65	-	62.86	2.20	302.30	33.13	35.50	0.05	68.58	233.73	208.51
Generator	35.75	-	6.08	-	41.82	3.08	3.89	-	6.97	34.85	32.66
Land	121.20	-	-	-	121.20	-	-	-	-	121.20	121.20
Assets under Lease											
ATM Machines	30.45	-	12.95	-	43.40	2.24	5.21	-	7.45	35.95	28.21
TOTAL	**687.49**	**-**	**260.60**	**6.05**	**942.04**	**106.54**	**122.25**	**0.67**	**228.12**	**713.92**	**580.96**

(All amounts are in Rupees millions unless otherwise stated)

10 Intangible assets

	Gross Block					Amortisation				Net Block	
	As at 1 April 2019	Adjustment	Additions	Disposals	As at 31 March 2020	As at 1 April 2019	For the year	Disposals	As at 31 March 2020	As at 31 March 2020	As at 1 April 2019
Owned Assets											
Computer software	73.20	-	135.29	-	208.49	31.27	51.87	-	83.14	125.35	41.93
Right of use assets											
Core banking software	165.58	-			165.58	47.30	23.65	-	70.95	94.62	118.28
TOTAL	**238.77**	**-**	**135.29**	**-**	**374.07**	**78.57**	**75.53**	**-**	**154.09**	**219.97**	**160.21**

	Gross Block					Amortisation				Net Block	
	As at 1 April 2018	Adjustment	Additions	Disposals	As at 31 March 2019	As at 1 April 2018	For the year	Disposals	As at 31 March 2019	As at 31 March 2019	As at 1 April 2018
Owned Assets											
Computer software	45.83	-	27.37	-	73.20	13.33	17.94	-	31.27	41.93	32.50
Assets under Lease											
Core banking software	165.58	-		-	165.58	23.64	23.65	-	47.30	118.28	141.93
TOTAL	**211.40**	**-**	**27.37**	**-**	**238.77**	**36.97**	**41.59**	**-**	**78.57**	**160.21**	**174.43**

(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2020	As at 31 March 2019
11 Other non-financial assets		
Capital advances	271.16	17.68
Balance with GST authority	8.27	74.40
Prepaid expenses	98.52	101.18
Total	**377.95**	**193.26**

	As at 31 March 2020	As at 31 March 2019
12 Debt securities		
At Amortised cost		
Redeemable non-Convertible Debentures	-	3,200.62
Total	**-**	**3,200.62**
Debt securities in India	-	1,415.01
Debt securities outside India	-	1,785.61
Total	**-**	**3,200.62**

Concentration by location is based on the subscriber country of incorporation.
Information about the Group's exposure to fair value measurement and credit and market risks are included in Note 43 and 44 respectively.

Terms of Debt securities

Nature of Facility	Amount o/s	Contractual amount o/s	ROI	Date of first repayment	Terms of repayment	Date of maturity
As at 31 March 2020						
No debt securities have been outstanding as at the reporting date						
As at 31 March 2019						
Secured						
Redeemable non convertible debt - 1	405.07	385.55	13.80%	13-Sep-19	Bullet repayment	13-Sep-19
Unsecured						
Redeemable non convertible debt - 3	411.88	400.00	11.00%	13-Dec-19	Bullet repayment	13-Dec-19
Redeemable non convertible debt - 4	374.76	375.00	10.80%	27-Dec-19	Bullet repayment	27-Dec-19
Redeemable non convertible debt - 6	508.36	500.00	10.20%	16-Jan-20	Bullet repayment	16-Jan-20
Redeemable non convertible debt - 8	1,380.55	1,350.00	11.70%	12-Jan-26	Bullet repayment	12-Jan-26
Redeemable non convertible debt - 9	120.01	120.00	10.50%	28-Jun-19	Bullet repayment	28-Jun-19

Non-convertible debentures have an exclusive first ranking charge by way of hypothecation over loan receivables / book debts present and future and fixed deposit lien marked with bank.

(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2020	As at 31 March 2019
13 Borrowings (Other than Debt Securities)		
At Amortised cost		
Term loans		
- from banks	4,529.38	1,211.28
- from financial institution	22,559.56	7,585.01
- against securitised portfolio	-	175.06
- from others	189.58	259.68
RBI repo	983.98	-
Lease liability (Refer note No. 51)	1,860.55	173.70
Total	**30,123.05**	**9,404.73**
Borrowings in India	29,933.47	9,145.05
Borrowings outside India	189.58	259.68
Total	**30,123.05**	**9,404.73**

Information about the Group's exposure to fair value measurement and credit and market risks are included in Note 43 and 44 respectively.
Information about the lease liabilities is included in Note 51

Terms of Borrowings (Other than debt securities)

Nature of Facility	Amount o/s	Contractual amount o/s	ROI	Date of first repayment	Terms of repayment	Date of maturity
As at 31 March 2020						
Unsecured term loans from Banks						
Term loan - 1	1,005.99	1,000.00	6.25%	27-May-20	Bullet repayment	27-May-20
Secured Refinance from Financial Institution						
Term loan - 2	40.75	40.00	11.50%	31-Jan-17	Half yearly/11	31-Jan-22
Unsecured Refinance from Development Financial Institution						
Term loan - 3	253.59	250.00	8.75%	31-Jan-18	Half yearly/10	31-Jul-22
Term loan - 4	4,032.27	4,000.00	9.50%	31-Aug-19	Half yearly/10	29-Feb-24
Term loan - 5	628.33	625.00	9.50%	10-Sep-19	Half yearly/4	10-Mar-21
Term loan - 6	2,720.64	2,700.00	9.00%	31-Jan-20	Half yearly/10	31-Jul-24
Term loan - 7	3,021.65	3,000.00	8.50%	31-Jul-20	Half yearly/10	31-Jan-25
Term loan - 8	2,020.02	2,000.00	8.50%	31-Aug-20	Half yearly/10	28-Feb-25
Term loan - 9	5,024.45	5,000.00	8.50%	30-Sep-20	Half yearly/10	31-Mar-25
Term loan - 10	804.17	800.00	9.80%	10-Nov-19	Quarterly/10	10-Feb-22
Term loan - 11	2,011.43	2,000.00	8.25%	2-Mar-23	Bullet repayment	2-Mar-23
Term loan - 12	2,002.28	2,000.00	9.00%	10-Sep-20	Quarterly/12	10-Apr-24
Secured borrowings from Bank						
Term loan - 13	3,523.39	3,520.00	4%-7%	25-Sep-20	Bullet repayment	25-Sep-20
Secured ECB from Foreign Financial Institution	189.58	189.16	13.27%	15-Sep-18	Half yearly/8	15-Mar-22
RBI Repo						
LTRO - 1	120.74	120.00	5.15%	16-Feb-23	Bullet repayment	16-Feb-23
LTRO - 2	110.57	110.00	5.15%	23-Feb-21	Bullet repayment	23-Feb-21
LTRO - 3	90.38	90.00	5.15%	1-Mar-23	Bullet repayment	1-Mar-23
LTRO - 4	140.59	140.00	5.15%	1-Mar-23	Bullet repayment	1-Mar-23
LTRO - 5	260.84	260.00	5.15%	7-Mar-23	Bullet repayment	7-Mar-23
LTRO - 6	260.84	260.00	5.15%	7-Mar-23	Bullet repayment	7-Mar-23
As at 31 March 2019						
Unsecured term loans from Banks						
Term loan - 1	408.82	409.09	10.70%	29-Jun-17	Quarterly/11	29-Dec-19
Term Money Borrowing - 1	200.85	200.00	8.65%	13-Jun-19	Bullet repayment	13-Jun-19
Term Money Borrowing - 2	401.47	400.00	7.45%	16-Apr-19	Bullet repayment	16-Apr-19
Term Money Borrowing - 3	200.14	200.00	8.65%	28-Jun-19	Bullet repayment	28-Jun-19
Secured Refinance from Financial Institution						
Term loan - 2	127.28	125.00	11.50%	31-Jan-17	Half yearly/11	31-Jan-22
Unsecured Refinance from Development Financial Institution						
Term loan - 3	1,165.99	1,150.00	8.75%	31-Jan-18	Half yearly/10	31-Jul-22
Term loan - 4	5,035.68	5,000.00	9.50%	31-Aug-19	Half yearly/10	29-Feb-24
Term loan - 5	1,256.05	1,250.00	9.50%	10-Sep-19	Half yearly/4	10-Mar-21
Secured ECB from Foreign Financial Institution	259.68	259.33	13.27%	15-Sep-18	Half yearly/8	15-Mar-22
Secured against securitised portfolio						
Term loan - 6	175.06	176.52	11.00%	17-Apr-18	Monthly	17-Sep-19

All secured term loans were secured by way of exclusive charge on the standard assets portfolio receivables pertaining to micro credit loans and cash collateral as per the respective agreements.

(All amounts are in Rupees millions unless otherwise stated)

14 Deposits

	As at 31 March 2020	As at 31 March 2019
Deposits		
(i) From Banks	19,419.85	16,087.80
(ii) From Others	34,855.97	22,234.32
Total	**54,275.82**	**38,322.12**

15 Subordinated Liabilities

	As at 31 March 2020	As at 31 March 2019
Subordinated term loans	100.86	100.55
Subordinated debt	1,877.07	1,875.54
Total (A)	**1,977.93**	**1,976.09**
Subordinated Liabilities in India	487.71	489.12
Subordinated Liabilities outside India	1,490.22	1,486.97
Total (B) to tally with (A)	**1,977.93**	**1,976.09**

Concentration by location is based on the subscriber country of incorporation.
Information about the Group's exposure to fair value measurement and credit and market risks are included in Note 43 and 44 respectively.

Terms of Subordinated liabilities

Nature of Facility	Amount o/s	Contractual amount o/s	ROI	Date of first repayment	Terms of repayment	Date of maturity
As at 31 March 2020						
Unsecured						
Redeemable non convertible debt - 2	1,490.22	1,500.00	12.00%	30-Jun-22	Bullet repayment	30-Jun-22
Redeemable non convertible debt - 14	241.85	250.00	10.58%	9-Jul-25	Bullet repayment	9-Jul-25
Redeemable non convertible debt - 15	145.00	150.00	10.58%	30-Aug-25	Bullet repayment	30-Aug-25
Term loans	100.86	100.00	15.50%	10-Oct-20	Bullet repayment	10-Oct-20
As at 31 March 2019						
Unsecured						
Redeemable non convertible debt - 2	1,486.98	1,500.00	12.00%	30-Jun-22	Bullet repayment	30-Jun-22
Redeemable non convertible debt - 14	242.96	250.00	10.58%	9-Jul-25	Bullet repayment	9-Jul-25
Redeemable non convertible debt - 15	145.61	150.00	10.58%	30-Aug-25	Bullet repayment	30-Aug-25
Term loans	100.55	100.00	15.50%	10-Apr-20	Monthly / 6	10-Apr-20

(All amounts are in Rupees millions unless otherwise stated)

		As at 31 March 2020	As at 31 March 2019
16	**Other financial liabilities**		
	Employee benefits payable	200.57	158.78
	Security deposit from staff	74.34	54.31
	Expenses payable	613.02	311.95
	Client insurance payable	0.26	41.32
		888.19	**566.36**

(Interest accrued but not due on borrowings and deposits has been reclassified to the carrying value of respective financial liability)

		As at 31 March 2020	As at 31 March 2019
17	**Provisions**		
	Provision for gratuity	4.62	14.72
	Provision for leave benefits	44.60	10.43
	Allowance on impairment loss on off-book exposure	1.03	-
	Total	**50.25**	**25.15**

Refer note 37 for employee benefits

		As at 31 March 2020	As at 31 March 2019
18	**Other non-financial liabilities**		
	Statutory dues payable	79.86	59.40
	Advance contribution received	10.00	-
		89.86	**59.40**

		As at 31 March 2020	As at 31 March 2019
19	**Share capital**		
	Authorised		
	Equity shares		
	100,000,000 (31 March 2019: 100,000,000) Equity shares of INR 10 each	1,000	1,000
	Issued, subscribed and paid-up		
	Equity shares		
	97,398,806 (31 March 2019 - 97,201,786) equity shares of INR 10 each, fully paid up	973.99	972.02
		973.99	**972.02**

(a) Reconciliation of the number of shares outstanding is set out below:

	As at 31 March 2020		As at 31 March 2019	
	Number of shares (in units)	**Amount**	**Number of shares (in units)**	**Amount**
Outstanding as at the beginning of the year	9,72,01,786	972.02	9,71,04,098	971.04
Issued during the period	1,97,020	1.97	97,688	0.98
Outstanding at the end of the period	**9,73,98,806**	**973.99**	**9,72,01,786**	**972.02**

(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2020	As at 31 March 2019

(b) Rights, preferences and restrictions attached to equity shares

(i) Equity shares

The Group has single class equity shares having a par value of INR 10 per equity share. They entitle the holders to participate in the dividends in proportion to the number of shares held.

However, as per the Shareholders Agreement, in the event of liquidation, the net proceeds shall be distributed in the following manner:

- First preference shall be given to the Investors (ABF, AGIMDC II, AVMS, CDC, FCIEF II, FCIEF III, HDFC Ergo, HDFC Life, HDFC Ltd., Hero, ICICI Pru, IFC, JIF, Lok CGF, NMI, rAPM, RBL, Sarva Capital, SFRE-SICAV-SIF, Shriram and SIDBI), shareholders which have been allotted equity shares pursuant to ESOP plan 2010 and other shareholders (other than the shareholders which have been allotted equity shares pursuant to grant of employee stock option of the Group excluding ESOP Plan 2010)
- Second preference shall be with shareholders which have been allotted equity shares pursuant to grant of employee stock options of the Group (excluding ESOP Plan 2010) and sponsors of the Group.
- Remaining shareholders shall have third preference over the residual assets of the Group at the time of liquidation.

(c) Details of shareholder holding more than 5% shares is set below:

Equity shares	**As at 31 March 2020**		**As at 31 March 2019**	
Name of the shareholder	**Number of shares (in units)**	**% of Holding**	**Number of shares (in units)**	**% of Holding**
NMI Frontier Fund KS, Norway	77,02,602	7.91%	77,02,602	7.92%
CDC Group PLC	1,37,26,978	14.09%	1,37,26,978	14.12%
Faering Capital India Evolving FUND II	76,60,082	7.86%	76,60,082	7.88%
RBL Bank Limited	97,02,950	9.96%	97,02,950	9.98%
	3,87,92,612	**39.83%**	**3,87,92,612**	**39.91%**

(d) Shares reserved for issue under options - Refer Note 38 for details of shares to be issued under employee stock option plan.

(e) Pursuant to shareholder agreement Mr. Govind Singh or the Trust (RAAG FAMILY PRIVATE TRUST) has right to subscribe upto 2,566,969 equity shares of the Company at a price of INR 109.36.or its equivalent equity in Utkarsh Small Finance Bank Limited(USFBL).During the current year Mr. Govind Singh has exercised his right and USFBL has granted 2,00,18,918 shares of face value INR 10 each by way of ESOP under "Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020" on January 14, 2020, subject to RBI approval.

(f) Also refer note 33

(All amounts are in Rupees millions unless otherwise stated)

		As at 31 March 2020	As at 31 March 2019
20	**Other equity**		
	Share Application money pending allotment		
	Balance as at the beginning of the year	0.66	-
	Shares issued during the year	(0.66)	
	Amount received during the year	6.32	0.66
	Balance as at the end of the year	**6.32**	**0.66**
	Equity component of compound financial instruments		
	Balance as at the beginning of the year	(109.01)	(109.01)
	Balance as at the end of the year	**(109.01)**	**(109.01)**
	Statutory reserve		
	Balance as at the beginning of the year	454.04	210.19
	Add: Transferred from surplus	467.96	243.85
	Balance as at the end of the year	**922.00**	**454.04**
	Capital redemption reserve		
	Balance as at the beginning of the year	90.00	90.00
	Add: Transfer from surplus in Statement of Profit and Loss	-	-
	Balance as at the end of the year	**90.00**	**90.00**
	Securities premium		
	Balance as at the beginning of the year	6,302.30	6,286.72
	Add: On issue of shares during the year	-	9.71
	Add: Transfer from stock option outstanding	32.36	5.87
	Balance as at the end of the year	**6,334.66**	**6,302.30**
	Other Equity - Fair valuation changes		
	Balance as at the beginning of the year	4,121.67	(6,069.05)
	Add: Fair valuation of share capital	-	17,909.76
	Less: Loss on extinguishment	-	(7,719.04)
	Balance as at the end of the year	**4,121.67**	**4,121.67**
	Employees stock options outstanding		
	Balance as at the beginning of the year	52.00	20.62
	Add: Compensation for options granted	59.82	34.58
	Exercise of stock options	(10.53)	(3.20)
	Balance as at the end of the year	**101.29**	**52.00**
	Investment fluctuation reserve		
	Balance as at the beginning of the year	13.17	-
	Add: Transfer from surplus in Statement of Profit and Loss	39.24	13.17
	Balance as at the end of the year	**52.41**	**13.17**
	Treasury shares		
	Balance as at the beginning of the year	(5.08)	(4.18)
	Treasury shares exercised during the year	1.35	(0.90)
	Balance as at the end of the year	**(3.73)**	**(5.08)**
	Retained earnings		
	Balance as at the beginning of the year	(3,206.20)	(2,060.64)
	Add: Profit for the year	2,024.14	(888.54)
	Add: Amount transferred to statutory reserve (created under Section 45-1C of RBI Act, 1934)	(510.79)	(257.02)
	Transactions with Non controlling interest	(0.93)	-
	Balance as at the end of the year	**(1,693.78)**	**(3,206.20)**
	Debt instruments through other comprehensive income		
	Balance as at the beginning of the year	(4.85)	(71.14)
	Other comprehensive income for the year	201.49	66.29
	Balance as at the end of the year	**196.64**	**(4.85)**
	Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss		
	Balance as at the beginning of the year	(160.62)	(174.65)
	Total Comprehensive Income for the year	-	14.03
	Balance as at the end of the year	**(160.62)**	**(160.62)**
	Remeasurement of defined benefit plans ((gain)/loss)		
	Balance as at the beginning of the year	(7.32)	(0.17)
	Other comprehensive income for the year	(2.92)	(7.15)
	Balance as at the end of the year	**(10.24)**	**(7.32)**
	Capital reserve		
	Balance as at the beginning of the year	-	-
	Additions	3.59	-
	Balance as at the end of the year	**3.59**	**-**

Non-controlling interest		
Balance as at the beginning of the year	1.89	1.89
Other comprehensive income for the year	1.00	(0.00)
Purchase of Non controlling interest	(0.55)	-
Balance as at the end of the year	**2.34**	**1.89**
Total	**9,853.54**	**7,542.65**

Nature and purpose of other reserve :

Share Application money pending allotment
This amount represents amount received from share holders against which shares are yet to be allotted.

Equity component of financial instruments
This represents the equity component of the financial liability created on account of classification of equity share capital as financial liability.

Statutory reserve
The said reserve has been created under section 45-IC of Reserve Bank of India Act, 1934. As per the said section, every Non-Banking Financial Group shall create a reserve fund and transfer a sum not less than 20% of net profit every year before declaration of dividend.

The Bank has made an appropriation of 25% out of profits for the year ended March 31, 2020 to the Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949.

Capital Redemption Reserve
Capital Redemption Reserve represents amount transferred from surplus in statement of profit and loss towards redemption of preference shares without fresh issue of capital, as was required under Companies Act, 2013.

Securities premium
Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

Other Equity - Fair valuation changes
The said reserve represents the premium amount paid by the shareholders transferred on account of reclassification of equity share capital as financial liabilities as at 31 March 2018 and 1 April 2017. During the previous year ended 31 March 2019, due to substantial modification of the shareholder agreement, the Company has reclassified the equity share capital from financial liability to equity. Accordingly, the amount debited to said reserve in the previous periods was credited. Further, on the date of said reclassification, the Company has recorded the equity at the fair valuation on the date of reclassification and accordingly, the impact of the same has been booked in other equity. Loss on extinguishment of financial liability has been recorded in the said reserve.

ESOP Reserve
The said amount is used to recognise the grant date fair value of options issued to employees under Utkarsh CoreInvest Ltd and its subsidiary Utkarsh Small Finance Bank.

Investment fluctuation reserve
As per the notification issued by Reserve Bank of India on Investment Fluctuation Reserve (IFR) on April 02, 2018, the Bank is required to create reserve of at least 2% of the HFT and AFS portfolio, on continuing basis. Notification further says that this should be achieved within a period of 3 years. As per the policy, the Bank is required to create Investment Fluctuation Reserve within 2 years starting from financial year 2018-19. The Bank has created Investment Fluctuation Reserve of ₹5.24 crore (₹1.32 crore in FY 18-19 and ₹3.92 crore during FY 19-20 at 2% on HFT & AFS portfolio). Any adjustment (drawdown) to the reserve due to change in HFT & AFS portfolio is permitted only at the end of the accounting year.

Treasury shares
The said amount represents shares issued to the ESOP trust and subsequently issued to the employees of the Group.

Retained Earnings
The said amount represents accumulated surplus/(deficit) of the profits earned by the Group.

Debt instruments through other comprehensive income
This comprises changes in the fair value of debt instruments recognised in other comprehensive income and accumulated within equity. The Group transfers amounts from such component of equity to retained earnings when the relevant debt instruments are derecognised.

Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss
The said amount represents fair value changes on financial liabilities designated at fair value through profit or loss relating to own credit risk which is recognised in other comprehensive income.

Remeasurement of defined benefit plans
Remeasurements of defined benefit plans represents the following as per Ind AS 19, Employee Benefits:
(a) actuarial gains and losses
(b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset); and
(c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)

Capital Reserve
The amount relates to profit on sale of HTM securities as stated by RBI guidelines.

Non-controlling interest
The said amount represents non-controlling interest in the subsidiaries.

(All amounts are in Rupees millions unless otherwise stated)

21 Interest Income

	For the year ended 31 March 2020		For the year ended 31 March 2019	
	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost
Interest income on loan portfolio	-	12,250.84	-	8,459.95
Income from securitised portfolio	-	21.14	-	68.49
Interest Income on fixed deposits	-	6.32	-	30.33
Interest income on investments	917.38	-	625.01	-
Others	-	211.63	-	75.79
Total	**917.38**	**12,489.93**	**625.01**	**8,634.56**

22 Fees and commission income

	For the year ended 31 March 2020	For the year ended 31 March 2019
ATM interchange - acquirer fees	17.70	16.54
Insurance commission	59.29	29.70
Others	17.30	1.02
	94.29	**47.26**

23 Other income

	For the year ended 31 March 2020	For the year ended 31 March 2019
Net gain on derecognition of property, plant and equipment	-	21.38
Foreign exchange gain	1.52	-
Miscellaneous income *	640.56	419.63
Total	**642.08**	**441.01**

* includes fee received on sale of PSLCs of INR 452.70 (31 March 2019: INR 242.79)

24 Finance costs

	For the year ended 31 March 2020		For the year ended 31 March 2019	
	On Financial liabilities measured at fair value through profit or loss	On Financial liabilities measured at Amortised Cost	On Financial liabilities measured at fair value through profit or loss	On Financial liabilities measured at Amortised Cost
Interest on deposits	-	4,100.02	-	2,286.87
Interest on borrowings	-	1,280.16	-	668.13
Interest on non-convertible debentures	-	232.84	-	615.72
Interest on subordinated debt	-	240.10	784.72	216.05
Other borrowing costs	-	42.20	-	34.92
Total	**-**	**5,895.32**	**784.72**	**3,821.69**

25 Fees and commission expenses

	For the year ended 31 March 2020	For the year ended 31 March 2019
ATM interchange - issuer fees	21.78	10.62
Commission on business correspondent	100.29	23.48
Others	-	2.87
Total	**122.07**	**36.97**

(All amounts are in Rupees millions unless otherwise stated)

		For the year ended 31 March 2020	For the year ended 31 March 2019
26	**Net loss on fair value changes**		
	On financial liabilities designated at fair value through profit or loss	-	1,328.78
	On derivative instruments	10.65	(15.35)
	Reclassified from OCI for sale of investments	(7.50)	16.52
	Total Net gain/(loss) on fair value changes	**3.15**	**1,329.95**
	Fair value changes :		
	- Realised	(7.50)	16.52
	- Unrealised	10.65	1,313.43
	Total	**3.15**	**1,329.95**

		For the year ended 31 March 2020		For the year ended 31 March 2019	
		On Financial Assets measured at fair value through OCI	On Financial assets measured at Amortised Cost	On Financial Assets measured at fair value through OCI	On Financial assets measured at Amortised Cost
27	**Impairment on financial instruments**				
	Loans	-	777.75	-	531.13
	Investments	0.19	-	(0.05)	-
	Other assets	-	(2.62)	-	(1.32)
	Total	**0.19**	**775.13**	**(0.05)**	**529.81**

		For the year ended 31 March 2020	For the year ended 31 March 2019
28	**Employee benefit expenses**		
	Salaries and wages	2,320.08	1,694.24
	Contribution to provident and other funds	178.59	96.46
	Share Based Payments to employees	59.82	34.58
	Staff welfare expenses	120.43	81.94
	Total	**2,678.92**	**1,907.22**
29	**Depreciation and amortisation**		
	Depreciation of property, plant and equipment	412.57	167.65
	Amortisation of intangible assets	75.53	17.94
	Total	**488.10**	**185.59**
30	**Other expenses**		
	Repairs and maintenance	41.45	19.18
	Legal and professional charges	155.00	210.17
	Auditor’s fees and expenses (Refer Note below)	9.01	16.16
	Subscription and membership expenses	17.80	0.83
	Recruitment expenses	46.68	24.44
	Loss on account of theft and fraud	5.90	6.17
	Loss/write off on sale of property, plant and equipment	2.85	-
	Insurance	28.31	14.99
	Director sitting fees	7.19	9.92
	Foreign exchange fluctuation loss	-	21.43
	Rent	1.61	216.73
	Travelling expenses	140.83	106.85
	Printing and stationery	109.27	54.43
	Communication expenses	89.41	69.56
	Credit bureau expenses	13.50	11.16
	Power and fuel	71.59	50.46
	Provision against unreconciled balances	-	4.85
	Office maintenance	81.71	53.51
	Software charges	276.06	213.36
	Miscellaneous expenses	346.95	249.07
	Total	**1,445.13**	**1,353.27**
31	**Payment to Auditors**		
	Statutory audit fees	7.23	15.88
	Certification and other services	1.60	0.24
	Reimbursement of expenses	0.19	0.04
	Total	**9.01**	**16.16**

(All amounts are in Rupees millions unless otherwise stated)

		As at 31 March 2020	As at 31 March 2019
32	**Contingent Liabilities, commitments and contingent assets**		
A.	**Contingent liabilities and capital commitments**		
(i)	Claims not acknowledged as debts	114.30	0.04
(ii)	Other items for which the group is contingently liable *	199.45	178.65
	Total	**313.75**	**178.69**

* Includes capital commitments of INR 185 (31 March 2019: 56)

Claims against the company not acknowledged as debts in respect of Income Tax is INR 114.30 (31 March 2019: INR Nil).

"The group's pending litigations include claims against the Bank by counterparties and proceedings pending with tax authorities. The Bank has reviewed its pending litigations and proceedings and has adequately provided for where provisions are required, and disclosed as contingent liabilities where applicable"

(iii) **Details of Provident fund contribution as per Supreme Court Judgement**

"The Supreme Court of India in its judgement in the case of THE REGIONAL PROVIDENT FUND COMMISSIONER (II) WEST BENGAL v/s VIVEKANANDA VIDYAMANDIR AND OTHERS on February 28, 2019 has clarified that any emolument paid universally, necessarily and ordinarily to all employees across the board is to be considered as basic wage and accordingly needs to be considered for calculation of Provident Fund contribution. The Company would record any further effect in its financial statements, in the period in which it receives additional clarity on the said subject, if necessary and the effect of this order has been taken into effect from 1 April 2019."

B. Commitments

There are no other commitments as at 31 March 2020 and 31 March 2019.

C. **Contingent assets**

There are no contingent assets as at 31 March 2020 and 31 March 2019.

33 Treatment of share capital classified as liability in the books of accounts and subsequently reclassified as equity share capital on substantial modification

Prior to 28 March 2019, as per the shareholder agreement, the investor had the right to require the Company/Sponsors to buy back/purchase the entire securities if there is a failure of Company to provide an exit via secondary sale or listing. Since, the secondary sales and holding of the IPO event is outside the control of the Company and in case the investors decide to exit through buy back of the shares by the Company, then the Company shall not have any unconditional right to avoid the payment to the investors.

As at 28 March 2019, due to substantial modification in the share holder agreement, the buy back clause has been removed. Hence, the share capital earlier classified as subordinate liability has been reclassified as share capital in the books of the Company. Accordingly, there is no subordinate liability relating to equity shares as at 31 March 2019.

34 During the previous year, the Company received a letter from Ministry of Finance, Department of Economic Affair (FDI Section) (MoF) directing Company to approach Reserve Bank of India (RBI) for compounding for regularization of past foreign investments made in the Company (including share transfer among non-residents) without Government Approval, subsequent to change in status of the Company from NBFC-MFI to a Core Investment Company pursuant to transfer of micro finance business to Utkarsh Small Finance Bank in January 2017, resulting in contravention of Foreign Exchange Management Act regulations. The Company filed an application before MoF for compounding. In the current year, MoF directed the Company to approach RBI on the aforesaid matter for compounding, which the Company did vide its application dated June 13, 2019, duly representing the matter. RBI has accepted the application and has levied compounding fees of INR 4.30 on the Company against the settlement of the said matter.

(All amounts are in Rupees millions unless otherwise stated)

35 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Derivatives have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the Group uses the same basis of expected repayment behaviour as used for estimating the EIR. Issued debt reflect the contractual coupon amortisations.

	As at 31 March 2020			As at 31 March 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	16,120.74	-	16,120.74	5,039.13	-	5,039.13
Bank balance other than (a) above	39.74	-	39.74	150.36	-	150.36
Derivative financial instruments	25.78	-	25.78	15.13	-	15.13
Loans	36,174.12	29,459.21	65,633.33	30,313.11	16,083.24	46,396.35
Investments	3,978.80	8,423.47	12,402.27	3,041.52	5,711.92	8,753.44
Other financial assets	220.44	134.90	355.33	180.47	(0.64)	179.83
Non-financial assets						
Current tax assets (net)	-	217.54	217.54	-	189.35	189.35
Deferred tax assets (net)	-	318.99	318.99	-	264.11	264.11
Property, plant and equipment	-	2,520.25	2,520.25	-	713.92	713.92
Capital work-in-progress	-	0.75	0.75	-	27.58	27.58
Other intangible assets	-	219.97	219.97	-	160.21	160.21
Other non-financial assets	106.78	271.16	377.95	175.58	17.68	193.26
Total Assets	**56,666.39**	**41,566.24**	**98,232.63**	**38,915.30**	**23,167.38**	**62,082.68**
Liabilities						
Financial liabilities						
Debt securities	-	-	-	1,853.83	1,346.80	3,200.62
Borrowings (other than debt securities)	10,038.13	20,084.91	30,123.05	3,362.64	6,042.09	9,404.73
Deposits	35,145.75	19,130.07	54,275.82	26,704.41	11,617.72	38,322.12
Subordinated liabilities	1,601.43	376.51	1,977.93	1.88	1,974.21	1,976.09
Other financial liabilities	813.85	74.34	888.19	512.05	54.31	566.36
Non-financial liabilities						
Current tax liabilities (net)	-	-	-	-	13.53	13.53
Provisions	-	50.25	50.25	-	25.15	25.15
Other non-financial liabilities	89.86	-	89.86	59.39	-	59.40
Total Liabilities	**47,689.02**	**39,716.08**	**87,405.10**	**32,494.19**	**21,073.81**	**53,568.01**
Net	**8,977.38**	**1,850.15**	**10,827.53**	**6,421.11**	**2,093.56**	**8,514.67**

36 Change in liabilities arising from financing activities

	As at 1 April 2019	Interest Accrued	Cashflows	Adjustment on account of Ind AS 116	Exchange differences	Fair value change	Finance cost	Others	As at 31 March 2020
Debt securities	3,200.62	(77.18)	(3,118.16)	-	-	-	-	(5.29)	-
Borrowings (other than debt securities)	9,404.73	99.27	18,778.00	1,846.05	(1.52)	-	-	(3.48)	30,123.05
Deposits	38,322.12	988.71	14,965.17	-	-	-	-	(0.19)	54,275.82
Subordinated liabilities	1,976.09	(0.45)	-	-	-	-	-	2.29	1,977.93
Total Liabilities from financing activities	**52,903.57**	**1,010.35**	**30,625.01**	**1,846.05**	**(1.52)**	**-**	**-**	**(6.67)**	**86,376.80**

	As at 1 April 2018	Interest Accrued	Cashflows	Modification	Exchange differences	Fair value change	Finance cost	Others	As at 31 March 2019
Debt securities	5,458.30	(36.14)	(2,254.53)	-	-	-	-	32.99	3,200.62
Borrowings (other than debt securities)	9,235.90	(3.90)	98.82	-	21.43	-	-	52.48	9,404.73
Deposits	21,244.06	698.85	16,379.39	-	-	-	-	(0.18)	38,322.12
Subordinated liabilities	10,537.00	0.90	400.00	(11,054.34)	-	1,314.75	784.72	(6.94)	1,976.09
Total Liabilities from financing activities	**46,475.27**	**659.72**	**14,623.69**	**(11,054.34)**	**21.43**	**1,314.75**	**784.72**	**78.34**	**52,903.57**

(All amounts are in Rupees millions unless otherwise stated)

37 Employee benefits

The Group operates the following post-employment plans -

i. Defined Benefit plan

Gratuity

Every employee is entitled to a benefit equivalent to 15 days salary last drawn for each completed year of service in line with the payment of Gratuity Act, 1972. The same is payable at the time of separation from the Group or retirement, whichever is earlier.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2020. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Group's financial statements as at balance sheet date:

	As at 31 March 2020	As at 31 March 2019
Net defined benefit liability / (asset)	4.61	14.71

A) Funding

The scheme is fully funded with Life Insurance Corporation of India (LIC). The funding requirements are based on the gratuity fund's actuarial measurement framework set out in the funding policies of the plan. The funding of the plan is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions set out in Section E below. Employees do not contribute to the plan.

Expected contributions to gratuity plan for the year ending 31 March 2021 is INR 40.91

B) Reconciliation of the net defined benefit (asset) / liability

The following table shows a reconciliation from the opening balances to the closing balances for net defined benefit (asset) liability and its components:

	As at 31 March 2020			As at 31 March 2019		
	Defined benefit obligation	**Fair value of plan assets**	**Net defined benefit (asset)/ liability**	**Defined benefit obligation**	**Fair value of plan assets**	**Net defined benefit (asset)/ liability**
Balance at the beginning of the year	73.93	59.22	14.71	42.65	57.36	(14.71)
Included in profit or loss						
Current service cost	35.81	1.16	34.65	23.29	-	23.29
Past Service credit	0.10	0.10	(0.00)	-	-	-
Interest cost (income)	5.71	4.61	1.10	3.22	0.01	3.21
Total (A)	**41.61**	**5.86**	**35.75**	**26.51**	**0.01**	**26.50**
Included in Other comprehensive income						
Remeasurements loss (gain)						
– Actuarial loss (gain) arising from:			-	-	-	-
- demographic assumptions	(28.57)	-	(28.57)	-	-	-
- financial assumptions	23.66	-	23.66	9.30	(2.01)	11.31
- experience adjustment	7.40	-	7.40	0.00	-	0.00
– Return on plan assets excluding interest income	-	(1.42)	1.42	-	4.33	(4.33)
Total (B)	**2.49**	**(1.42)**	**3.91**	**9.30**	**2.32**	**6.98**
Other						
Contributions paid by the employer	-	49.76	(49.76)	-	4.06	(4.06)
Benefits paid	(0.16)	(3.50)	3.35	-	(4.53)	4.53
Benefits paid from revenue account of the Group	(3.35)	-	(3.35)	(4.53)	-	(4.53)
Total (C)	**(3.50)**	**46.26**	**(49.76)**	**(4.53)**	**(0.46)**	**(4.06)**
Balance at the end of the year	**114.53**	**109.92**	**4.61**	**73.93**	**59.22**	**14.71**

C. Plan assets

	As at 31 March 2020	As at 31 March 2019
Insurer managed funds	100%	100%

The group has purchased insurance policy, which is basically a year-on-year cash accumulation plan in which the interest rate is declared on yearly basis and is guaranteed for a period of one year. The insurance Company, as part of the policy rules, makes payment of all gratuity outgoes happening during the year (subject to sufficiency of funds under the policy). The policy, thus, mitigates the liquidity risk. However, being a cash accumulation plan, the duration of assets is shorter compared to the duration of liabilities. Thus, the group is exposed to movement in interest rate (in particular, the significant fall in interest rates, which should result in a increase in liability without corresponding increase in the asset).

(All amounts are in Rupees millions unless otherwise stated)

D. Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	As at 31 March 2020	As at 31 March 2019
Discount rate	5.40%	7.60%
Future salary growth	7% for first two years and 9% thereafter	9%
Withdrawal rate:		
For management	12%-13.10%	2%
For junior staff	31.90%	25%
Expected rate of return on plan assets	7.40%	7.59%
Mortality	Indian Assured Lives Mortality (2012-14)	Indian Assured Lives Mortality (2006-08)

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion

E. Sensitivity analysis of significant assumptions

The following table present a sensitivity analysis to one of the relevant actuarial assumption, holding other assumptions constant, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumptions that were reasonably possible at the reporting date.

	As at 31 March 2020		As at 31 March 2019	
	Increase	**Decrease**	**Increase**	**Decrease**
Discount rate (1% movement)	6.05	6.82	6.55	5.67
Future salary growth (1% movement)	6.45	5.86	6.35	5.62

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

F. Expected maturity analysis of the defined benefit plans in future years

	As at 31 March 2020	As at 31 March 2019
(i) Duration of defined benefit obligation		
Duration (Years)		
1	16.95	18.91
1 to 5 years	64.70	48.16
More than 5	82.17	124.24
Total	**163.81**	**191.30**
(ii) Weighted Average duration of the defined benefit obligation	4-7 years	12-16 years

G. Description of risk exposures

Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such group is exposed to various risks as follow -

Investment risk

The probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

Interest risk (discount rate risk)

Interest Rate risk: The plan exposes the group to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability.

Mortality Risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants. For the current year, we have used Indian Assured Lives Mortality (2012-14) ultimate table and in the previous year, Indian Assured Lives Mortality (2006-08) had been used.

A change in mortality rate will have a bearing on the plan's liability.

Salary Risk

The present value of the defined benefit plan is calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liabilty.

(All amounts are in Rupees millions unless otherwise stated)

ii. Defined contribution plan

The Group makes monthly contribution towards Provident Fund which is a defined contribution plan. The Group has no obligations other than to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. The amount recognised as expense towards such contribution are as follows:

	As at 31 March 2020	As at 31 March 2019
Contribution to Provident Fund and other funds	178.59	96.46

iii. Other long-term benefits

The Group provides compensated absences benefits to the employees of the Group which can be carried forward to future years. Amount recognised in the Statement of Profit and Loss for compensated absences is as under-

	Year ended 31 March 2020	Year ended 31 March 2019
Amount recognised in Statement of Profit and Loss	81.80	44.31

(All amounts are in Rupees millions unless otherwise stated)

38 Employee stock options

A Description of share-based payment arrangements

The Group has formulated an Employees Stock Option Scheme to be administered through a Trust. The Scheme is applicable to all the eligible employees of the Group. The scheme provides that subject to continued employment with the Group, the employees are granted an option to acquire equity shares of the Group that may be exercised within a specified period.

The Group formed Utkarsh ESOP Welfare Trust ('Trust') to issue ESOPs to employees of the Group as per Employee Stock Option Scheme. Total 1,200,000 equity shares has been reserved under ESOP scheme 2016 and pursuant to Shareholder agreement executed in the year 2016-17 additional 5,989,594 equity shares has been reserved for the purpose of ESOP scheme. The Group has given interest and collateral free loan to the trust, to provide financial assistance to purchase equity shares of the Group under such schemes.

The Group has allotted 343,507 equity shares of Rs.10 each and 856,493 equity shares of Rs.10 each in the years ended 31 March 2011 and 31 March 2013 respectively. The trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the compensation committee. The Trust in turn allots the shares to employees on exercise of their right against cash. The compensation costs of stock options granted to employees are accounted by the Group using fair value method.

The Trust does not have any transactions/activities other than those mentioned above, hence it is treated as a part of the Group and gets consolidated with the books of the Group.

During the year the Group granted 934,500 options to the employees of the Group which are not routed through the Trust.

The options vested shall be exercised within a period of 24 months from the date of vesting. The plan shall be administered, supervised and implemented by the Compensation Committee under the policy and frame work laid down by the Board of Directors of the Group in accordance with the authority delegated to the Compensation Committee in this regard from time to time.

The said ESOP scheme is an equity settled scheme as the same would lead to a settlement in its own equity instruments.

These options shall vest on graded basis as follows:

Time period	**Percentage**	**Vesting condition**
On completion of 1 year	25%	Service
On completion of 2 years	25%	Service
On completion of 3 years	25%	Service
On completion of 4 years	25%	Service

During the year, the Bank in the group introduced Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020 to offer, grant and issue in one or more tranches, the Stock Options to Mr. Govind Singh, MD & CEO. As per Section 35B of the Banking Regulation Act, 1949, the Bank mandatory requires RBI approval before granting ESOPs. RBI approval is awaited and hence no accounting adjustment has been made in the financial statements on 31 March 2020.

B Reconciliation of outstanding share options

Set out below is a summary of options granted under the plan

	31 March 2020		**31 March 2019**	
	Number of share options (in Units)	**Average exercise price per share**	**Number of share options (in Units)**	**Average exercise price per share**
Outstanding options at the beginning of the year	25,48,234	99.37	13,03,904	80.43
Add: Granted during the year	18,36,225	109.36	18,06,725	109.36
Less: Lapsed/forfeited during the year	2,06,874	108.18	3,43,132	103.30
Less: Exercised during the year	3,26,101	73.01	2,19,263	62.94
Outstanding options at the end of the year	**38,51,484**	**105.89**	**25,48,234**	**99.37**
Options vested and exercisable at the end of the year	9,34,521	95.06	2,14,189	57.55

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2020 was INR 78.54 (31 March 2019 - 64.69).

C Share options outstanding at the end of the year have the following contractual expiry date and exercise options

Grant date	**Expiry date**	**Exercise price**	**No of options outstanding As at 31 March 2020**	**As at 31 March 2019**
1 April 2014	1 April 2016 - 1 April 2019	21.60	9,750	28,747
1 April 2015	1 April 2017 - 1 April 2020	21.60	39,824	97,679
1 April 2016	1 April 2018 - 1 April 2021	21.60	1,02,692	1,63,696
1 April 2017	1 April 2019 - 1 April 2022	109.36	5,20,475	6,49,687
1 April 2018	1 April 2020 - 1 April 2023	109.36	13,98,768	16,08,425
1 June 2019	1 June 2021 - 1 June 2024	109.36	17,79,975	-

Weighted average remaining contractual life of options outstanding at the end of the period	4.23 years	4.46 years

D Measurement of Fair values

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option on the grant date ranged between INR 13.95 - 67.99

The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plans are as follows:

Grant date	**Expiry date**	**Historical volatility**	**Exercise price**	**Share price**	**Risk free rate**	**Fair value**
1 April 2014	1 April 2016 - 1 April 2019	33.83%	21.6	28.72	8.81%	11.57 - 16.12
1 April 2015	1 April 2017 - 1 April 2020	43.09%	21.6	45.51	7.74%	27.54 - 32.21
1 April 2016	1 April 2018 - 1 April 2021	52.41%	21.6	71.4	7.46%	53.15 - 57.95
1 April 2017	1 April 2019 - 1 April 2022	30.91%	109.36	82.19	6.68%	9.54 - 23.70
1 April 2018	1 April 2020 - 1 April 2023	29.51%	109.36	107.19	7.40%	23.88 - 42.55
1 June 2019	1 June 2021 - 1 June 2024	19.60%	109.36	132.13	7.03%	49.31 - 67.99

The dividend yield has been taken as 0% in all the fair value calculations as Group has never distributed dividend in the past and does not intend to distribute its earnings in the foreseeable future.

E. Expense recognised in statement of profit and loss

For details on the employee benefits expense, refer Note 28

(All amounts are in Rupees millions unless otherwise stated)

39 Related party disclosure

i. Name of the related party and nature of relationship:-

A. Name of the Related Party — **Nature of Relationship**

a. **Key managerial personnel / Others**

	Name of the Related Party	Nature of Relationship
i	Mr. Raghvendra Singh	– Managing Director and CEO of Holding Company.(resigned from the post of MD & CEO on 16 March 2019)
ii	Mr. Ashwani Kumar	– Managing Director & CEO (w.e.f. 19 March 2019)
iii	Mr. G.S. Sundararajan	– Director
iv	Mr. Gaurav Malhotra	– Additional Director
v	Mr. Abhisheka Kumar	– Director upto May 24, 2018
vi	Mr. Atul	– Director
vii	Ms. Ramni Nirula	– Director
viii	Mr. Harjeet Toor	– Nominee Director
ix	Mr. Aditya Deepak Parekh	– Nominee Director
x	Mr. Vishal Mehta	– Nominee Director
xi	CDC	– Investor (holding more than 10% equity share capital)

B. Compensation of key managerial personnel

	As at 31 March 2020	As at 31 March 2019
Short-term employee benefits		
Raghvendra Singh	-	1.82
Ashwani Kumar	2.49	0.13
Post-employment defined benefit plan		
Ashwani Kumar	0.47	0.37
Raghvendra Singh	-	-
Other long term benefits		
Ashwani Kumar	0.60	0.43
Raghvendra Singh	-	-
Share-based payments		
Ashwani Kumar	0.15	-
Sitting fees		
G S Sundararajan	0.42	0.14
Atul	0.54	0.17
Ramni Nirula	0.35	0.17
Shubhalakshmi A Panse		-
	5.03	**3.23**

C. Transactions with related parties

CDC: Interest expense	181.99	180.00
Key Managerial Personnel: Purchase of Securities	0.03	-
Bank deposits		
Mr. Raghvendra Singh	-	5.66
Mr. Shyam Sundar Rai	-	7.02
Mr. Ashwani Kumar	7.14	4.76
Mr. Abhisheka Kumar	-	0.00
Mr. Atul	0.40	0.01
Ms. Ramni Nirula	3.32	2.32
Mr. Aditya Deepak Parekh	0.10	0.05

Terms and conditions

All transactions with these related parties are priced on an arm’s length basis and at normal commercial terms.

Utkarsh CoreInvest Limited
(formerly known as Utkarsh Micro Finance Limited)
Notes to consolidated financial statements for the year ended 31 March 2020
(All amounts are in Rupees millions unless otherwise stated)

D. (Payable)/ receivables as at balance sheet date:

	Name of related party	As at 31 March 2020	As at 31 March 2019
i.	CDC		
	Debt securities issued to CDC	1,490.22	1,486.97
ii.	Mr. Raghvendra Singh		
	Saving bank deposits	-	0.22
	Fixed deposits	-	0.83
iii.	Mr. Shyam Sundar Rai		
	Saving bank deposits	-	0.23
	Fixed deposits	-	0.11
iv.	Mr. Ashwani Kumar		
	Saving bank deposits	0.90	0.26
	Fixed deposits	0.01	0.01
v.	Mr. Abhisheka Kumar		
	Saving bank deposits	-	0.03
	Fixed deposits	-	-
vi.	Mr. Atul		
	Saving bank deposits	0.01	0.01
vii.	Ms. Ramni Nirula		
	Saving bank deposits	0.77	-
	Fixed deposits	7.33	1.21
viii.	Mr. Aditya Deepak Parekh		
	Saving bank deposits	0.00	0.05

(All amounts are in Rupees millions unless otherwise stated)

40 Earnings per share

Particulars		**For the year ended 31 March 2020**	**For the year ended 31 March 2019**
a) Basic earning per share			
Profit/(Loss) after tax		2,025.15	(888.54)
Weighted average number of equity shares outstanding during the year – Basic	Nos.	9,69,21,588	1,11,82,743
b) Diluted earning per share			
Adjusted net profit/(loss) for the year		2,025.15	(888.54)
Weighted average number of equity shares outstanding during the year – Basic	Nos.	9,69,21,588	1,11,82,743
Add: Weighted average number of potential equity shares on account of employee stock options	Nos.	9,49,175	14,99,404
Weighted average number of equity shares outstanding during the year – Diluted	Nos.	9,78,70,763	1,26,82,147
Earnings per share			
Basic – par value of Rs.10 each	INR	20.89	(79.46)
Diluted - par value of Rs.10 each	INR	20.69	(79.46)

Note: The options which are not exercised have anti-dilutive effect on loss per share and accordingly basic loss per share is considered as dilutive loss per share

41 Operating segments

The Board has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, "Operating Segments." The Group's operating segments are established in the manner consistent with the components of the Group that are evaluated regularly by the Chief Operating Decision Maker as defined in 'Ind AS 108 - Operating Segments.' The Group is engaged primarily in the business of banking and there are no separate reportable segments as per Ind AS 108.

a. **Information about products and services:**

The Group deals in only one product i.e. granted loans to customers. Hence, no separate disclosure is required.

b. **Information about geographical areas:**

The entire sales of the Group are made to customers which are domiciled in India. Also, all the assets of the Group are located in India.

c. **Information about major customers (from external customers):**

The Group does not earn revenues from the customers which amount to 10 per cent or more of Group's revenues

(All amounts are in Rupees millions unless otherwise stated)

42 Transfers of financial assets

In the ordinary course of business, the Group enters into transactions that result in the transfer of loans and advances. In accordance with the accounting policy set out in Note 2, the transferred financial assets continue to be recognised in their entirety or to the extent of the Group's continuing involvement, or are derecognised in their entirety.

The Inter-Bank Participatory Certificicates (IBPC) arrangement has been done in March 2020 with Risk sharing basis. As per the terms of participation and the de-recognition requirements of Ind AS 109, since, the risk and rewards are not transferred, hence we have not de-recognized it.

The Group transfers financial assets that are not derecognised in their entirety are primarily through the following transactions:
- securitisation activities in which loans and advances to customers are transferred to unconsolidated securitisation vehicles or to investors in the notes issued by consolidated securitisation vehicles.

A. Transferred financial assets that are not derecognised in their entirety

Securitisation

Loans to customers are sold by the Group to securitisation special purpose vehicles, which in turn issue PTCs to investors collateralised by the purchased assets. In securitisation transactions entered, the Group transfers loans to an unconsolidated securitisation vehicle, however it retains credit risk (principally through credit enhancement provided by the Group).

Since substantially all the risks and rewards of the loans transferred has been retained by the Group, it does not derecognise the loans transferred in its entirety and recognise an associated liability for the consideration received.

The following table sets out the carrying amounts and fair values of all financial assets transferred that are not derecognised in their entirety and associated liabilities.

	Carrying amount		Fair value		
	Assets - Loans	Liabilities - Borrowings	Assets - Loans	Liabilities - Borrowings	Net position
Securitisation					
As at 31 March 2020	-	-	-	-	-
As at 31 March 2019	126.46	125.00	126.46	126.46	-

(All amounts are in Rupees millions unless otherwise stated)

43 Financial instruments - fair value and risk management

A. Financial instruments by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities.

Particulars	As at 31 March 2020 FVTPL	FVTOCI	Amortised cost
Financial assets:			
Cash and cash equivalents	-	-	16,120.74
Bank balance other than above	-	-	39.74
Derivative financial instruments	25.78	-	-
Loans	-	-	65,633.33
Investments	-	12,402.27	-
Other financial assets	-	-	355.33
	25.78	**12,402.27**	**82,149.13**
Financial liabilities:			
Debt securities	-	-	-
Borrowings (other than debt securities)	-	-	30,123.05
Deposits	-	-	54,275.82
Subordinated liabilities	-	-	1,977.93
Other financial liabilities	-	-	888.19
	-	**-**	**87,264.99**

Particulars	As at 31 March 2019 FVTPL	FVTOCI	Amortised cost
Financial assets:			
Cash and cash equivalents	-	-	5,039.13
Bank balance other than above	-	-	150.36
Derivative financial instruments	15.13	-	-
Loans	-	-	46,396.35
Investments	0.36	8,753.08	-
Other financial assets	-	-	179.83
	15.50	**8,753.08**	**51,765.67**
Financial liabilities:			
Debt securities	-	-	3,200.62
Borrowings (other than debt securities)	-	-	9,404.73
Deposits	-	-	38,322.12
Subordinated liabilities		-	1,976.09
Other financial liabilities	-	-	566.36
	-	**-**	**53,469.93**

B. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:
(a) recognised and measured at fair value and
(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

Financial assets measured at fair value - recurring fair value measurements

As at 31 March 2020	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	25.78	-	25.78
Investments	12,402.27	-	-	12,402.27
	12,402.27	**25.78**	**-**	**12,428.05**

(All amounts are in Rupees millions unless otherwise stated)

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2020	Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	16,120.74	-	-	16,120.74	16,120.74
Bank balance other than above	39.74	-	-	39.74	39.74
Loans	65,633.33	-	-	65,637.29	65,637.29
Other financial assets	355.33	-	-	355.33	355.33
	82,149.13	**-**	**-**	**82,153.09**	**82,153.09**
Financial liabilities:					
Debt securities	-	-	-	-	-
Borrowings (other than debt securities)	30,123.05	-	-	30,275.53	30,275.53
Deposits	54,275.82	-	-	54,275.82	54,275.82
Subordinated liabilities	1,977.93	-	-	2,147.77	2,147.77
Other financial liabilities	888.19	-	-	888.19	888.19
	87,264.99	**-**	**-**	**87,587.31**	**87,587.31**

Financial assets measured at fair value - recurring fair value measurements

As at 31 March 2019	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	15.13	-	15.13
Investments	8,753.08	0.36	-	8,753.44
	8,753.08	**15.50**	**-**	**8,768.58**

Assets and liabilities which are measured at amortised cost for which fair values are disclosed

As at 31 March 2019	Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	5,039.13	-	-	5,039.13	5,039.13
Bank balance other than above	150.36	-	-	150.36	150.36
Loans	46,396.35	-	-	46,559.78	46,559.78
Other financial assets	179.83			179.83	179.83
	51,765.67	**-**	**-**	**51,929.10**	**51,929.10**
Financial liabilities:					
Debt securities	3,200.62	-	-	3,224.88	3,224.88
Borrowings (other than debt securities)	9,404.73	-	412.41	9,064.86	9,477.27
Deposits	38,322.12	-	-	38,322.12	38,322.12
Subordinated liabilities	1,976.09	-	-	1,991.43	1,991.43
Other financial liabilities	566.36	-	-	566.36	566.36
	53,469.93	**-**	**412.41**	**53,169.65**	**53,582.06**

C. Valuation framework

The finance department of the group relies on external valuers to perform the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held between the CFO and the external valuer at every twelve months, in line with the group's annual reporting periods. Specific controls include :

- verification of observable pricing
- re-performance of model valuations
- review and approval process for new models and changes to models
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : The fair value of financial instruments that are not traded in active markets is determined using valuation techniques which maximize the use of observable market data either directly or indirectly, such as quoted prices for similar assets and liabilities in active markets, for substantially the full term of the financial instrument but do not qualify as Level 1 inputs. If all significant inputs required to fair value an instrument are observable the instrument is included in level 2.

Level 3 : If one or more of the significant inputs is not based in observable market data, the instruments is included in level 3. That is, Level 3 inputs incorporate market participants' assumptions about risk and the risk premium required by market participants in order to bear that risk. The Bank develops Level 3 inputs based on the best information available in the circumstances.

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for OTC derivatives such as forward rate agreements. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values.

The following table shows the valuation techniques used in measuring Level 3 fair values for financial instruments measured at fair value in the balance sheet, as well as the significant unobservable inputs used.

Financial instruments valued at carrying value

The respective carrying values of certain on-balance sheet financial instruments approximated their fair value. These financial instruments include cash in hand, balances with other banks, trade receivables, trade payables and certain other financial assets and liabilities. Carrying values were assumed to approximate fair values for these financial instruments as they are short-term in nature and their recorded amounts approximate fair values or are receivable or payable on demand.

The following table shows the valuation techniques used in measuring Level 3 fair values for financial instruments measured at fair value in the balance sheet, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable input	Sensitivity
Subordinated liabilities	Linear interpolation	Volatility - 35% Cost of borrowings - 12.38%	Increasing volatility by 10%, the fair value of liability is decreased by Rs. 16.25 per share and decreasing volatility by 10%, the fair value of liability is increased by Rs. 18.22 per share. Increasing cost of borrowings by 50 bps, the fair value of liability is decreased by Rs 1.97 per share and decreasing cost of borrowings by 50 bps, the fair value of liability is increased by Rs. 2 per share.

(All amounts are in Rupees millions unless otherwise stated)

ii) Level 3 fair values
Reconciliation of Level 3 fair values
The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

Particulars	**Subordinated liabilities**
Balance as at 31 March 2018	**8,954.88**
Total gain or losses:	
- in profit or loss	(5,605.54)
- in OCI	(14.03)
Settlement	(3,335.30)
Balance as at 31 March 2019	-

Total gain or losses for the year in the above table are presented in the statement of profit or loss and OCI as follows :

Particulars	**Subordinated liabilities**
Total gain or losses recognised in profit or loss :	
- Net fair value change from financial instruments carried at fair value	1,328.78
- Finance cost	784.72
Total gain or losses recognised in OCI :	
- Fair value reserve (debt instruments) - net change in fair value	(14.03)
Profit or loss - attributable to the change in unrealised gain and losses relating to assets and liabilities held at the end of the year:	
- Net fair value change from financial instruments carried at fair value	-

Balance as at 1 April 2019	-
Total gain or losses:	
- in profit or loss	-
- in OCI	-
Settlement	-
Balance as at 31 March 2020	-

Total gain or losses for the year in the above table are presented in the statement of profit or loss and OCI as follows :

Particulars	**Subordinated liabilities**
Total gain or losses recognised in profit or loss :	
- Net fair value change from financial instruments carried at fair value	-
- Finance cost	-
Total gain or losses recognised in OCI :	
- Fair value reserve (debt instruments) - net change in fair value	-
Profit or loss - attributable to the change in unrealised gain and losses relating to assets and	
- Net fair value change from financial instruments carried at fair value	-

44 Financial risk management

The group's activities exposure it to credit risk, liquidity risk, market risk and operational risk.

A. Risk management framework

(a) Risk management structure and group's risk profile

The group's board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports regularly to the board of directors on its activities.

Efficient and timely management of risks involved in the group's activities is critical for the financial soundness and profitability of the group. Risk management involves the identifying, measuring, monitoring and managing of risks on a regular basis. The objective of risk management is to increase shareholders' value and achieve a return on equity that is commensurate with the risks assumed. To achieve this objective, the group employs leading risk management practices and recruits skilled and experienced people.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations

The group's audit committee oversees how management monitors compliance with the group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

B. Credit risk

Credit risk arises from loans and advances, cash and cash equivalents, investment in debt securities and deposits with banks and financial institutions and any other financial assets.

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's asset on finance and trade receivables from customers; loans and investments in debt securities.

The carrying amounts of financial assets represent the maximum credit risk exposure.

a) Credit risk management

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:
• significant financial difficulty of the borrower or issuer;
• a breach of contract such as a default or past due event;
• the restructuring of a loan or advance by the group on terms that the group would not consider otherwise; or
• it is becoming probable that the borrower will enter bankruptcy or other financial re-organization;

The risk management committee has established a credit policy under which each new customer is analyzed individually for credit worthiness before the group's standard payment and delivery terms and conditions are offered. The group's review includes external ratings, if they are available, background verification, financial statements, income tax returns, credit agency information, industry information, etc. Credit limits are established for each customer and reviewed quarterly. Any loan exceeding those limits require approval from the risk management committee.

(b) Definition of default and cure

The group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

The group considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Following indicators are incorporated:
- DPD analysis as on each reporting date
- actual or expected significant adverse changes in business, financial or economic condition that are expected to cause a significant change to borrower's ability to meet its obligations.
- significant increase in credit risk on other financial instruments of same borrower
- significant changes in value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements.
- significant changes in expected performance and behavior of the borrower including changes in payment status of borrowers and changes in operating results.

Macroeconomic information (such as regulatory changes, market interest rate or growth rates) is incorporated as part of the internal rating model. In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

(c) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the group assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The Ind AS 109 PDs are then assigned to each economic scenario based on the outcome of group's models.

(All amounts are in Rupees millions unless otherwise stated)

(d) Loss given default

For corporate loans, LGD values are assessed at least every three months by ECL team and reviewed and approved by the group's specialised credit risk department.

In the last financial year, for MSME and HL loans, LGD calculated for JLG loans were used due to absence of sufficient data. In this financial year, separate LGD based on historical data and collateral value is used. For MSME unsecured loan, regulatory LGD is considered as defined by RBI in IRB approach for capital calculation.

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine the Ind AS 109 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group.

Under Ind AS 109, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI Ind AS 109 segment of each asset class.

(e) Significant increase in credit risk

The group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

f) Expected credit loss on Loans

The group assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account accounting instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower, collateral type, and other relevant factors.

The group considers defaulted assets as those which are contractually past due 90 days, other than those assets where there is empirical evidence to the contrary. Financial assets which are contractually past due 30 days are classified under Stage 2 - life time ECL, not credit impaired, barring those where there is empirical evidence to the contrary. The group considers financial instruments to have low credit risk if they are rated internally or externally within the investment grade. An asset migrates down the ECL stage based on the change in the risk of a default occurring since initial recognition. If in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision stage reverses to 12-months ECL from lifetime ECL.

The group measures the amount of ECL on a financial instrument in a way that reflects an unbiased and probability-weighted amount. The group considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the group's internally developed statistical models and other historical data. In addition, the group uses reasonable and supportable information on future economic conditions including macroeconomic factors such as interest rates, gross domestic product, inflation, industry and expected direction of the economic cycle. Since incorporating these forward looking information increases the judgment as to how the changes in these macroeconomic factor will affect ECL, the methodology and assumptions are reviewed regularly. The following table presents the key macroeconomic indicators used for the purposes of measurement of ECL in the periods presented.

Macro economic indicator	**As at 31 March 2020**	**As at 31 March 2019**
Agriculture (% real change)	3.50	3.40
GDP growth	2.10	6.83
Industry (% real change)	1.80	-

The group's exposure to credit risk for loans, investments and other financial assets by type of counterparty is as follows.

	As at 31 March 2020				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and advances at amortised cost					
Current (not past due)	65,830.24	-	-	-	65,830.24
1-30 days past due	360.82	-	-	-	360.82
31-60 days past due	-	136.00	-	-	136.00
61-90 days past due	-	62.83	-	-	62.83
More than 90 days past due	-	-	491.92	-	491.92
	66,191.06	198.83	491.92	-	66,881.81
Loss allowance	(809.50)	(64.35)	(374.63)	-	(1,248.49)
Carrying value	**65,381.56**	**134.48**	**117.29**	**-**	**65,633.32**

Other financial assets at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
BBB - to AAA	356.02	-	-	-	356.02
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	356.02	-	-	-	356.02
Loss allowance	(0.69)	-	-	-	(0.69)
Carrying value	**355.33**	**-**	**-**	**-**	**355.33**

(All amounts are in Rupees millions unless otherwise stated)

	Stage 1	Stage 2	Stage 3	POCI	Total
Investment in debt securities at FVTOCI					
BBB - to AAA	11,924.50	-	-	-	11,924.50
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	11,924.50	-	-	-	11,924.50
Loss allowance	(0.61)	-	-	-	(0.61)
Amortised cost	**11,923.89**	**-**	**-**	**-**	**11,923.89**
Bank balances					
BBB - to AAA	15,747.84	-	-	-	15,747.84
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	15,747.84	-	-	-	15,747.84
Loss allowance	(0.10)				(0.10)
Amortised cost	**15,747.74**	**-**	**-**	**-**	**15,747.74**

As at 31 March 2019

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances at amortised cost					
Current (not past due)	45,547.95	-	-	-	45,547.95
1-30 days past due	139.82	-	-	-	139.82
31-60 days past due	-	83.75	-	-	83.76
61-90 days past due	-	7.41	-	-	7.41
More than 90 days past due	-	-	655.91	-	655.91
	45,687.75	91.16	655.92	-	46,434.85
Loss allowance	(327.85)	(55.04)	(626.37)	-	(1,009.13)
Carrying value	**45,360.02**	**36.12**	**29.55**	**-**	**45,425.72**

	Stage 1	Stage 2	Stage 3	POCI	Total
Other financial assets at amortised cost					
BBB - to AAA	180.47	-	-	-	180.47
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	180.47	-	-	-	180.47
Loss allowance	(0.64)	-	-	-	(0.64)
Carrying value	**179.83**	**-**	**-**	**-**	**179.83**

	Stage 1	Stage 2	Stage 3	POCI	Total
Investment in debt securities at FVTOCI					
BBB - to AAA	8,622.07	-	-	-	8,622.07
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	8,622.07	-	-	-	8,622.07
Loss allowance	(0.42)	-	-		(0.42)
Amortised cost	**8,621.65**	**-**	**-**	**-**	**8,621.65**
Bank balances					
BBB - to AAA	4,951.26	-	-	-	4,951.26
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	4,951.26	-	-	-	4,951.26
Loss allowance	(1.31)	-	-		(1.31)
Amortised cost	**4,949.95**	**-**	**-**	**-**	**4,949.95**

(All amounts are in Rupees millions unless otherwise stated)

The group has applied a three-stage approach to measure expected credit losses (ECL) on loans and investment in debt securities accounted for at amortised cost and FVOCI. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Assets migrate through following three stages based on the changes in credit quality since initial recognition:

(a) Stage 1: 12- months ECL: For exposures where there is no significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12- months is recognized.

(b) Stage 2: Lifetime ECL, not credit-impaired: For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognized.

(c) Stage 3: Lifetime ECL, credit-impaired: Financial assets are assessed as credit impaired upon occurrence of one or more events that have a detrimental impact on the estimated future cash flows of that asset. For financial assets that have become credit-impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortised cost

At each reporting date, the group assesses whether there has been a significant increase in credit risk of its financial assets since initial recognition by comparing the risk of default occurring over the expected life of the asset. In determining whether credit risk has increased significantly since initial recognition, the group uses information that is relevant and available without undue cost or effort. This includes the group's internal credit rating grading system, external risk ratings and forward-looking information to assess deterioration in credit quality of a financial asset.

As at 31 March 2020

Macro economic indicator	2020	2021	2022	2023	2024
Agriculture (% real change)	Base - 2.9 Upside - 2.9 Downside - 2.9	Base - 3.5 Upside - 3.7 Downside - 1.8	Base - 3.2 Upside - 3.4 Downside - 1.6	Base - 3.4 Upside - 3.6 Downside - 1.7	Base - 3.3 Upside - 3.5 Downside - 1.7
GDP growth	Base - 4.9 Upside - 4.9 Downside - 4.9	Base - 2.1 Upside - 2.2 Downside - 1.1	Base - 5.1 Upside - 5.4 Downside - 2.6	Base - 6.5 Upside - 6.8 Downside - 3.3	Base - 6.1 Upside - 6.4 Downside - 3.1
Industry (% real change)	Base - 6.3 Upside - 6.3 Downside - 6.3	Base - 1.8 Upside - 1.9 Downside - 0.9	Base - 6.6 Upside - 6.9 Downside - 3.3	Base - 6.8 Upside - 7.1 Downside - 3.4	Base - 6.7 Upside - 7.0 Downside - 3.4

As at 31 March 2019

Macro economic indicator	2019	2020	2021	2022	2023
Agriculture (% real change)	Base - 3.4 Upside - 3.4 Downside - 3.4	Base - 3.6 Upside - 3.78 Downside - 3.42	Base - 3.4 Upside - 3.57 Downside - 3.23	Base - 3.5 Upside - 3.68 Downside - 3.33	Base - 3.7 Upside - 3.89 Downside - 3.52
GDP growth	Base - 6.9 Upside - 6.9 Downside - 6.9	Base - 6.9 Upside - 7.25 Downside - 6.56	Base - 7.1 Upside - 7.46 Downside - 6.75	Base - 7.3 Upside - 7.67 Downside - 6.94	Base - 7.3 Upside - 7.67 Downside - 6.94

(All amounts are in Rupees millions unless otherwise stated)

Expected credit loss on other financial assets

The group assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account accounting instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower, collateral type, and other relevant factors.

The group monitors changes in credit risk by tracking published external credit ratings. In order to determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the group supplements this by reviewing changes in government bond yields together with available press and regulatory information about issuers.

Expected credit loss on Investments in Debt securities

The group limits its exposure to credit risk by investing only in government securities and only with counterparties that have a credit rating of at least A-1 from S&P and/ or from CRISIL.

The group monitors changes in credit risk by tracking published external credit ratings. In order to determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the group supplements this by reviewing changes in government bond yields together with available press and regulatory information about issuers.

12-month and lifetime probabilities of default are based on historical data supplied by S&P for each credit rating and are recalibrated based on current government bond yields. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 40% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The following table presents an analysis of the credit quality of debt securities at amortised cost, at FVTOCI and FVTPL. It indicates whether assets measured at amortised cost or FVTOCI were subject to a 12 month expected credit loss (ECL) or lifetime ECL allowance and, in the latter case, whether they were credit impaired.

Bank balances

The significant portion of Bank balances are held with bank and financial institution counterparties, which are rated A+ to AAA, based on Credit ratings.

Impairment on bank balances has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The group considers that its bank balances have low credit risk based on the external credit ratings of the counterparties.

The group uses a similar approach for assessment of ECLs for bank balances as used for investment in debt securities.

g) Movements in the allowance for impairment in respect of loans, Investment in debt securities, trade receivables and other financial assets

The movement in the allowance for impairment in respect of asset on finance, trade receivables and other financial assets is as follows:

Loans and advances at amortised cost (including loan commitments)

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses		Total
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired	
Loss allowance on 31 March 2018	**213.15**	**80.64**	**545.97**	**839.75**
Transfer to Stage 1	3.35	(2.59)	(0.76)	-
Transfer to Stage 2	(0.38)	0.87	(0.48)	-
Transfer to Stage 3	(1.76)	(31.72)	33.48	-
Net remeasurement of loss allowance	(4.07)	50.48	450.84	497.27
New financial assets originated or purchased	259.32	-	-	259.32
Transfer - financial assets originated or purchased	(1.83)	0.18	1.65	-
Financial assets that have been derecognised	(140.08)	(42.82)	(142.29)	(325.19)
Write offs	-	-	(262.04)	(262.04)
Loss allowance on 31 March 2019	**327.70**	**55.04**	**626.37**	**1,009.11**
Transfer to Stage 1	1.28	(1.21)	(0.07)	-
Transfer to Stage 2	(0.67)	0.77	(0.10)	-
Transfer to Stage 3	(2.02)	(30.23)	32.26	-
Net remeasurement of loss allowance	72.05	61.28	336.01	469.35
New financial assets originated or purchased	638.26	-	-	638.26
Transfer - financial assets originated or purchased	(1.72)	0.65	1.08	-
Financial assets that have been derecognised	(225.29)	(21.95)	(60.38)	(307.62)
Write offs	-	-	(559.56)	(559.56)
Loss allowance on 31 March 2020	**809.58**	**64.35**	**375.61**	**1,249.54**

The contractual amount outstanding on loans and advances measured at amortised cost that were written off during the year ended 31 March 2020 and are still subject to enforcement activity is INR 559 (31 March 2019 - INR 308)

(All amounts are in Rupees millions unless otherwise stated)

Investment in Debt securities at FVTOCI

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses		Total
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired	
Loss allowance on 31 March 2018	**0.46**	**-**	**-**	**0.46**
Transfer to Stage 1	-	-	-	**-**
Transfer to Stage 2	-	-	-	**-**
Transfer to Stage 3	-	-	-	**-**
Net remeasurement of loss allowance	(0.11)	-	-	**(0.11)**
New financial assets originated or purchased	0.18	-	-	**0.18**
Financial assets that have been derecognised	(0.11)	-	-	**(0.11)**
Write offs	-	-	-	**-**
Loss allowance on 31 March 2019	**0.42**	**-**	**-**	**0.42**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	0.16	-	-	0.16
New financial assets originated or purchased	0.20	-	-	0.20
Financial assets that have been derecognised	(0.17)	-	-	(0.17)
Write offs	-	-	-	-
Loss allowance on 31 March 2020	**0.61**	**-**	**-**	**0.61**

Other financial assets at amortised cost

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses		Total
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired	
Loss allowance on 31 March 2018	**1.44**	**-**	**-**	**1.44**
New financial assets originated or purchased	0.64	-	-	0.64
Financial assets that have been derecognised	(1.44)	-	-	(1.44)
Loss allowance on 31 March 2019	**0.64**	**-**	**-**	**0.64**
New financial assets originated or purchased	0.69	-	-	0.69
Financial assets that have been derecognised	(0.64)	-	-	(0.64)
Loss allowance on 31 March 2020	**0.69**	**-**	**-**	**0.69**

Bank balances

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses		Total
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired	
Loss allowance on 31 March 2018	**1.83**	**-**	**-**	**1.83**
Net remeasurement of loss allowance	(0.52)			(0.52)
Loss allowance on 31 March 2019	**1.31**	**-**	**-**	**1.31**
Net remeasurement of loss allowance	(1.21)			(1.21)
Loss allowance on 31 March 2020	**0.10**	**-**	**-**	**0.10**

(All amounts are in Rupees millions unless otherwise stated)

h) Collateral held and other credit enhancements

As of 31 March 2020, 91.73% of the Bank's retail loans were unsecured (31 March 2019: 89.85%). The Bank's retail loans are generally secured by a charge on the asset financed (vehicle loans, property loans and loans against gold and securities). Retail business banking loans are secured with current assets as well as immovable property and fixed assets in some cases.

Collateral securing each individual loan may not be adequate in relation to the value of the loan. All borrowers must meet the Bank's internal credit assessment procedures, regardless of whether the loan is secured. In addition to the collateral stated above, the Bank holds other types of collateral such as second charges and floating charges for which specific values are generally not available.

The following table sets out the principal types of collateral held against different types of financial assets.

As at 31 March 2020	Maximum exposure to credit risk	Land or Building	Fixed Deposits	Total Collateral	Net Exposure	Associated ECLs
Cash and cash equivalents	16,120.84			-	16,120.84	(0.10)
Other bank balances	39.74			-	39.74	
Loans and advances	66,881.82	5,576.70	751.70	6,328.40	60,553.42	(1,248.49)
Other financial assets	356.02			-	356.02	(0.69)
Total financial assets at amortised cost	**83,398.42**	**5,576.70**	**751.70**	**6,328.40**	**77,070.02**	**(1,249.28)**
Investments in debt securities	12,402.27			-	12,402.27	(0.61)
Total financial assets at FVTOCI	**12,402.27**	**-**	**-**	**-**	**12,402.27**	**(0.61)**
Investments in mutual funds	-			-	-	
Total financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**-**

As at 31 March 2019	Maximum exposure to credit risk	Land or Building	Fixed Deposits	Total Collateral	Net Exposure	Associated ECLs
Cash and cash equivalents	5,040.43			-	5,040.43	(1.30)
Other bank balances	150.36			-	150.36	
Loans and advances	47,405.46	817.42	1,265.65	2,083.07	45,322.39	(1,009.11)
Other financial assets	180.47			-	180.47	(0.64)
Total financial assets at amortised cost	**52,776.72**	**817.42**	**1,265.65**	**2,083.07**	**50,693.65**	**(1,011.05)**
Investments in debt securities	8,753.08			-	8,753.08	(0.42)
Total financial assets at FVTOCI	**8,753.08**	**-**	**-**	**-**	**8,753.08**	**(0.42)**
Investments in mutual funds	0.36			-	0.36	
Total financial assets at FVTPL	**0.36**	**-**	**-**	**-**	**0.36**	**-**

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECLs when the expected value of the collateral is greater than the LGD, even in if the future value of collateral is forecast using multiple economic scenarios. However, the Stage 3 ECL can be higher than net exposure show below when the future value of collateral, measured using multiple economic scenarios, is expected to decline.

As at 31 March 2020	Maximum exposure to credit risk	Land or Building	Fixed Deposits	Total Collateral	Net Exposure	Associated ECLs
Loans and advances	491.92	78.68	-	78.68	413.24	(374.63)
Total financial assets at amortised cost	**491.92**	**78.68**	**-**	**78.68**	**413.24**	**(374.63)**

As at 31 March 2019	Maximum exposure to credit risk	Land or Building	Fixed Deposits	Total Collateral	Net Exposure	Associated ECLs
Loans and advances	655.91	11.83	-	11.83	644.08	(626.37)
Total financial assets at amortised cost	**655.91**	**11.83**	**-**	**11.83**	**644.08**	**(626.37)**

(All amounts are in Rupees millions unless otherwise stated)

i) Concentration of risk

The group monitors credit risk by sector and by geographic location. An analysis of grouping of credit risk from loans and advances, loan commitments, financial guarantees and investment securities is shown below.

Loans and advances to customers	**As at 31 March 2020**	**As at 31 March 2019**
Carrying amount	66,881.82	47,405.46
Concentration by sector		
Corporate:		
Wholesale Lending	3,095.05	3,991.12
Retail:		
Mortgages	2,158.26	817.42
Unsecured lending	57,835.96	42,486.36
Total	**63,089.27**	**47,294.90**
Concentration by location		
India	63,089.27	47,294.90

Investments	**As at 31 March 2020**	**As at 31 March 2019**
Carrying amount	12,402.27	8,614.43
Concentration by sector		
Corporate		200.00
Government	12,402.27	7,886.88
Banks		498.59
Mutual funds		-
Total	**12,402.27**	**8,585.47**
Concentration by location		
India	12,402.27	8,585.47

Securitised portfolio	**As at 31 March 2020**	**As at 31 March 2019**
Carrying amount	-	90.99
Concentration by sector		
Retail:		
Mortgages	-	90.99
Total	**-**	**90.99**
Concentration by location		
India	-	90.99

Concentration by location for loans and advances, loan commitments and financial guarantees, is based on the customer’s country of domicile.
Concentration by location for investment securities is based on the country of domicile of the issuer of the security.

(All amounts are in Rupees millions unless otherwise stated)

C. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities over the next six months. The Group also monitors the level of expected cash inflows on asset on finance, trade receivables and loans together with expected cash outflows on borrowings, payables and other financial liabilities.

Currently the Group is not having any lines of credit.

Exposure to liquidity risk
The following are the remaining contractual maturities of financial labilities at the reporting date. The amount are gross and undiscounted, and excludes contractual interest payments and exclude the impact of netting agreements.

As at 31 March 2020	Contractual cash flows						
	Carrying amount	Gross nominal inflow/ (outflow)	6 month or less	6-12 months	1-3 years	3-5 years	More than 5 years
Non - derivative financial liabilities							
Debt Securities	-	-	-	-	-	-	-
Borrowings (Other than Debt Securities)	30,123.05	(30,986.60)	7,368.51	1,661.78	14,378.75	6,454.49	1,123.07
Deposits	54,275.82	(54,274.98)	21,732.55	13,413.20	18,772.16	328.39	28.68
Subordinated Liabilities	1,977.93	(2,001.43)	101.43	1,500.00	-	400.00	-
Other financial liabilities	888.19	(888.19)	813.85	-	-	-	74.34
Non-derivative financial assets							
Cash and cash equivalents*	16,120.74	16,120.84	16,120.84	-	-	-	-
Bank balances other than cash and cash equivalents	39.74	39.74	39.74	-	-	-	-
Loans	65,633.33	66,931.11	16,967.30	20,189.25	28,458.20	809.69	506.67
Investments	12,402.27	12,142.88	3,373.49	596.34	1,684.28	1,688.35	4,800.42
Other Financial assets	355.33	356.02	140.90	79.53	26.91	108.68	-
Derivative financial assets							
Risk management:							
- Outflow							
- Inflow	25.78	25.78	25.78	-	-	-	-

As at 31 March 2019	Contractual cash flows						
	Carrying amount	Gross nominal inflow/ (outflow)	6 month or less	6-12 months	1-3 years	3-5 years	More than 5 years
Non - derivative financial liabilities							
Debt Securities	3,200.62	(3,207.73)	582.73	2,625.00	-	-	-
Borrowings (Other than Debt Securities)	9,404.73	(9,520.15)	2,722.47	1,481.39	3,152.89	2,155.00	8.40
Deposits	38,322.12	(38,321.61)	14,303.65	12,393.12	11,452.37	162.40	10.07
Subordinated Liabilities	1,976.09	(2,001.88)	1.88	-	100.00	1,500.00	400.00
Other financial liabilities	566.36	(566.36)	512.05	-	-	-	54.31
Non-derivative financial assets				-	-	-	-
Cash and cash equivalents*	5,039.13	5,040.43	5,040.43	-	-	-	-
Bank balances other than cash and cash equivalents	150.36	150.36	150.36	-	-	-	-
Loans	46,396.35	47,380.97	18,147.80	14,250.23	14,379.32	331.78	271.84
Investments	8,753.44	8,761.08	2,248.46	790.23	1,594.18	1,417.48	2,710.73
Other Financial assets	179.83	180.47	180.47	-	-	-	-
Derivative financial assets							
Risk management:							
- Outflow							
- Inflow	15.13	15.13	15.13	-	-	-	-

* It includes CRR requirement of Rs. 1087.67 (31 March 19: Rs. 1,091.08)

The inflows/(outflows) disclosed in the above table represents contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contract maturity. The disclosure shows net cash flow amounts for derivatives that are net cash settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross settlement.

As disclosed in Note 13, the Group has a secured bank loan that contains a loan covenant. A future breech of covenant may require the Group to repay the loan earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance with the agreement.

The future cash flows on contingent consideration and derivative instruments may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(All amounts are in Rupees millions unless otherwise stated)

D. Market risk

The fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non–trading portfolios and manages each of those portfolios separately. Such risks for the trading portfolio is managed and monitored based on a VaR methodology that reflects the interdependency between risk variables. Non–trading positions are managed and monitored using other sensitivity analyses. All such transactions are carried out within the guidelines set by the Risk Management Committee.

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios :

	Market risk measure		
	Carrying amount	**Trading portfolios**	**Non-trading portfolios**
As at 31 March 2020			
Financial assets:			
Cash and cash equivalents	16,120.74	-	16,120.74
Bank balance other than above	39.74	-	39.74
Derivative financial instruments	25.78	-	25.78
Loans	65,633.33	-	65,633.33
Investments	12,402.27	-	12,402.27
Other financial assets	355.33	-	355.33
	94,577.19	**-**	**94,577.19**
Financial liabilities:			
Debt securities	-	-	-
Borrowings (other than debt securities)	30,123.05	-	30,123.05
Deposits	54,275.82	-	54,275.82
Subordinated liabilities	1,977.93	-	1,977.93
Other financial liabilities	888.19	-	888.19
	87,264.99	**-**	**87,264.99**
As at 31 March 2019			
Financial assets:			
Cash and cash equivalents	5,039.13	-	5,039.13
Bank balance other than above	150.36	-	150.36
Derivative financial instruments	15.13	-	15.13
Loans	46,396.35	-	46,396.35
Investments	8,753.44	-	8,753.44
Other financial assets	179.83	-	179.83
	60,534.24	**-**	**60,534.24**
Financial liabilities:			
Debt securities	3,200.62	-	3,200.62
Borrowings (other than debt securities)	9,404.73	-	9,404.73
Deposits	38,322.12	-	38,322.12
Subordinated liabilities	1,976.09	-	1,976.09
Other financial liabilities	566.36	-	566.36
	53,469.92	**-**	**53,469.92**

Market risk - Non-trading portfolios

(i) Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which borrowings are denominated and the respective functional currencies of Group. The functional currency for the Group is INR. The currency in which these transactions are primarily denominated is USD.

Currency risks related to the principal amounts of the Group's USD loans, have been fully hedged using forward contracts that mature on the same dates as the loans are due for repayment.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management is as follows:

Particulars	**31 March 2020**		**31 March 2019**	
	INR	**USD**	**INR**	**USD**
Subordinated liabilities	158.60	2.50	237.90	3.75
Swap Contract	(158.60)	(2.50)	(237.90)	(3.75)
Net exposure in respect of recognised assets and liabilities	-	-	-	-

(All amounts are in Rupees millions unless otherwise stated)

Sensitivity analysis

A reasonably possible strengthening (weakening) of INR and USD against all currencies at 31 March would not have any affect on measurement of financial instruments denominated in foreign currency as the exposure is hedged.

	Profit or loss		Equity, net of tax	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
31 March 2020				
USD (1% movement)	-	-	-	-
31 March 2019				
USD (1% movement)	-	-	-	-

(ii) Interest rate risk

The Groups maximum interest rate exposure is at a fixed rate. This is achieved mostly by entering into fixed rate instruments and partly by borrowing at a floating rate.

Exposure to interest rate risk
The interest rate profile of the Group's interest-bearing financial instruments as reported to the management is as follows:

Particulars	31 March 2020	31 March 2019
Fixed rate instruments		
Financial assets	91,211.07	56,719.77
Financial liabilities	86,376.80	54,867.45
Variable rate instruments		
Financial assets	2,164.34	570.12
Financial liabilities	-	409.09

Fair value sensitivity analysis for fixed rate instruments

A reasonably possible change of 100 basis points in interest rate at the reporting date would have increased or decreased profit or loss before Tax by INR 210.66 millions (31 March 2019: INR 20.45 millions). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rate at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss before Tax		Equity, net of tax	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 March 2020				
Variable rate instruments	2,164.34	2,164.34	1,619.62	1,619.62
Cash flow sensitivity (net)	21.64	(21.64)	16.20	(16.20)
31 March 2019				
Variable rate instruments	161.03	161.03	104.83	104.83
Cash flow sensitivity (net)	1.61	(1.61)	1.05	(1.05)

D. *Legal and operational risk*

(i) *Legal risk*
“Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

During the previous year, the Bank had engaged the services of a Legal Consultant for addressing legal matters pertaining to the Bank”, including vetting of agreements entered into by the Bank. The Bank also availed the services of Legal firms / Legal Counsels, wherever warranted. The Bank also has a system in place to respond to legal and statutory notices.

There were 7 legal cases pending against the Bank aggregating INR 0.41 (31 March 2019 : 0.41)

The Bank has since appointed Head – Legal in April 2019 and at present Legal Department is functioning with Head-Legal, one Chief Manager (Legal) and one Senior Executive. The Bank also has a team of Officers with legal background in its Retail Assets Collection Team for filing of cheque bounce cases u/s 138 of N.I Act and initiating arbitration / civil proceedings wherever required.”

(ii) ***Operational***

Operational risk is the exposure to loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Company has clearly defined operations procedures for each of its products and services. It also has advanced computer systems that enable it to run operations with speed and accuracy.

The operation risk department under risk department operates independently from other units of the group and reports directly to the Risk Management Committee of the Board. It conducts regular reviews of all business areas of the group and reports control deficiencies and exceptions to the Company's policies and procedures. It also recommends measures to mitigate operational risk, which are implemented by management immediately.

The group also has a contingency plan to take care of any failure of its computer systems. Regular backups are made for all important datasets, and stored outside the group's premises. This ensures that in case of any system failure, the group will be able to continue its operations without losing critical data or business transactions. As part of its disaster recovery plan, the group has established a back-up site which would and operate during an emergency.

The group has a specific Business Continuity Plan ("BCP") unit. The main objective of the BCP is to ensure that in the event of full or partial disaster which includes Pandemic, the group is well set to be able to continue providing essential services to customers, minimizing any adverse effects on the group's business, through business impact analysis, business restoration.

The Group is using various tools under operational risk for monitoring operational risk such as conducting risk & control self assessments, capturing operational loss data and monitoring of KRIs.

45 Capital management

The basic approach of capital adequacy framework is that, a financial institution should have sufficient capital to absorb shocks on account of any unexpected losses arising from the risks in its business.

As per RBI guidelines, the Group is required to maintain a minimum capital to risk weighted asset ratio. Capital management entails optimal utilization of scarce capital to meet extant regulatory capital requirements. UCIL has put in place an appropriate Risk Appetite framework and computes its capital requirements and adequacy as per extant regulatory guidelines.

i. The Group maintains minimum capital to risk weighted asset ratio entity wise for all the entities forming part of the group and accordingly manage the capital requirements among all the entities in the group.

ii. Capital allocation

The amount of capital allocated to each operation or activity is undertaken with the objective of minimisation of return on the risk adjusted capital. Allocation of capital is to various lines of business basis annual business plan drawn at the beginning of the year. Various consideration for allocating capital include synergies with existing operations and activities, availability of management and other resources, and benefit of the activity with the Group's long term strategic objectives.

46 COVID-19 pandemic continues to spread across India and there is unprecedented level of disruption on socio-economic front across the country. Globally, countries and businesses are under lockdown. Considering severe health hazard associated with COVID-19 pandemic, India is also under a 68 days nation-wide lockdown enforced by the Government of India from 25 March 2020 until 31 May 2020. From 01 June 2020, the nation entered the first phase of three-phase unlock plan announced by the Government of India. There is high level of uncertainty about the time required for things to get normal. The extent to which COVID-19 pandemic will impact the Group’s operations and financial results is dependent on the future developments, which are highly uncertain, including among many the other things, any new information concerning the severity of the pandemic and any action to contain its spread or mitigate its impact, whether government mandated or elected by the Group.

Further, RBI in accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated 27 March, 2020, 17 April, 2020 and 22 May, 2020, and clarification issued by RBI through Indian Bankers Association dated 6 May, 2020, the Bank is granting a moratorium on the payment of instalments and / or interest, as applicable, falling due between 1 March, 2020 and 31 May, 2020 and further between 1 June 2020 and 31 August 2020 ('moratorium period') to all eligible borrowers in case of JLG portfolio and in Retail / WSL portfolio as per Opt-in basis is classified as Standard, even if overdue, as on 29 February, 2020. The moratorium period, wherever granted, shall be excluded by the Bank from the number of days past due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms.

Estimates and associated assumption applied in preparing these financial statements, especially for determining the impairment allowance for the Group’s financial assets (Loans and Investments) are based on historical experience and other emerging/forwarding looking factors on account of the pandemic. The Group believes that the factors considered are reasonable under the current circumstances. The Group has used estimation of potential stress on probability of default due to COVID-19 situation in developing the estimates and assumptions to assess the impairment loss allowances on loans. Given the dynamic nature of the pandemic situation, these estimates are subject to uncertainty and may be affected by severity and duration of the pandemic. In the event the impacts are more severe or prolonged than anticipated, this will have corresponding impact on the financial position and financial performance of the Group.

(All amounts are in Rupees millions unless otherwise stated)

47 Application for approval of the composite scheme of arrangement between the Company (UCL), its respective shareholders and Utkarsh Small Finance Bank Limited (USFBL), its subsidiary company under Section 230 and other applicable provisions of the Companies Act, 2013, was filed with the National Company Law Tribunal, bench at Allahabad ("NCLT") on 25 October 2019.

The proposed arrangement envisages the reduction in the face value of the equity share capital of the USFBL and for the issuance and allotment of fully paid-up equity shares of USFBL to the shareholders of UCL from the reserves created from such reduction in the face value of the equity share capital of USFBL.

The Proposed Arrangement is expected to:
a. Achieve partial satisfaction in the process of compliance of the conditions laid down by RBI in relation to the shareholding of the USFBL (i.e., by dilution of UCL's shareholding in USFBL from one hundred per cent. (100%) to fifty per cent. (50%)); and
b. Provide shareholders of UCL with direct shareholding in USFBL, which is presently held through UCL. Consequently, the shareholders of UCL can take independent decisions with respect to their holdings in UCL and USFBL.

The Proposed Arrangement is purely amongst the Companies and their respective shareholders and there is no compromise or arrangement contemplated with any creditor or depositors of the Companies, nor will the Scheme involve any paring of liabilities (other than shareholders liabilities pursuant to the reduction in the face value of the equity share capital of USFBL).

The Company is yet to receive the approval from National Company Law Tribunal, Allahabad.

48 Amounts payable to Micro and Small enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 that came into force from 02 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments during the years ended 31 March 2020 and 31 March 2019. The above is based on the information available with the Group, which has been relied upon by the statutory auditors.

49 Details of corporate social responsibility expenditure

Prescribed CSR expenditure to be spent at Group level (2% of the average net profit)	4.00	Nil
Amount spent	14.00	14.25
Amount unspent	Nil	Nil

As per Section 135 of the Companies Act 2013, the Company has formed a CSR Committee of the Board of Directors. The CSR Committee has also approved a CSR Policy where certain focus areas out of list of activities covered in Schedule VII of the Companies Act 2013, has been identified.

(All amounts are in Rupees millions unless otherwise stated)

50 Interest in other entities

a) Interest in subsidiaries

i. The group's subsidiaries at 31 March 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Country of incorporation	Ownership held by the group		Ownership interest held by non-controlling interests		Principle activities
		31 March 2020	31 March 2019	31 March 2020	31 March 2019	
Subsidiaries						
Utkarsh small finance bank	India	100.00%	99.99%	0.00%	0.01%	Small finance bank
Utkarsh welfare foundation*	India	0.00%	0.00%	100.00%	100.00%	Section 8 company for CSR activities

* The Group had acquired 78.49% of stake in Utkarsh welfare foundation, however said foundation is a section 8 company and thus the Group holds no economic interest in the said subsidiary. Accordingly the group has consolidated the same with 100% non-controlling interest.

ii. Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet

Particulars	Utkarsh welfare foundation	
	As at 31 March 2020	As at 31 March 2019
Current Assets	14.57	2.42
Current liabilities	11.81	1.77
Net current assets	**2.76**	**0.65**
Non current assets	0.08	1.18
Non current liabilities	-	-
Net non current assets	**0.08**	**1.18**
Net Assets	**2.84**	**1.83**

Summarised statement of profit and loss

Particulars	Utkarsh welfare foundation	
	For the year ended 31 March 2020	For the year ended 31 March 2019
Revenue from operation	29.31	20.64
Profit for the year	1.30	(0.14)
Other Comprehensive income	0.05	-
Total Comprehensive income	1.34	(0.14)
Total Comprehensive income attributable to non controlling interest	1.34	(0.14)
Dividends paid to non controlling interest	-	-

b) Additional disclosure under Schedule III of Companies Act 2013.

Name of the Entity	Net Assets		Share in Profit or Loss		Share in other comprehensive income		Share in total comprehensive income	
	% of Consolidated Net Assets	Amount (in millions)	% of Consolidated profit or loss	Amount (in millions)	% of Consolidated profit or loss	Amount (in millions)	% of Consolidated profit or loss	Amount (in millions)
Parent Company								
31-Mar-20	75.69%	8,194.83	0.27%	5.50	0.00%	0.00	0.25%	5.51
31-Mar-19	95.11%	8,098.68	232.72%	(2,067.78)	19.06%	13.95	251.89%	(2,053.83)
Utkarsh small finance bank								
31-Mar-20	96.83%	10,484.83	98.59%	1,996.53	103.66%	205.85	99.04%	2,202.38
31-Mar-19	89.73%	7,640.23	-131.07%	1,164.61	80.82%	59.14	-150.09%	1,223.75
Utkarsh welfare foundation								
31-Mar-20	0.03%	2.84	0.06%	1.30	0.02%	0.05	0.06%	1.34
31-Mar-19	0.02%	1.84	0.02%	(0.14)	-	-	-	-
Non-controlling interest								
31-Mar-20	0.02%	2.34	0.05%	0.95	0.02%	0.05	0.04%	1.00
31-Mar-19	0.02%	1.89	0.00%	(0.01)	0.01%	0.01	0.00%	(0.00)
Consolidation/other adjustments								
31-Mar-20	-72.57%	(7,857.30)	1.03%	20.86	-3.71%	(7.37)	0.61%	13.49
31-Mar-19	-84.89%	(7,227.97)	-1.66%	14.78	0.11%	0.08	-1.80%	14.72
Total								
31-Mar-20	100.00%	10,827.54	100.00%	2,025.15	100.00%	198.58	100.00%	2,223.72
31-Mar-19	100.00%	8,514.66	100.00%	(888.54)	100.00%	73.18	100.00%	(815.36)

(All amounts are in Rupees millions unless otherwise stated)

51 Lease as lessee

The group has taken various premises on lease for undertaking its banking and allied business

Following are the changes in the carrying values of right of use assets for the year ended 31 March 2020

Particulars	Category of ROU Assets		
	Premises	ATM Machines	Core Banking software
Balance as at 1 April 2019	**1,368.64**	**-**	**-**
Reclassified on account of adoption of Ind AS 116		35.95	118.28
Additions	506.38	18.01	-
Depreciation	232.32	7.46	23.65
Balance as at 31 March 2020	**1,642.70**	**46.50**	**94.63**

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

The following is the movement in lease liabilities during the year ended 31 March 2020:

Particulars	**Lease liabilities**
Balance as at 1 April 2019	**1,330.94**
Reclassified on account of adoption of Ind AS 116	166.21
Additions	524.36
Finance cost accrued during the period	159.91
Payment of lease liabilities	(320.87)
Balance as at 31 March 2020	**1,860.55**

The table below provides details regarding the contractual maturities of lease liabilities as at 31 March 2020 on an undiscounted basis:

Particulars	**As at 31 March 2020**
Less than one year	396.69
One to five years	1,598.76
More than five years	723.07

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

Rental expense recorded for short-term leases was INR 0.02 for the year ended 31 March 2020

(All amounts are in Rupees millions unless otherwise stated)

Transition Note

On transition to Ind AS 116, the adoption of the new standard resulted in recognition of 'Right of use asset' on account of premises and ATM leases of INR 1,369 and a 'lease liability' of INR 1,331 and derecognition of 'Prepaid rent' of INR 38. The company has also reclassified assets under finance lease of INR 154 to Right of use assets.

The average incremental borrowing rate applied to lease liabilities as at April 1, 2019 is 8.65%

The following is the summary of practical expedients elected on initial application:

1. Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date
2. Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term on the date of initial application
3. Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
4. Applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, Ind AS 116 is applied only to contracts that were previously identified as leases under AS 17

As at 31 March 2019

Operating Lease
Lease payments made under cancellable operating lease amounting to INR 216.73 disclosed as rent and the same have been recognized as an expense in the Consolidated Statement of Profit and Loss.

There are no subleases. Also, requirement of minimum lease payments does not arise as the Group do not have any non-cancellable operating leases.

The Group has taken on lease a number of offices under operating leases. The leases typically run for a period of 9 years, with an option to renew the lease after that period. Lease payments are renegotiated on regular intervals to reflect market rentals.

Finance Lease
The Bank in the Group has acquired certain IT hardware assets and ATM machines under finance lease. Lease term of such assets is 7 year. Minimum lease payments (MLP) outstanding in respect of leased assets as at 31 March 2019 are as follows:

Reconciliation between the total of future minimum lease payments at the end of the reporting period, and their present value.

	Year ended 31 March 2019		
	Future MLP	**Interest not due**	**Present value of MLP**
Due within one year	41.70	16.90	24.80
Due later than one year but not later than five years	180.90	39.10	141.80
Due later than five years	7.70	0.70	7.00
	230.30	**56.70**	**173.60**

(All amounts are in Rupees millions unless otherwise stated)

52 Expected credit loss (ECL) impairment provision - Loans

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	**Stage 1**	66,191.08	809.50	65,381.57	371.88	437.62
	Stage 2	198.83	64.35	134.47	0.91	63.44
Subtotal		**66,389.91**	**873.85**	**65,516.04**	**372.79**	**501.06**
Non-Performing Assets (NPA)						
Substandard	**Stage 3**	452.21	344.39	107.82	237.02	107.37
Doubtful - upto 1 year	**Stage 3**	36.40	27.72	8.68	33.44	(5.72)
1 - 3 years	**Stage 3**	3.31	2.52	0.79	3.04	(0.52)
more than 3	**Stage 3**	-	-	-	-	-
Subtotal for Doubtful		**39.71**	**30.24**	**9.47**	**36.48**	**(6.24)**
Loss	**Stage 3**	-	-	-	-	-
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	**Stage 1**	256.91	1.03	255.88	-	1.03
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		**256.91**	**1.03**	**255.88**	**-**	**1.03**
Total	**Stage 1**	**66,447.99**	**810.53**	**65,637.45**	**371.88**	**438.65**
	Stage 2	**198.83**	**64.35**	**134.47**	**0.91**	**63.44**
	Stage 3	**491.92**	**374.63**	**117.29**	**273.50**	**101.13**
	Total	**67,138.74**	**1,249.51**	**65,889.21**	**646.29**	**603.22**

for **Haribhakti & Co. LLP**
Chartered Accountants
ICAI Firm Registration No. 103523W/W100048

for and on behalf of Board of Directors of
Utkarsh CoreInvest Limited
CIN: U65191UP1990PLC045609

Purushottam Nyati
Partner
Membership No: 118970

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairman
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 09 June 2020

Place: Varanasi & Chennai*
Date: 09 June 2020

(All amounts are in INR millions, unless otherwise stated)

1. Reporting entity

Utkarsh Coreinvest Limited ("the Company' or 'Holding Company") is domiciled in India. The Company is having its registered office at Varanasi. The Company was formerly known as Utkarsh Micro Finance Limited and got the name changed to Utkarsh CoreInvest Limited w.e.f. 11 October 2018.

The Company together with its subsidiaries Utkarsh Small Finance Bank Limited ('the Bank or 'SFB') and Utkarsh Welfare Foundation ('UWF') are collectively referred to as "the Group". The Group has been engaged in the business of micro finance and banking operations as further explained below.

The holding company was primarily engaged in the business of micro finance, following group lending methodology and providing small value unsecured bank loans to lower income group of below poverty line ('BPL') in urban and rural areas. The tenure of these loans was generally spread over a period of up to 2 years. During the financial year 2016-17, the Company executed a business transfer agreement with its subsidiary Company 'Utkarsh Small Finance Bank Limited' ('USFB') and transferred all its assets and liabilities (except certain statutory assets, vehicle and statutory liabilities). Accordingly, the business of micro finance was also transferred to USFB.

UWF is in to providing welfare services, development, help and assistance to the under privileged inhabitants, groups of rural and urban slum sectors by way of financial products, market linkages, opportunities, education, health and vocational training programs.

On 3 May 2018, the RBI has granted its approval to the Holding Company for carrying on the business of a Non-Deposit taking- Systemically Important Core Investment Company (CIC-ND-SI) under the Certificate No C.07.00781.

2. Significant accounting policies

a. Basis of preparation of consolidated financial statements

i. Statement of compliance

These consolidated financial statements for the year ended 31 March 2020 have been prepared by the Group in accordance with Indian Accounting Standards ("Ind AS") notified by the Ministry of Corporate Affairs, Government of India under the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time, in this regard.

These consolidated financial statements were authorised for issue by the Group's Board of directors on 9 June 2020.

Subsidiaries considered in the consolidated financial statements

Name of the Subsidiary	Country of incorporation	Percentage of holding	
		31 March 2020	31 March 2019
Utkarsh Small Finance Bank Limited	India	100%	99.99%

(All amounts are in INR millions, unless otherwise stated)

Utkarsh Welfare Foundation*	India	78.49%	78.49%

* The Holding Company acquired the stake in UWF on 17 November 2017. Further, since the said company is a Section 8 Company, hence the economic interest is NIL.

Except for the changes below, the Group has consistently applied accounting policies to all periods.

i) The Group has adopted Ind AS 116 'Leases' with the date of initial application being April 1, 2019. Ind AS 116 replaces Ind AS 17 – Leases and related interpretation and guidance. The standard sets out principles for recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Group has applied Ind AS 116 using the modified retrospective approach. As a result, the comparative information has not been restated.

ii) Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments: On March 30, 2019, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2019 containing Appendix C to Ind AS 12, Uncertainty over Income Tax Treatments which clarifies the application and measurement requirements in Ind AS 12 when there is uncertainty over income tax treatments. The current and deferred tax asset or liability shall be recognized and measured by applying the requirements in Ind AS 12 based on the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this appendix. The amendment is effective from April 1, 2019. The Group has evaluated the effect of this amendment on the financial statements and concluded that there is no significant impact.

iii) Amendment to Ind AS 12 'Income Taxes': On March 30, 2019, the Ministry of Corporate Affairs has notified limited amendments to Ind AS 12 'Income Taxes'. The amendments require an entity to recognise the income tax consequences of dividends as defined in Ind AS 109 when it recognises a liability to pay a dividend. The income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. The amendment is effective from April 1, 2019. The Group has evaluated the effect of this amendment on the financial statements and concluded that there is no significant impact.

ii. Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the following material items:

- Financial assets at FVTOCI that is measured at fair value
- Financial instruments at FVTPL that is measured at fair value
- Net defined benefit (asset)/ liability - fair value of plan assets less present value of defined benefit obligation

iii. Principles of Consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

The group combines the consolidated financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests in the results are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet respectively.

iv. Functional and presentation currency

These consolidated financial statements are presented in Indian Rupee (INR), which is the Group's functional currency. All amounts have been rounded to the nearest million rupees, unless otherwise stated.

v. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Management believes that the estimates used in the preparation of these consolidated financial statements are prudent and reasonable. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

Information about the judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Consolidated financial statements have been given below:

- Note 51 – Measurement of lease liabilities and right of use assets
- Note 43 - classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the Consolidated financial statements for the every period ended is included below:

- Note 37 - measurement of defined benefit obligations: key actuarial assumptions;

- Note 8 - recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used;
- Note 9,10 - useful life and residual value of property, plant and equipment and intangible assets
- Note 32 - Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- Note 44 – impairment of financial assets: key assumptions in determining the average loss rate
- Note 43 – Fair value measurement of financial instruments

b. Revenue Recognition

i. Interest income from financial assets is recognised on an accrual basis using Effective Interest Rate ('EIR') method. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate to the net carrying amount of the financial asset. The EIR is computed basis the expected cash flows by considering all the contractual terms of the financial instrument. The calculation includes all fees, transaction costs, and all other premiums or discounts paid or received between parties to the contract that are an integral part of the effective interest rate.

ii. The interest revenue continues to be recognised at the original EIR applied on the gross carrying amount for financial assets (when the asset is not credit impaired). However, for the financial assets that have become credit impaired subsequent to the initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

iii. For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset.

iv. Dividend is accounted on an accrual basis when the right to receive the dividend is established.

v. Income from interest on deposits and interest bearing securities is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate.

vi. All other fees are accounted for as and when they become due.

c. 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. Financial instruments also include derivative contracts such as foreign exchange forward contracts, embedded derivatives in the host contract, etc.

Financial assets

Initial recognition and measurement

The Group initially recognises loans and advances on the date on which they are originated. All other financial assets are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provision of the instrument.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Classification and subsequent measurement

Classifications

The Group classifies its financial assets as subsequently measured at either amortised cost or fair value depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Debt instruments at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

After initial measurement, such financial assets are subsequently measured at amortised cost using the 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 finance income in the profit or loss. The losses arising from ECL impairment are recognised in the profit or loss.

Debt instrument at fair value through Other Comprehensive Income (FVTOCI)

A financial asset is measured at amortised cost only if both of the following conditions are met:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

After initial measurement, such financial assets are subsequently measured at fair value with changes in fair value recognised in other comprehensive income (OCI). Interest income is recognised basis EIR method and the losses arising from ECL impairment are recognised in the profit or loss.

Debt instrument at fair value through profit and loss (FVTPL)

Any debt instrument, which does not meet the criteria for categorisation as at amortised cost or as FVTOCI, is classified as at FVTPL.

Debt instruments included within the FVTPL category are measured at fair value with all changes recognised in the statement of profit and loss.

Reclassification of financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. If the Group evaluates that substantial risk and reward have not been transferred, the Group continues to recognise the transferred asset. If the Group evaluates that substantial risk and rewards are neither transferred nor retained and the control of the asset is also not transferred, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of amortised cost, net of directly attributable transaction costs.

Classification and subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities measured at amortised cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit and loss.

Financial liabilities designated at fair value through profit and loss

When a financial liability contract contains one or more embedded derivative, the Company may designate the entire hybrid contract as at fair value through profit and loss unless:

- the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract; or

- it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

The fair valuation change on the liabilities subsequently measured at fair value through profit and loss account is recognised in profit and loss account except the changes in the liablity's credit risk which is recognised in 'Other Comprehensive Income'

Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability or equity based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability or equity recognized with modified terms is recognised in profit or loss or in other equity in case the same is a transaction with the shareholders.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously ('the offset criteria').

Fair value measurement

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects it non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument.

d. Impairment of Financial Assets

Impairment of financial instruments

The Group recognises impairment allowances for ECL on all the financial assets that are not measured at FVTPL:

- Financial assets that are debt instruments
- Loan commitment issued

No impairment loss is recognised on equity investments

ECL are probability weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit impaired – as the present value of all cash shortfalls that are possible within 12 months after the reporting date.
- Financial assets with significant increase in credit risk but not credit impaired – as the present value of all cash shortfalls that result from all possible default events over the expected life of the financial asset.
- Financial assets that are credit impaired – as the difference between the gross carrying amount and the present value of estimated cash flows
- Undrawn loan commitments – as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive

With respect to trade receivables and other financial assets, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For financial assets at FVTOCI, the loss allowance is recognised in statement of profit and loss.

e. Foreign Currency transactions and balances

Holding Company

Foreign currency transactions are recorded using the exchange rates prevailing on the dates of the respective transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Statement of Profit and Loss.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year end rates. The resultant exchange differences are recognised in the Statement of Profit and Loss. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

Banking company in the group

Transactions denominated in foreign currency are recorded at exchange rates prevailing on the date of the transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of Profit and Loss account. Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the Balance Sheet date based on exchange rates notified by Foreign Exchange Dealers' Association of India ('FEDAI') and the resultant exchange differences are recognized in the statement of Profit and Loss.

f. Property, Plant and Equipment(PPE)

Initial Measurement

Property, plant and equipment are stated at cost less accumulated depreciation as adjusted for impairment, if any.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as a separate items (major components) of property, plant and equipment. Any gain on disposal of property, plant and equipment is recognised in statement of Profit and loss.

Leasehold improvements are amortised on straight line basis over the primary period of the lease or the estimated useful life of the assets, whichever is lower.

Any gain on disposal of property, plant and equipment is recognised in statement of profit and loss.

The Company has elected to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and used it as its deemed cost as at the date of transition.

Subsequent Measurement

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Impairment

Carrying amounts of cash generating assets are reviewed at each Balance Sheet date to determine whether there is any impairment. Impairment loss, if any, is recognised in the statement of Profit and Loss whenever the carrying amount exceeds the recoverable amount.

Depreciation

Depreciation is provided as per straight-line method from the date of addition over the estimated useful life of the asset. The Group has carried out a technical assessment of the useful life of its assets taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use. Depreciation on assets sold during the year is charged to the statement of Profit and Loss up to the date of sale. If the management's estimate of the useful life of a property, plant and equipment at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter, then the depreciation is provided at a higher rate based on management's estimate of the useful life/remaining useful life. The management believes that depreciation rates currently used, fairly reflect its estimate of the useful lives and residual values of property, plant and equipment which are in accordance with lives prescribed under Schedule II of Companies Act, 2013.

Improvements and installations of capital nature on the leasehold property are depreciated over the primary lease term.

Depreciation methods, useful lives and residual values are reviewed in each financial year end and changes, if any, are accounted for prospectively.

g. Intangible assets

Initial Measurement

Intangible assets that are acquired by the Group are measured initially at cost and are stated at cost less accumulated depreciation as adjusted for impairment, if any.

Any gain on disposal of intangible asset is recognised in statement of Profit and loss.

The Company has elected to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and used it as its deemed cost as at the date of transition.

Subsequent Measurement

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Impairment

The Group assesses at each Balance Sheet date 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. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. If such recoverable amount of the asset 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 recognized in the statement of Profit and Loss. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

Amortisation

Intangible assets are amortised in the statement of profit and loss over their estimated useful lives from the date they are available for use based on the expected pattern of consumption of economic benefits of the asset. Intangible assets are amortised on straight line basis. Computer software are amortised on straight line basis over their estimated useful life of three years

Amortisation methods and useful lives are reviewed in each financial year end and changes, if any, are accounted for prospectively.

h. Leases

The Group's lease asset classes primarily consist of leases for ATMs. Software and buildings. The Group, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after April 1, 2019.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense over the lease term.

In the comparative period, leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments and receipts under operating leases are recognised as an expense and income respectively, on a straight line basis in the statement of profit and loss over the lease term except where the lease payments are structured to increase in line with expected general inflation.

i. Employee benefits

i. **Short term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. **Share-based payment arrangements**

Utkarsh Core Invest Ltd. has formulated an Employees Stock Option Scheme to be administered through a Trust. The scheme provides that subject to continued employment with the Group, the employees are granted an option to acquire equity shares of the Holding Company that may be exercised within a specified period.

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Parent Company is the grantor of its equity instrument for all share options provided to the employee of the Bank. The Bank reimburses the parent company for the equity-settled share-based payment arrangements granted to the employees of the Bank

iii. **Defined contribution plans**

Obligations for contributions to defined contribution plans are expensed as the related service is provided. The Group has following defined contribution plans:

Provident Fund

The Group contributes to mandatory government administered provident funds which are defined contribution schemes as the Group does not carry any further obligation, apart from the contributions made on a monthly basis. The contributions are accounted for on an accrual basis and recognised in the statement of Profit and Loss

iv. **Defined benefit plans**

The Group's net obligation in respect of gratuity is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

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The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

v. **Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

j. Income Tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in Other Comprehensive Income

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if, the Group:
- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. 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 realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates 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:

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

k. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

l. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of directors of the Group has been identified as the chief operating decision maker for the Group.

m. Provision, Contingent Liabilities and Contingent Assets

The Group creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A disclosure for Contingent Liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

The provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate. Where an inflow of economic benefits is probable, an entity shall disclose a brief description of the nature of the contingent assets at the end of the reporting period, and, where practicable, an estimate of their financial effect.

Contingent assets are not recognised in the consolidated financial statements but disclosed, where an inflow of economic benefit is probable.

n. Recent Indian Accounting Standards (Ind AS)

Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards. There is no such notification which would have been applicable from April 1, 2020.

CHIEF EXECUTIVE OFFICER (CEO) & CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

We, Ashwani Kumar, Managing Director & Chief Executive Officer and Harshit Agrawal, Chief Financial Officer of Utkarsh CoreInvest Ltd. (erstwhile Utkarsh Micro Finance Limited), "the Company", hereby certify to the Board that:

a. We have reviewed financial statements and the cash flow statement of the Financial Year and that to the best of our knowledge and belief:

   i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

c. We accept responsibility for establishing and maintaining internal controls for financial reporting in the Company and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to be taken to rectify these deficiencies.

d. We have indicated to the Auditors and the Audit Committee:

   i. Significant changes in internal control over financial reporting during the year;
   ii. Significant changes in accounting policies during the year and the same have been disclosed in the Notes of the financial statements; and
   iii. Instances of significant fraud of which we have become aware and involvement therein; if any, of the Management or an employee having a significant role in the Company's internal control system over financial reporting.

e. We affirm that we have not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct, if any).

Ashwani Kumar
Managing Director & CEO

Harshit Agrawal
Chief Financial Officer

THE ANNUAL REPORT ON CSR ACTIVITIES FINANCIAL YEAR 2019-2020

1. Brief outline of the company's CSR policy, including overview of the projects or programs undertaken and a reference to the web link to the CSR policy and projects and programs.

Policy Statement

Utkarsh CoreInvest Limited (formerly known as Utkarsh Micro Finance Ltd.) will discharge of its responsibility as a corporate citizen by contributing actively to the Community Welfare Measures. As a part of CSR activities, the Company will take up impactful Social, Economic & Environment related initiatives. For achieving the goals of sustainable and inclusive development, it will actively involve various Social & Development Organizations.

It aims to socially uplift the underserved, underprivileged and low-income household community in collaboration with reputed Institutions engaged in developmental activities, Social Organizations & Technical Resource Partners. Its overall approach is to support programs for social & economic development by intervening in domain of Health and Financial Awareness at large, providing vocational training for skill development and adoption of green and clean energy projects. etc.

CSR Philosophy and Guiding principles

The Company continues its efforts to impact the society positively, particularly to underserved and unsecured communities for social development based on the following guiding principles:

- Adopting an approach that aims at achieving a greater balance between social development and economic development.
- Adopting new measures to accelerate and ensure the basic needs of deprived section of society.
- Work towards elimination of barriers for the social inclusion of disadvantaged groups- such as the poor and the disabled.
- Support underprivileged and underserved segments by providing financial and non-financial services through a socially responsible, sustainable and scalable institution.

Organization set up for implementing Corporate Social Responsibility initiatives

For undertaking Corporate Social Responsibility initiatives under its aegis, Utkarsh CoreInvest Limited has partnered with Utkarsh Welfare Foundation (UWF). UWF is a company under Section 8 of Companies Act, 2013 (earlier Section 25 Company under the provisions of the Companies Act, 1956). UWF aims to make a meaningful and sustainable impact in the lives of the community through a multi-pronged service oriented market led approach. UWF has initiatives that to focus on education, health, skill development, micro enterprise training and sustainable livelihoods.

Management Structure: CSR Committee

A Board level Corporate Social Responsibility Committee (CSR Committee) is constituted having three (3) Directors / Executives, out of whom, One (1) Director is an Independent Director.

Present Composition of the CSR committee is as under:

i. Mr. G. S Sundararajan, Independent Director and Chairperson
ii. Mr. Aditya Parekh, Nominee Director
iii. Mr. Ashwani Kumar, Managing Director & CEO

Roles & Responsibilities

The CSR Projects in Utkarsh are implemented under the guidance of the Board's Sub-Committee on CSR. The terms and reference of the committee is given below:

i. Specify the theme of the CSR projects and programmes to be undertaken.

ii. Prepare a list of CSR projects / programmes, which the company plans to undertake during the year of implementation with modalities of execution in the areas / sectors chosen and implementation schedules for the same.

iii. CSR projects / programmes of the company may also focus on integrating business models with social and environmental priorities and processes in order to create shared value.

iv. Yearly review of CSR policy to be undertaken and submitted to the Board for approval.

v. Recommend the amount of expenditure to be incurred on the CSR activities for the financial year along with projects to be undertaken earmarking funds for broad area wise projects, to the Board of Directors for its approval.

vi. The Committee shall monitor and review from time to time, the implementation of the CSR projects / programmes and guide the implementing entity / team on the leading and lagging indicators under each area of interventions.

vii. The Committee will evaluate the CSR activity periodically or as deems fit to achieve the CSR Policy Statement of the Company under its Guiding Principles.

viii. CSR Policy would specify that the corpus would include the following:

  a. Minimum 2% of the average net profits of the preceding last three financial years, or as mandated by the relevant Acts and Rules,

  b. any income arising therefrom, i.e. the Contribution Fund as per point 'a' above

  c. surplus arising out of CSR activities.

Scope of Activities

Identified CSR activities are in line with the CSR Rules (Sec.135 of Companies Act, 2013). Under CSR activities, the identified thematic areas of interventions are health, financial literacy, environment protection, water, sanitation, skill & vocational training activities. The company initiated many such programs through Utkarsh Welfare Foundation (UWF). The Company will provide not less than 2% of average profit before tax for preceding three financial years to UWF to carry out the programs as listed below:

During the financial year 2019-20, prime focus under CSR initiatives were Primary Health initiatives through Poly Clinics and Health Awareness.

There is shift from outreach to outcome based approach in CSR intervention. For better impacts and sustainability, Community Resource Person (CRP) model was experimented. The objective is to enhance the learning curve at grassroots level by appointing suitable trained resource from local communities and groom them to become champions and messengers for promoting key messages and learnings on financial literacy, health and enterprise development themes with the support of technological and digital spines (such as tablets, smart phones, etc.). It strengthened the narratives of Ideas moving to action and further leading to behavioural change communication process and peer to peer learning.

Health Initiatives

Health initiatives are intended to provide free Primary Health Services and awareness to the low income households in the targeted geographies. Outpatient diagnostic services with free medicine are being provided as a part of the initiative. Program is implemented in collaboration with select hospitals, ensuring quality health service under the strict supervision of healthcare professionals and practitioners. Two approaches have been adopted to deliver OPD services in the underserved and underprivileged geography such as Regular Poly Clinics through locations as well as Mobile Poly Clinics with route plan are being adopted for extending health services. During FY 2019-20, the total outreach under Regular Polyclinics had been 15,632 beneficiaries covered in 97 camps against the annual target plan of 13,200 beneficiaries.

Health Awareness Programmes

Health Awareness sessions are conducted with an objective to promote the concept of "Prevention is better than cure"; highlighting preventive measures across range of health issues concerning local areas such as Malnutrition, Anaemia, Diarrhoea, Hygiene, Malaria, Menstrual health, AYUSH remedies and other locally prevalent diseases. During FY 2019-20, the Total outreach under Health Awareness program had been 15,821 beneficiaries covered in 895 batches against the annual target plan of 15,000 beneficiaries.

Highlight: AYUSH related Flash cards containing the essential points of Ayurveda, Yoga, Unani, Naturopathy, Siddha and Homoeopathy were delivered during Health Awareness Camps. The awareness classroom training is currently being run in 2 states viz. Bihar and Uttar Pradesh.

Geographical Span

During FY 2019-20, the CSR activities were spread across various districts in three (3) States viz. Bihar, Madhya Pradesh and Uttar Pradesh

Web Link to CSR policy and projects or programs
Annual Report on CSR Activities is also available at the website of the Company at
https://www.utkarshcoreinvest.com

2. **Composition of the CSR committee**

i. Mr. G. S Sundararajan, Independent Director and Chairperson
ii. Mr. Aditya Parekh, Nominee Director
iii. Mr. Ashwani Kumar, Managing Director & CEO

3. **Average net profit of the company for last three financial years –** (₹51,29,62,613)

4. **Prescribed CSR expenditure (i.e. 2% of the amount as in 3 above) –** NIL (Average Net Profit of the company for the last three financial years being negative of ₹51,29,62,613).

5. **Details of the CSR spent during FY 2019-20**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
S. No	**CSR project or activity identified**	**Sector in which the Project is covered**	**Projects or programs- Specify the state / Union Territory where the Project/ Program was undertaken**	**Projects or programs – Specify the district where projects or programs was undertaken**	**Amount outlay (budget) project or programs wise (Amount in ₹)**	**Amount spent on the projects or programs (Amount in ₹)**	**Expenditure on Administrative overhead (Amount in ₹)**	**Mode of Amount spent**
1.	Health Initiatives	Promoting Primary Health care services	Bihar Madhya Pradesh Uttar Pradesh	Bihar (Bhojpur, Buxar, Kaimur, Kaithhar Mokama, Rohtas) Madhya Pradesh (Rewa and Satna) Uttar Pradesh (Allahabad, Chandauli, Gorakhpur, Jaunpur, Kushinagar, Mirzapur, Maharajganj, and Varanasi)	40,00,000	34,00,000	6,00,000	Through Utkarsh Welfare Foundation
	Amount				40,00,000	34,00,000	6,00,000	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
S. No	**CSR project or activity identified**	**Sector in which the Project is covered**	**Projects or programs- Specify the state / Union Territory where the Project/ Program was undertaken**	**Projects or programs – Specify the district where projects or programs was undertaken**	**Amount outlay (budget) project or programs wise (Amount in ₹)**	**Amount spent on the projects or programs (Amount in ₹)**	**Expenditure on Administrative overhead (Amount in ₹)**	**Mode of Amount spent**
	Spent on Local Area							
	Amount Spent on Other Area							
	Total Amount Spent on CSR				**40,00,000**	**34,00,000**	**6,00,000**	

6. **Reasons for not spending the 2% of average net profit of last three financial years:** Not Applicable

7. **Responsibility statement of the CSR committee:**

The implementation and monitoring of Utkarsh CoreInvest Limited's CSR policy is in compliance with CSR objectives and policy of the company.

Sd/-
Mr. Aditya Parekh ^
Nominee Director

Sd/-
Mr. G. S Sundararajan*
Chairperson, CSR Committee

Date: June 09, 2020
Place: ^ Mumbai and *Chennai

INSTITUTIONAL INVESTORS

1. Aavishkaar Goodwell

Aavishkaar Goodwell is a for profit business development company that provides equity finance and hands-on support to entrepreneurial microfinance organizations in India on a socially and commercially sustainable basis. It aims to improve access to affordable financial services for millions of families in order to contribute to poverty alleviation and sustainable development. They help in scaling up entrepreneurial microfinance organizations in India and integrating them into the mainstream financial sector.

2. Commonwealth Development Corporation (CDC) Group PLC

Founded in 1948, CDC is the UK's Development Finance Institution (DFI), wholly owned by the UK Government's Department for International Development (DFID). It is the world's oldest DFI with a history of making successful investments in businesses which have become industry leaders thereby having enormous impact on the private sector in their country and region as well as improving the lives of many, individuals. CDC's mission is to support the building of businesses throughout Africa and South Asia, to create jobs and make a lasting difference to people's lives in some of the world's poorest places.

3. Faering Capital India Evolving Fund

Faering Capital India Evolving Fund specializes in growth capital investments in mid-cap companies. The fund seeks to invest in consumption-related, financial services, media, consumer, retail, internet, business services, technology, education, and healthcare companies based in India.

4. HDFC Ergo General Insurance Company Limited

HDFC ERGO General Insurance Company is a 51:49 joint venture between the Housing Development Finance Corporation Ltd. (HDFC), India's premier Housing Finance Institution, and ERGO International AG, the primary insurance entity of the Munich Re Group of Germany. The Company marked the first merger in the General Insurance sector in August 2017, with IRDAI's approval for the merger of HDFC ERGO General Insurance Co. Ltd. with HDFC General Insurance Ltd. (formerly Known as L&T General Insurance Co. Ltd.), and the merged entity is known as HDFC ERGO General Insurance Co. Ltd.

HDFC ERGO offers products like Motor, Health, Travel, Home and Personal Accident Insurance in the retail space and customized products like Property, Marine and Liability Insurance in the corporate space through its vast and wide distribution network.

5. HDFC Ltd.

Housing Development Finance Corporation Limited is an Indian financial conglomerate based in Mumbai, India. It is a major provider of finance for housing in India. It also has a presence in banking, life and general insurance, asset management, venture capital, realty, education, deposits and education loans.

6. HDFC Life Insurance Company Limited

HDFC Life Insurance Company Limited ('HDFC Life' / 'Company') is a joint venture between HDFC Ltd., one of India's leading housing finance institution and Standard Life Aberdeen, a global investment company.

Established in 2000, HDFC Life is a long-term life insurance solutions provider in India, offering a range of individual and group insurance solutions that meet various customer needs such as Protection, Pension, Savings, Investment and Health.

HDFC Life continues to benefit from its increased presence across the country having a wide reach branches and additional distribution touch-points through several new tie-ups and partnerships comprising bancassurance partners including NBFCs, MFIs, SFBs, etc. and partnerships within non-traditional ecosystems. The Company has a strong base of financial consultants.

In Fiscal 2012, The Company established a wholly-owned subsidiary, HDFC Pension Management Company Ltd., to operate its pension fund business under the National Pension Scheme (NPS). And in Fiscal 2016, the Company established its first international wholly-owned subsidiary in the UAE, HDFC International Life and Re Company Ltd., to operate its reinsurance business.

7. HERO Enterprises Partner Ventures

Hero Enterprise is the new avatar of Hero Corporate Service, which came into being in 2016, following a need to give new direction to Brand Hero. Hero has a strong legacy of building world class brands over six (6) decades.

Hero Enterprise is also adding new dimensions to the Group's legacy by venturing into new and exciting areas, by drawing strength and inspiration from the entrepreneurial energies released by Hero in its formative years.

8. ICICI Prudential Life Insurance Company Limited

ICICI Prudential Life Insurance Company Limited (ICICI Prudential Life) is promoted by ICICI Bank Limited and Prudential Corporation Holdings Limited.

ICICI Prudential Life began its operations in fiscal year 2001 and has consistently been amongst the top players in the Indian life insurance sector. ICICI Prudential Life is also the first insurance company in India to be listed on NSE and BSE.

9. International Finance Corporation (IFC)

IFC is a member of the World Bank Group and supports microfinance by:

- Engaging in partnerships and collective investment vehicles;
- Supporting commercial banks to extend their operations to the sector;
- Providing innovative solutions to microfinance institutions, including local currency loans;
- Helping transform non-profit and non-governmental organizations into for-profit financial Intermediaries;
- Offering targeted advisory services.

10. Jhelum Investment FUND I

Jhelum Investment FUND is an investment banking firm. The firm provides mergers and acquisitions and capital raising advisory services. It offers services to corporations and private equity funds.

11. Norwegian Microfinance Initiative (NMI)

The Norwegian Microfinance Initiative (NMI) is a new and innovative strategic partnership between the Norwegian public and private sectors that invests in microfinance institutions in developing countries. It aims to contribute to the empowerment of poor people and to the creation of jobs, wealth and economic and social sustainability in developing countries by investing in and supporting Microfinance Institutions.

12. responsAbility Participations Mauritius (rAPM)

responsAbility Investments AG is a leading asset manager in the field of development investments that offers professionally managed investment solutions to private, institutional and public investors. The company supplies debt and equity financing to firms in emerging economies and developing countries.

Founded in 2003, the company is headquartered in Zurich and has local offices in Bangkok, Hong Kong, Lima, Luxembourg, Mumbai, Nairobi, Oslo and Paris. Its shareholders include a number of reputable institutions in the Swiss financial market and its own employees. responsAbility is regulated by the Swiss Financial Market Supervisory Authority FINMA.

13. RBL Bank Limited

RBL Bank Limited is a banking company. The Bank is engaged in providing a range of banking and financial services, including commercial banking, retail banking, agriculture finance and financial inclusion, treasury operations and other banking related activities. The Bank's segments include Corporate / Wholesale Banking, which includes lending, deposits and other banking services provided to corporate customers of the Bank; Retail Banking, which includes lending, deposits and other banking services provided to retail customers of the Bank through branch network or other approved delivery channels; Treasury, which includes investments, all financial markets activities undertaken on behalf of the Bank's customers, trading, maintenance of reserve requirements and resource mobilization from other Banks and financial Institutions, and other banking operations segment, which includes para banking activities, such as Bancassurance and credit cards.

14. Sarva Capital LLC (erstwhile Lok Capital II LLC)

The Lok Capital initiative was launched at the end of 2000 with the support of a grant from the Rockefeller Foundation. Lok Capital means People's Capital. Lok Capital defines itself as a hands-on financial investor with social performance goals and standards, dedicated to promoting financial and social inclusion through all its activities. India was chosen as the Funds' first market for the Lok Capital initiative for two reasons. First, schemes intended to improve access to basic services for the poor have not proven to be greatly successful in India. There exists enormous potential for delivering commercially viable solutions to urban and rural poor. Second, the Lok Capital team has a deep understanding and working knowledge of India, including its complex regulatory environment and entrepreneurial culture. Lok Capital manages two BoP funds. The funds are the central entity of the Lok group structure.

15. Shriram Life Insurance Company Limited

Shriram Life Insurance was incorporated in 2005 and it commenced business in 2006. Since the first year of operations, the company made profits in the first three consecutive years - becoming the only private life insurer to have achieved the distinction.

Life insurance arm of Shriram Group has carried forward the group philosophy of financial inclusion by penetrating the unexplored segments. Shriram Life has significantly focused on Inclusive growth by taking life insurance to the section where it is needed the most - the 'AAM AADMI' (Common Man).

16. Small Industries Development Bank of India (SIDBI)

Small Industries Development Bank of India (SIDBI), set up on April 02, 1990 under an Act of Indian Parliament, acts as the Principal Financial Institution for the Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector and for coordination of the functions of the institutions engaged in similar activities. The business strategy of SIDBI is to address the financial and non-financial gaps in MSME eco-system.

17. Sustainability Finance Real Economies (SFRE)

Sustainability Finance Real Economies (SFRE) is an open-end investment fund initiated by the Global Alliance for Banking on Values (http://www.gabv.org/) and managed by Triodos Investment Management. It is committed to provide mission-aligned growth capital to values-based financial institutions that focus on real economic development in local communities.