Directors' Report

To the Members of

BSS MICROFINANCE LIMITED

The Directors present their Twenty Sixth Annual Report together with the audited accounts of the Company for the year ended 31st March 2020.

FINANCIAL HIGHLIGHTS

₹ in lac

Particulars	Year ended 31st March 2020	Year ended 31st March 2019
Gross income	19,767.98	15,889.80
Profit before tax	7,718.44	7,866.35
Provision for tax	1,878.38	2,337.41
Profit for the period	5,840.06	5,528.94
Total Comprehensive Income for the period	5,817.48	5,542.34

DIVIDEND

With a view to conserve your Company's resources, the Directors do not recommend any Dividend (Previous Year: Nil)

FINANCE

The Company is facilitating micro loans as Business Correspondent of Kotak Mahindra Bank Limited, its Holding Company. Hence, the entire funding requirement for such loans is met by Kotak Mahindra Bank Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

Company Business

The Company is a wholly owned subsidiary of Kotak Mahindra Bank Limited. The Company is working as a Business Correspondent (BC) of Kotak Mahindra Bank Limited and the nature of operation is facilitating micro finance for poor.

As on 31st March 2020, your Company has been facilitating micro credit for income generating activities and for quality of life improvement activities, to 6,53,921 poor women borrowers and their families.

The Asset Under Management (AUM), increased from Rs.1,273.78 crs as on 31st March 2019 to Rs 1,890.30 crs as on 31st March 2020, an increase of 48% on Y-o-Y basis. The categories of loan purposes include Animal Husbandry (62%), Petty Trading (14%), Petty Manufacturing (11%), Petty Services (7%), Agriculture (2%) and Life Quality Improvement Loans (4%).

Industry Developments & Outlook

The role of Microfinance has been critical in driving financial inclusion in India. Your Company has been providing access to formal credit to borrowers, all of them women, particularly in semi-urban and rural locations as a Business Correspondent of Kotak Mahindra Bank.

The Microfinance sector continued to grow steadily in FY 2019-20 though there were some disturbances in operations in parts of Assam and the Dakshina Kannada region in Karnataka. Digital initiatives in terms of seamless loan processing, cashless loan disbursements and to some extent cashless loan collections have significantly improved service levels and convenience for cutomers.

The novel coronavirus (COVID-19) pandemic continues to spread across the globe including India. COVID-19 has taken its toll on not just human life, but business and financial markets too, the extent of which is currently indeterminable. The Government announced a lockdown across the country to contain the spread of virus. Reserve Bank of India announced a Covid-19 package which permitted banks to allow a moratorium of 6 months on repayment of instalments to borrowers. Accordingly, Kotak Mahindra Bank, in order to provide relief, has allowed a 6 months moratorium to borrowers sourced by the Company. Though Covid-19 has led to significant negative impact on overall economy, the impact on rural economy is expected to be comparatively low. Due to uncertainty around the course of the COVID-19 pandemic, there is no visibility in terms of its impact on the microfinance industry. The recovery of the economy from Covid-19 impact will be the determining factor for the sector's performance in FY 2020-21.

Opportunities & Threats

There are still substantial potential and uncovered locations/ villages in the Country to expand microfinance operations. Many of the existing customers have higher financial requirements needed to expand their business activities. The Company, being a Business Correspondent, is also well placed to provide solutions to various financial needs such as deposit accounts, remittances, etc of the customers. With the economy suffering from Covid-19 impact, all the micro and small borrowers will be looking forward to the sector to support them in these difficult times to re-establish their business.

While the microfinance borrowers will be looking for fresh lines of credit to come out of the Covid-19 impact, lenders will look forward to determine the willingness & abilities of such borrowers to repay. Unless the repayment discipline is re-established after the moratorium period gets over, flow of funds to the sector could be at lower levels. This conundrum is not a desirable scenario.

Internal Controls

Your Company has an Internal Audit Unit which regularly conducts internal audit of all branches of the Company. The scope includes all the financial activities and verification at random of the non-financial activities such as centre discipline, loan utilization checks etc. Also, the Company has appointed a firm of Chartered Accountants as Internal Auditors to review and assess financial and operating matters. Reports of the audits conducted by the Internal Audit Unit and Internal Auditor are presented to the Audit Committee of the Board regularly.

Human Resources

Your Company is professionally managed and it follows an open and transparent policy to nurture its human resources. It encourages and facilitates long term careers with the Company and the Company recognises people as its most valuable assets.

Information Technology

The new software rolled-out by the Company from 1st April 2019 has settled down well. This has helped the Company to achieve higher efficiency in operations and also facilitated to enable more digital initiatives such as cashless disbursements in the field. The turn around time for admitting a new borrower, loan processing and disbursement has come down significantly.

Cautionary Note

Certain statements in the 'Management Discussion and Analysis' section may be forward-looking and are stated as may be required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Directors envisage in terms of future performance and outlook. Your Company does not undertake to update these statements.

DIRECTOR'S & KEY MANAGERIAL PERSONNEL

Change in Directors during the year

The Board comprises of four Directors as on 31st March 2020, Non-Executive Director Mr. Narayan S.A., Non-Executive Director Mr. D. Kannan, Non-Executive Director Mr. B.S. Sivakumar, and Independent Director Mr. Chandrashekhar S Sathe, with any two forming the quorum.

Directors retiring by rotation during the year:

Mr. B.S. Sivakumar (DIN: 07648764), Non-Executive Director, retired by rotation at the Twenty Sixth Annual General Meeting and being eligible, had offered himself for re-appointment. Accordingly, he was reappointed.

Declaration from Independent Director

The Company being a wholly owned subsidiary does not come under the purview of Section 149 (7) of the Companies Act, 2013. The Board has received declarations from the Independent Director and the Board is satisfied that the Independent Director meets the criteria of independence.

Board Evaluation

The Nomination and Remuneration Committee of the Company's Board has formulated the criteria for performance evaluation of the Directors and the Board as a whole. The criteria formulated broadly covers the Board role, Board / Committee membership, practice and procedure and collaboration and style. The said questionnaire was circulated to all the Directors of the Company for the annual performance evaluation.

Based on the assessment of the responses received to the questionnaire from the Directors on the annual evaluation of the Board, its Committees, Chairman and the Individual Directors, a summary of the Board Evaluation was placed before the meeting of the Board for consideration. The Board at its meeting assessed the performance of the Directors. The Directors were satisfied with the results of the performance evaluation of the Board and its Committees, Chairman and Individual Directors.

Key Managerial Personnel (KMPs)

In terms of the provisions of Section 203 of the Companies Act, 2013, Mr. S Kumar Chief Executive Officer, Mr. Suresh Batchu Chief Financial Officer and Ms. P B Kavitha, Company Secretary are the Key Managerial Personnel of the Company.

Appointment & Remuneration of Directors and KMPs

The Nomination and Remuneration Committee of the Board of Directors of the Company considers the qualifications, experience, fit & proper status, positive attributes as per the suitability of the role and independent status and various regulatory/statutory requirements as may be required of the candidate before such appointment.

Remuneration to the KMPs i.e. Chief Executive Officer, Chief Financial Officer and Company Secretary, is as per the terms of their employment.

Number of Board Meetings

During the year, five meetings of the Board of Directors were held.

COMMITTEES

AUDIT COMMITTEE

The Audit Committee presently consists of three members, Mr. Narayan SA, Non-Executive Director, Mr. D. Kannan, Non-Executive Director and Mr. Chandrashekhar S Sathe, Independent Director, with any two members forming the quorum.

During the year, five meetings of the Committee were held.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Your Company has constituted a Board Corporate Social Responsibility Committee (CSR Committee). The CSR Committee presently consists of four members, Non-Executive Director Mr. Narayan S.A., Non-Executive Director Mr. D. Kannan , Non-Executive Director Mr. B.S. Sivakumar and Independent Director Mr. Chandrashekar S. Sathe.

During the year, one meeting of the Committee was held.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee presently consists of three members, Non-Executive Director Mr. Narayan S.A., Non-Executive Director Mr. D. Kannan, and Independent Director Mr. Chandrashekhar Shrikrishna Sathe, with any two forming the quorum.

During the year, one meeting of the Committee was held.

ASSET LIABILITY MANAGEMENT COMMITTEE

The Asset Liability Management Committee comprised of five members Mr. Narayan SA, Non-Executive Director, Mr. BS Sivakumar, Non-Executive Director, Mr. S. Kumar, CEO, Ms. P B Kavitha, CAO and Mr. Suresh Batchu CFO. The Committee was dissolved on 24th April 2019.

During the year, one meeting of the Committee was held.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee presently comprises of six members Mr. Narayan SA, Non-Executive Director, Mr. D Kannan, Non-Executive Director, Mr. BS Sivakumar, Non-Executive Director, Mr. S. Kumar, CEO, Mr. S. Panchakshari, COO and Mr. Suresh Batchu CFO.

During the year, four meetings of the Committee were held.

SHARE TRANSFER COMMITTEE

The Share Transfer Committee presently comprises of three members Mr. Narayan SA, Non –Executive Director, Mr. BS Sivakumar and Non-Executive Director, Mr. D. Kannan.

During the year, no meeting of the Committee was held.

FIRST TIER AUDIT COMMITTEE

First Tier Audit Committee presently comprises of four members Mr. D. Kannan, Non-Executive Director, Mr. S. Kumar, CEO, Mr. S. Panchakshari, COO and Mr. Suresh Batchu CFO .

During the year, four meetings of the Committee were held.

ROUTINE AND ADMINISTRATIVE FUNCTIONS COMMITTEE

Routine and Administrative Functions Committee presently comprises of three members Non-Executive Director Mr. Narayan S.A., Non-Executive Director Mr. D. Kannan and Non-Executive Director Mr. B.S. Sivakumar.

During the year, four meetings of the Committee were held through circular resolution.

AUDITORS

M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, Firm Registration No.117366W/W-100018 issued by ICAI, was appointed as Statutory Auditors of the Company for a period of five consecutive years, to hold office from the conclusion of the 23rd Annual General Meeting until the conclusion of the 28th Annual General Meeting of the Company, subject to ratification at every Annual General Meeting in this period, on such remuneration to be fixed annually by the Audit Committee / Board of Directors, taking into account recommendation of the Audit Committee in consultation with the Auditors. Accordingly, the matter shall be placed before the Members in the ensuing Annual General Meeting.

INTERNAL FINANCIAL CONTROLS

The Board of Directors confirms that your Company has laid down a set of standards, processes and structure which enables to implement Internal Financial controls across the organization with reference to Financial Statements and that such controls are adequate and are operating effectively. During the year under review, no material or serious observation has been observed for inefficiency or inadequacy of such controls.

RELATED PARTY TRANSACTIONS

All Related Party Transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of business.

Pursuant to Section 134(3)(h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Companies Act, 2013, in form AOC-2.

All Related Party Transactions as required under Accounting Standards AS18 are reported in Notes to Accounts in Financial Statements.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Nil.

WHISTLE BLOWER POLICY & VIGIL MECHANISM

Your Company has put in place the Vigil Mechanism (Whistle Blower Policy) to raise concerns internally and to disclose information, which the individual believes happening of malpractice, serious irregularities, fraud, unethical business conduct, abuse or wrong doing or violation of any Indian law.

The same is also put up on the Company's website viz. URL: https://www.bssmfi.com/vigil-mechanism.html

CORPORATE SOCIAL RESPONSIBILITY

Your Company has constituted a Board Corporate Social Responsibility Committee (CSR Committee) and consists of the following Directors:

1. Mr. Narayan S A
2. Mr. Chandrashekhar S Sathe
3. Mr. D. Kannan
4. Mr. B.S. Sivakumar

Your Company's CSR Committee is responsible to monitor, review and approve CSR initiatives and expenditure. It also makes recommendations to the Board on CSR Policy and related matters. It is the CSR Committees role to oversee the implementation of all the CSR activities of the Company.

The CSR approach of your Company is charted out in its Board approved CSR policy. This policy sets out your Company's vision, mission, governance, and CSR focus areas to fulfill its inclusive growth agenda in India. It also demonstrates your Company's contribution towards the economic, environmental and social growth of the nation and is also committed to contribute towards United Nation's (UN) Sustainable Development Goals (SDGs).

The Company's CSR policy is available on the Company's website viz. http://www.bssmfi.com/assets/pdf/csr-policy.pdf

The CSR policy, projects, programmes and the CSR expenditure are all compliant with the CSR mandate as specified under section 134, section 135 read with schedule VII of the Companies Act, 2013 along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time and in line with the Government of India's notifications issued from time-to-time.

The average net profit under section 198 of the Companies Act, 2013 for the last three financial years preceding 31st March, 2020 is Rs. 45.78 crore.

The prescribed CSR expenditure required under section 135 of the Companies Act, 2013 for FY 2019-20 is Rs. 0.92 crore.

The CSR expenditure incurred from 1st April, 2019 to 31st March, 2020 under section 135 of the Companies Act, 2013 amounts to ₹ 0.47 crore as against ₹ 0.30 crore CSR spend in FY 2018-19. The unutilised CSR Expenditure, for FY 2019-20, from the prescribed CSR expenditure requirement amount U/S 135 is ₹ 0.45 crore, and the deficit of the unutilised CSR Expenditure from the prescribed CSR expenditure amount under section 135 of the Companies Act, 2013 for FY 2019-20, is ₹ 0.45 crore.

CSR expenditure of ₹ 0.47 Crore as a percentage of average net profit under section 198 of the Companies Act, 2013 for the last three financial years preceding 31st March, 2020 at Rs. 45.78 crore is 1.02%.

It's the constant endeavour of the Company to enhance its CSR capabilities by adopting a purpose driven CSR approach, focusing on sustainable and scalable programmes, spreading in focused geographies and aligning to SDGs and the national narrative.

The implementation of the CSR projects and programmes is done directly and /or through selected partner who may be either governmental agencies, NGOs and/or other institution, having a proven track record to implement cost and process efficient CSR projects and/or programmes that are scalable, sustainable, and have measurable social outcomes and impact. Also, the implementation is done through employee volunteering. The Company's CSR footprint has been consistently increasing over the years. The Company is committed to stepping-up its CSR programmes and expenditure in the years ahead. Foremost reason for underutilisation of the Company's CSR expenditure is the NGOs' inability to utilise large CSR expenditure allocated under the Company's CSR Programmes.

Your Company does not consider "administrative overheads" as part of its CSR Expenditure.

The CSR Committee of the Board confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

The details of CSR Programmes and Expenditure U/S 135 of the Companies Act, 2013, for FY 2019-20, are annexed to this report.

Details of CSR activities and expenditure U/S 135 of the Companies Act, 2013

CSR project/ activity identified	Sector in which the project is covered	Area of project implementation (Name of the District / s, State / s where project / programme was undertaken	Programme / project wise budgeted amount (₹ Lakh)	Programme / project wise actual spend during the year – Direct expenditures (₹ Lakh)	Programme / project wise actual spend during the year – Overheads (₹ Lakh)	Cumulative Expenditure upto reporting period (Since FY 2014-15) (₹ Lakh)	Amount spent: Direct or Through implementing agency (Rs. Lakh)
Relief and Rehabilitation	Relief and Rehabilitation	Belgaum, Chickmagalur, Chamrajnagar, Mysore, Kodagu, Karnataka Sangli, Kolhapur, Maharashtra	50	46.6*	-	107.8	Direct Implementation - 46.6
TOTAL CSR SPEND U/S 135 OF THE COMPANIES ACT, 2013, DURING FY 2019-20							46.6

*Out of the CSR Programme Budget of ₹ 50.0 lakh for FY 2019-20, the unutilised CSR Programme Expenditure is ₹ 3.4 lakh.

Relief and Rehabilitation

Your Company implemented Direct CSR Programme to support people affected with heavy rainfall and flood in the state of Maharashtra and Karnataka in the month of August and September 2019. The heavy rains in the parts of Maharashtra and Karnataka mainly affected the people/families engaged in either animal husbandry or were daily wage earners. The Programme supported 4,600 affected families by providing essential grocery items in FY2019-20.

RISK MANAGEMENT POLICY

Your Company manages risk based on a Risk Management framework which lays down guidelines in identifying, assessing and managing risks that the entity is exposed to. Risk Management Committee meetings are generally conducted on quarterly basis to review key risks like Repayment Risk, Liquidity Risk, Operational Risk and various other risks.

EMPLOYEES

The employee strength of your Company was 2,712 as of 31st March 2020.

None of the employees was in receipt of remuneration of Rs. 1.02 crore or more per annum.

As required by the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, your Company has in place a Policy on Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal). No instances of sexual harassment was reported during the year.

DEPOSIT

Your Company did not accept any deposits from the public during the year. Also, there are no deposits due and outstanding as on 31st March 2020.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The provisions pertaining to the Conservation of Energy and Technology Absorption are not applicable to your Company.

During the year, the Company had foreign exchange inflow of ₹ NIL (Previous Year: Nil) while the outgo of foreign exchange was also Nil (Previous Year: ₹ 29.65 lakhs).

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, based on the representations received from the management, confirm in pursuance of Section 134(5) of the Companies Act, 2013 that:

i) the Company has, in the preparation of the annual accounts, followed the applicable accounting standards along with proper explanations relating to material departures, if any;

ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2020 and of the profit of the Company for the financial year ended 31st March 2020;

iii) the Directors have 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;

iv) the Directors have prepared the annual accounts on a going concern basis;

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

vi) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

vii) The Company is generally in compliance with applicable Secretarial Standards.

ANNEXURES

Following statements/reports are set out as Annexures to the Directors' Report:

(a) Extract of Annual Return under Section 134(3)(a) of the Companies Act, 2013 read with Rule 12(1) of Companies (Management & Administration) Rules, 2014 (Annexure – A).

(b) Report on CSR activities pursuant to provisions of Section 135(4)(a) of the Companies Act, 2013, read with Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 (Annexure – B).

ACKNOWLEDGEMENTS

The Board takes this opportunity to place on record, its gratitude for the valuable guidance and support received from the statutory and the regulatory authorities, its appreciation of the dedication and contribution of your Company's employees at all levels.

For and on behalf of the Board of Directors

Place: Mumbai	**Narayan SA**	**D. Kannan**
Date: 25th June 2020	Chairman	Non Executive Director

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

as on the Financial Year ended on 31st March 2020

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

i	CIN	U74899KA1994PLC049746
ii	Registration Date	5th April 1994
iii	Name of the Company	BSS MICROFINANCE LIMITED
iv	Category/Sub-category of the Company	Company limited by Shares/Non Government Company
v	Address of the Registered office and contact details	No. 11, 2nd Block, 2nd Stage, Outer Ring Road, Near BDA Complex, Nagarabhavi Layout, Bangalore – 560072, Tel: +91-80-2318-8408,2318-8409, Fax: +91-80-2318-8349 / 8350. E Mail: bss@bssmfi.com, www.bssmfi.com.
vi	Whether listed company Yes/No	No
vii	Name, Address & Contact details of the Registrar & Transfer Agent, if any.	Karvy Computershare Private Limited, Karvy Selenium Tower B, Plot No.31-32, Financial District, Nanakramguda, Gachibowli Serilingampally Mandal Hyderabad – 500 032. Telagana Phone No.1800 3454 001 / 040 6716 1604 E-mail : einward.ris@karvy.com

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

SL No	Name & Description of main products/services	NIC Code of the Product /service	to total turnover of the Company
1	Facilitating Micro Credit: To carrying on the business of facilitating financial services, particularly through Micro Finance to large number of poor women.	64990	100%

III PARTICULARS OF HOLDING, SUBSIDIARY & ASSOCIATE COMPANIES -

SL No	Name and Address of the Company	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
		NIL			

IV SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAK UP AS PERCENTAGE OF TOTAL EQUITY)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian	-	-	-	-	-	-	-	-	-
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt.or State Govt.	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	-	-	-	-	-	-	-	-	-
d) Bank/FI	26,728,661	-	26,728,661	100.00%	26,728,661	-	26,728,661	100.00%	0.00%
e) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL:(A) (1)	**26,728,661**	**-**	**26,728,661**	**100.00%**	**26,728,661**	**-**	**26,728,661**	**100.00%**	**0.00%**
(2) Foreign	-	-	-	-	-	-	-	-	-
a) NRI- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other…	-	-	-	-	-	-	-	-	-
SUB TOTAL: (A) (2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	**26,728,661**	**-**	**26,728,661**	**100.00%**	**26,728,661**	**-**	**26,728,661**	**100.00%**	**0.00%**
B. PUBLIC SHAREHOLDING									
(1) Institutions	-	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
c) Cenntral govt	-	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIS	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1):-	-	-	-	-	-	-	-	-	-
(2) Non Institutions									
a) Bodies corporates	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
i) Individual shareholders holding nominal share capital upto Rs.1 lakhs	-	-	-	-	-	-	-	-	-
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
Trusts	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(2):	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Public Shareholding (B)= (B)(1)+(B)(2)"	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
C. Shares held by Custodian for GDRs & ADRs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total (A+B+C)	**26,728,661**	**-**	**26,728,661**	**100.00%**	**26,728,661**	**-**	**26,728,661**	**100.00%**	**0.00%**

(Ii) Shareholding of Promoters

Sl No.	Shareholders Name	Shareholding at the begginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	No. of shares	% of total shares of the Company	% of shares pledged encumbered to total shares	
1	Kotak Mahindra Bank Limited	26,728,661	100.00%	NIL	26,728,661	100.00%	NIL	0.00%
	Total	**26,728,661**	**100.00%**	**NIL**	**26,728,661**	**100.00%**	**NIL**	**0.00%**

(Iii) Change In Promoters' Shareholding (please specify, if there is no change) - no change

Sl. No.		Share holding at the beginning of the Year		Cumulative Share holding during the year	
		No. of Shares	% of total shares of the company	No of shares	% of total shares of the company
	At the beginning of the year	26,728,661	100.00%		
	Kotak Mahindra Bank Limited	26,728,661	100.00%		
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc):	-	-	-	-
	At the end of the year			**26,728,661**	**100.00%**
				26,728,661	100.00%
				-	0.00%

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs):

Sl. No	For Each of the Top 10 Shareholders	Shareholding at the begining of the year		Cumulative Shareholding during the year	
		No.of shares	% of total shares of the company	No of shares	% of total shares of the company
	At the beginning of the year	-	0.00%		
	Date wise increase/decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/sweat equity etc).	-	-	-	-
	At the end of the year (or on the date of separation, if separated during the year)			-	0.00%
					0.00%

(v) Shareholding of Directors and Key Managerial Personnel (KMP)

Sl. No	For Each of the Directors & KMP	Shareholding at the begining of the year		Cumulative Shareholding during the year	
		No.of shares	% of total shares of the company	No of shares	% of total shares of the company
	At the beginning of the year	0	0.00%		
	Date wise increase/decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/sweat equity etc):	-	-	-	-
		0	0.00%		
	At the end of the year			0	0.00%
				0	0.00%

V INDEBTEDNESS NIL

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

	Secured Loans excluding deposits”	Unsecured Loans	Deposits	Total Indebtedness
Indebtness at the beginning of the financial year				
i) Principal Amount (Rs.)	-	-	-	-
ii) Interest due but not paid (Rs.)	-	-	-	-
iii) Interest accrued but not due (Rs.)	-	-	-	-
Total (i+ii+iii)	**-**	**-**	**-**	**-**
Change in Indebtedness during the financial year				
Additions (Principal) (Rs.)	-	-	-	-
Reduction (Principal) (Rs.)	-	-	-	-
Interest accrued but not due	-	-	-	-
Net Change	-	-	-	-
Indebtedness at the end of the financial year				
i) Principal Amount (Rs.)	-	-	-	-
ii) Interest due but not paid (Rs.)	-	-	-	-
iii) Interest accrued but not due (Rs.)	-	-	-	-
Total (i+ii+iii)	**-**	**-**	**-**	**-**

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director (MD), Whole Time Director (WTD) and/or Manager:

Sl. No	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
1	Gross salary	Nil				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961. (Rs.)					-
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	-	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-	-	-
2	Stock option	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-
4	Commission	-	-	-	-	-
	as % of profit	-	-	-	-	-
	others, (specify)	-	-	-	-	-
5	Others, please specify Sitting fees and Professional fees		-	-	-	-
	Total (A)	**-**	**-**	**-**	**-**	**-**
	Ceiling as per the Act			No Ceiling		

B. Remuneration to other directors:

Sl. No	Particulars of Remuneration	Names of the Directors						Total Amount
		Sri. Chandrashekar S Sathe (Independent Director)						
1	**Independent Directors**							
(a)	Fee for attending board committee meetings	N/A						-
(b)	Commission	N/A						-
(c)	Others, please specify	N/A						-
	Total (1)							
2	Other Non Executive Directors							
A)	Fee for Attending Board Meetings (₹)	125,000						125,000
B)	Fee for Board Committee Meetings							
	i) Audit Committee (₹)	75,000						75,000
	ii) Nomination and Remuneration Committee (₹)	15,000						15,000
	iii) Corporate Social Responsibility Committee(₹)	15,000						15,000
	iv) Honororium	Nil						-
C)	Commission (₹)	Nil						-
D)	1. Others (Professional Fee) (₹)	-						-
D)	2. Others (Per-Diem Allowance) (₹)	-						-
	Total (2)	**230,000**						**230,000**
	Total (B) = (1)+(2)	**230,000**						**230,000**
	Total Managerial Remuneration	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	

Overall Ceiling as per the Act : NA

Sl. No	Particulars of Remuneration	Names of the Directors						Total Amount
		Sri Chandrashekhar S Sathe						
1	**Independent Directors**							
(a)	Fee for attending board committee meetings	230,000.00						230,000.00
(b)	Commission	400,000.00						400,000.00
(c)	Others, please specify	N/A						-
	Total (1)	**630,000.00**						**630,000.00**
2	Other Non Executive Directors							
A)	Fee for Attending Board Meetings (₹)	-	-					-
B)	Fee for Board Committee Meetings							
	i) Audit Committee (₹)	-	-					-
	ii) Asset Liability Management Committee (₹)	-	-					-
	iii) Risk Management Committee (₹)	-	-					-
	iv) Remuneration Committee (₹)	-	-					-
	v) Nomination Committee	-	-	-	-	-	-	-
	vi) Corporate Social Responsibility Committee (₹)	-	-		-	-	-	-
	vii) Share Transfer Committee (₹)	-	-	-	-	-	-	-
C)	**Commission** (₹)	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**-**
D)	**1. Others (Professional Fee)** (₹)	**-**	**-**					**-**
	D) 2. Others (Per-Diem Allowance) (Rs.)	**-**	**-**					**-**
	Total (2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Total (B) = (1)+(2)	**630,000**	**-**	**-**	**-**	**-**	**-**	**630,000**
	Total Managerial Remuneration	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	**NIL**	

Overall Ceiling as per the Act : NA

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		S. Kumar, CEO	Sri. Suresh Batchu, CFO	Ms. P. B. Kavitha, CS	Total
1	**Gross Salary**				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.(Rs.)	8,135,422.00	7,895,274	3,020,113	19,050,809
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	N/A	N/A	N/A	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	N/A	N/A	N/A	-
2	Stock Option	N/A	N/A	N/A	-
3	Sweat Equity	N/A	N/A	N/A	-
4	Commission	N/A	N/A	N/A	-
	as % of profit	N/A	N/A	N/A	-
	others, specify	N/A	N/A	N/A	-
5	Others, please specify	N/A	N/A	N/A	-
	Total	**8,135,422**	**7,895,274**	**3,020,113**	**19,050,809**

ANNEXURE B

ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT FOR THE FY 2019-20

A. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs:

Your Company's CSR Committee is responsible to monitor, review and approve CSR initiatives and expenditure. It also makes recommendations to the Board on CSR Policy and related matters. It is the CSR Committees role to oversee the implementation of all the CSR activities of the Company.

The CSR approach of your Company is charted out in its Board approved CSR policy. This policy sets out your Company's vision, mission, governance, and CSR focus areas to fulfill its inclusive growth agenda in India. It also demonstrates your Company's contribution towards the economic, environmental and social growth of the nation and is also committed to contribute towards United Nation's (UN) Sustainable Development Goals (SDGs).

The Company's CSR policy is available on the Company's website viz. http://www.bssmfi.com/assets/pdf/csr-policy.pdf.

The CSR policy, projects, programmes and the CSR expenditure are all compliant with the CSR mandate as specified under section 134, section 135 read with schedule VII of the Companies Act, 2013 along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time and in line with the Government of India's notifications issued from time-to-time.

B. The Composition of the CSR Committee: The CSR Committee presently consists of four members, Non-Executive Director Sri Narayan S.A., Non-Executive Director Sri D. Kannan, Non-Executive Director Sri B.S. Sivakumar, and Independent Director Sri Chandrashekar Sathe.

C. Average net annual profit of the Company for last three financial years: Rs.45.78 crores

D. Prescribed CSR Expenditure (two per cent. of the amount as in item C above): Rs.92 lakhs

E. Details of CSR spent during the financial year/ amount unspent:

Your Company implemented Direct CSR Programme to support people affected with heavy rainfall and flood in the state of Maharashtra and Karnataka in the month of August and September 2019. The heavy rains in the parts of Maharashtra and Karnataka mainly affected the people/families engaged in either animal husbandry or were daily wage earners. The Programme supported 4,600 affected families by providing essential grocery items in FY2019-20.

Manner in which the amount spent during the financial year is detailed below:

Sl. No.	Particulars	How the amount is spent
1	CSR project or activity identified	Relief and Rehabilitation
2	Sector in which the Project is covered	Relief and Rehabilitation
3	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Belgaum, Chickmagalur, Chamrajnagar, Mysore, Kodagu, Karnataka Sangli, Kolhapur, Maharashtra
4	Amount outlay (budget) project or programs wise	₹ 50 lakhs.
5	Amount spent on the projects or Programs Subheads: (1) Direct expenditure on projects or programs. (2) Overheads:	₹ 46.6 lakhs
6	Cumulative expenditure upto to the reporting period from FY 2014-15 onwards till 31/03/2020	Rs. 107.8 lakhs
7	Amount spent: Direct or through implementing agency	Direct Implementation – Rs 46.6 lakhs

F. CSR Committee's Responsibility Statement: CSR Committee hereby confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

For and on Behalf of the Board of Directors,

BSS Microfinance Limited	BSS Microfinance Limited
D. Kannan Director	**Narayan S.A.** Chairman of CSR Committee

Independent Auditor's Report

To The Members of BSS Microfinance Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of BSS Microfinance 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 Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

BASIS FOR OPINION

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

EMPHASIS OF MATTER

We draw attention to Note 2A of the financial statements, which describes the circumstances arising due to COVID 19, the impact of which on the Company's financial position will depend on future developments, which are highly uncertain and indeterminable at this stage.

Our opinion is not modified in respect of this matter.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and our auditor's report thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

MANAGEMENT'S RESPONSIBILITY FOR THE 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 financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the 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 RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud 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 financial 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 system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by Section 143(3) of the Act, based on our audit:

   (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 Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.

   (e) On the basis of the written representations received from the directors as on March 31, 2020 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 over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

(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, as amended,

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the 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, as amended in our opinion and to the best of our information and according to the explanations given to us:

i. The Company does not have any pending litigations which would impact its financial position

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.

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

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Krishna Prakash E
Partner
(Membership No. 216015)

Place: Bengaluru
Date: June 25, 2020
UDIN: 20216015AAAAAA8664

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)
Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")
We have audited the internal financial controls over financial reporting of BSS Microfinance Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the 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 over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 Companies Act, 2013.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting 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 over financial reporting 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 OVER FINANCIAL REPORTING

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting 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, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Krishna Prakash E
Partner
(Membership No. 216015)

Place: Bengaluru
Date: June 25, 2020
UDIN: 20216015AAAAAA8664

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.

(b) Property, plant and equipment were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the property, plant and equipment at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) The Company does not have any immovable properties of freehold or leasehold land and building and hence reporting under clause (i)(c) of the CARO 2016 is not applicable.

(ii) The Company does not have any inventory and hence reporting under clause (ii) of CARO 2016 is not applicable.

(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.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act in respect of making investments.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. There are no unclaimed deposits, in respect of which compliance with the provisions of Sections 73 to 76 or any other relevant provisions of the Act is required.

(vi) The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Act.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Customs Duty, cess and other material statutory dues applicable to it to the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax, Customs Duty, cess and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.

(c) There are no dues of Income-tax, Goods and Service Tax and Customs duty as on March 31, 2020 on account of disputes.

(viii) The Company has not taken any loans or borrowings from financial institutions, banks and government and has not issued any debentures. Hence, reporting under clause (viii) of CARO 2016 is not applicable to the Company.

(ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence, reporting under clause (ix) of CARO 2016 is not applicable.

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

(xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of CARO 2016 is not applicable.

(xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.

(xiv) During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding company or persons connected with them and hence provisions of section 192 of the Act are not applicable.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Krishna Prakash E
Partner
(Membership No. 216015)

Place: Bengaluru
Date: June 25, 2020
UDIN: 20216015AAAAAA8664

Balance Sheet

as at 31st March, 2020

(Amount in lakhs)

Particulars	Note No.	As at 31st March, 2020	As at 31st March, 2019
ASSETS			
Non-Current Assets			
(a) Property, Plant and Equipment	2	926.23	532.09
(b) Other Intangible assets	3	22.16	67.37
(c) Financial Assets			
(i) Non-Current Investments	4	2,050.95	20.00
(ii) Non Current Loans and Advances	5	211.65	171.64
(d) Deferred tax assets (Net)	25	990.69	314.38
(e) Other Non-Current assets	6	16.70	32.40
Total Non-Current Assets		**4,218.38**	**1,137.88**
Current Assets			
(a) Financial Assets			
(i) Current Investments	7	-	751.56
(ii) Trade receivables	8	2,129.58	1,375.98
(iii) Cash and cash equivalents	9	9,867.77	2,156.37
(iv) Bank balance other than (iii) above	10	7,868.69	12,822.40
(v) Short term loans and Advances	11	2,531.95	3,321.88
(vi) Other current financial assets	12	125.97	90.01
(b) Other current assets	13	211.00	180.21
Total Current Assets		**22,734.96**	**20,698.41**
Total Assets		26,953.34	21,836.29
LIABILITIES AND EQUITY			
EQUITY			
(a) Equity Share capital	14	2,672.87	2,672.87
(b) Other Equity	15	19,053.38	13,378.14
Total Equity		**21,726.25**	**16,051.01**
LIABILITIES			
Non-Current Liabilities			
(a) Financial Liabilities			
(i) Other non-current financial liabilities	16	280.58	-
(b) Long term provisions	17	155.91	109.63
Total Non-Current Liabilities		**436.49**	**109.63**
Current Liabilities			
(a) Financial Liabilities			
(i) Trade payables			
(A) total outstanding dues of micro enterprises and small enterprises		-	-
(B) total outstanding dues of creditors other than micro enterprises and small enterprises		1,037.20	707.81
(ii) Other current financial liabilities	18	2,954.02	4,077.58
(b) Other current liabilities	19	137.84	57.39
(c) Current tax liabilities (Net)	25	38.38	69.84
(d) Short term provisions	19a	623.16	763.03
Total Current Liabilities		**4,790.60**	**5,675.65**
Total Equity and Liabilities		**26,953.34**	**21,836.29**
See accompanying notes forming part of the financial statements			

In terms of our report attached.
For Deloitte Haskins & Sells LLP
Chartered Accountants
FRN: 117366W/W-100018

For and on behalf of Board of Directors

Krishna Prakash E
Partner
M.No. 216015

Sivakumar BS
Director
Place: Mumbai

D Kannan
Director
Place: Mumbai

Place : Bengaluru
Date : June 25, 2020

Kumar S
CEO

Suresh Batchu
CFO

Kavitha P B
CS

Statement of Profit and Loss

for the year ended 31st March, 2020

(Amount in lakhs)

	Particulars	Note No.	For the year ended 31st March, 2020	For the year ended 31st March, 2019
	REVENUE			
I	Revenue from Operations	20	18,588.01	14,846.30
II	Other Income	21	1,179.97	1,043.50
III	**Total Income (I+II)**		**19,767.98**	**15,889.80**
IV	EXPENSES			
	Employee benefit expenses	22	6,683.52	4,244.80
	Finance costs	23	77.63	1,973.22
	Depreciation and amortization expenses	2,3	409.37	194.68
	Other expenses	24	4,879.02	1,610.75
	Total Expenses (IV)		**12,049.54**	**8,023.45**
V	**Profit before tax (III-IV)**		**7,718.44**	**7,866.35**
VI	Tax expense	25		
	(1) Current tax		2,582.16	2,212.06
	(2) Current tax pertaining to prior periods		(27.47)	49.27
	(3) Deferred tax charge		(676.31)	76.08
	Total tax expense (1+2+3)		**1,878.38**	**2,337.41**
VII	**Profit for the period (VII-VIII)**		**5,840.06**	**5,528.94**
VIII	Other comprehensive income			
	Items that will not be reclassified to profit or loss			
	Remeasurements of defined benefit liability		(30.18)	18.90
	Income Tax relating to Items that will not be reclassified to Profit or Loss		7.60	(5.50)
	Other Comprehensive Income		(22.58)	13.40
IX	**Total Comprehensive Income for the period (IX+X)**		**5,817.48**	**5,542.34**
X	Earnings per equity share	26		
	Basic (₹)		21.85	20.69
	Diluted (₹)		21.85	20.69
	See accompanying notes forming part of the financial statements			

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Statement of Cash Flow

for the year ended 31st March, 2020

(Amount in lakhs)

Particulars		For the year ended 31st March, 2020	For the year ended 31st March, 2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the year		**5,840.06**	**5,528.94**
Adjustments:			
(a)	Depreciation / amortization	409.37	194.68
(b)	Loss on sale of property, plant and equipment	33.95	2.45
(c)	Impairment Loss on financial assets and other provisions	2,589.33	135.05
(d)	Net gain/loss on fair value changes	(102.76)	(157.84)
(e)	Provision for expenses	123.95	209.56
(f)	Impairment allowances on NCDs	1.28	-
(g)	Unwinding of discount on security deposit	(1.10)	(1.00)
(h)	Interest on borrowings	77.62	1,973.22
(i)	Interest income on NCDs	(28.45)	-
(j)	Tax expense	1,878.38	2,337.41
Operating profit before working capital changes		**10,821.64**	**10,222.47**
Working capital changes			
(a)	(Increase)/Decrease in Loans and Advances made	(4,886.37)	(2,903.51)
(b)	(Increase)/Decrease in Other Advances made	19.37	21.20
(c)	(Increase)/Decrease in Deposits made by the company	4,953.07	(5,602.80)
(d)	(Increase)/Decrease in Other Non Current Assets	(0.37)	(0.71)
(e)	(Increase)/Decrease in Trade receivables	(754.47)	(718.41)
(f)	(Increase)/Decrease in Other Current Assets	(87.45)	(364.67)
(g)	(Increase)/Decrease in Other Current Financial Assets	66.84	2,140.78
(h)	Increase/(Decrease) in Trade Payables	282.08	244.69
(i)	Increase/(Decrease) in Other Current Liabilities	71.38	(2,609.84)
(j)	Increase/(Decrease) in Other Current Financial Liabilities	1,835.01	(1,113.46)
(k)	Payments made out of provisions	(247.72)	(464.58)
Cash generated from operations		**12,073.01**	**(1,148.83)**
Income tax paid (net of refunds)		(2,578.56)	(2,147.73)
Net cash flows (used in) operating activities (A)		**9,494.45**	**(3,296.57)**
CASH FLOW FROM INVESTING ACTIVITIES			
(a)	Investment in Mutual Funds	(137,068.00)	(56,816.10)
(b)	Proceeds from Redemption of Mutual Funds	137,922.31	61,325.24
(c)	Purchase of PPE and Intangible Assets	(584.13)	(472.84)
(d)	Proceeds from Sale of PPE and Intangible Assets	0.94	3.61
(e)	Investment in NCDs	(2,003.78)	-
Net cash flows generated from investing activities (B)		**(1,732.66)**	**4,039.91**

(Amount in lakhs)

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
CASH FLOW FROM FINANCING ACTIVITIES		
(a) Interest paid	(0.71)	(2.41)
(b) Lease liability Payment	(49.68)	-
Net cash flows generated from financing activities (C)	**(50.39)**	**(2.41)**
Net increase in cash and cash equivalents (A+B+C)	**7,711.41**	**740.94**
Cash and cash equivalents at the beginning of the year	2,156.37	1,415.43
Cash and cash equivalents at the end of the year	**9,867.77**	**2,156.37**
Reconciliation of cash and cash equivalents with the balance sheet		
Cash and cash equivalents as per balance sheet (refer note 9)		
Cash on hand	61.97	390.03
Balances with banks in current account	2,120.04	566.16
Balances with banks in Fixed Deposits	7,692.07	1,200.87
Less: Impairment loss allowance	(6.31)	(0.69)
Cash and cash equivalents as restated as at the year end	**9,867.77**	**2,156.36**

The above Cash flow statement has been prepared under the 'Indirect Method' as set out in Ind AS 7 - 'Cash Flow Statements'.

In terms of our report attached.
For Deloitte Haskins & Sells LLP
Chartered Accountants
FRN: 117366W/W-100018

For and on behalf of Board of Directors

Krishna Prakash E
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M.No. 216015

Sivakumar BS
Director
Place: Mumbai

D Kannan
Director
Place: Mumbai

Place : Bengaluru
Date : June 25, 2020

Kumar S
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Kavitha P B
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Statement of Changes in Equity

For the year ended 31st March, 2020

A. EQUITY SHARE CAPITAL

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Balance at the beginning of the reporting period	2,672.87	2,672.87
Changes in equity share capital during the year	-	-
Balance at the end of the reporting period	2,672.87	2,672.87

B. OTHER EQUITY

(Amount in lakhs)

Particulars	Reserves and Surplus			Total
	Statutory Reserve	Securities premium	Retained earnings	
Balance as at April 1, 2018	**1,571.39**	**400.93**	**5,863.48**	**7,835.80**
Profit for the year	-	-	5,528.94	5,528.94
Other comprehensive income for the year (net of tax)	-	-	13.40	13.40
Total Comprehensive Income for the year ended March 31, 2019	**-**	**-**	**5,542.34**	**5,542.34**
Balance as at March 31, 2019	1,571.39	400.93	11,405.82	13,378.14
Impact of adoption of IndAs 116 (Leases) (net of tax) Ref Note No. 31	-	-	(142.24)	(142.24)
Profit for the year	-	-	5,840.06	5,840.06
Other comprehensive income for the year (net of tax)	-	-	(22.58)	(22.58)
Total Comprehensive Income for the year ended March 31, 2020	**-**	**-**	**5,817.48**	**5,817.48**
Balance as at March 31, 2020	**1,571.39**	**400.93**	**17,081.06**	**19,053.38**

In terms of our report attached.
For Deloitte Haskins & Sells LLP
Chartered Accountants
FRN: 117366W/W-100018

For and on behalf of Board of Directors

Krishna Prakash E
Partner
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Sivakumar BS
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Date : June 25, 2020

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Schedules

forming part of Balance Sheet and Profit and Loss Account

1. CORPORATE INFORMATION

BSS Microfinance Limited (the Company) is a Public Limited Company and 100% Subsidiary of Kotak Mahindra Bank Limited(KMBL), domiciled in India and incorporated under the provisions of Companies Act, 1956. The registered office of the Company is No. 11, 2nd Block, 2nd Stage, Nagarbhavi Layout, Near BDA Complex, Bengaluru - 560072. The company is acting as Business Correspondent of KMBL in respect of microfinance loans and other related activities and having 329 branches across Karnataka, Maharashtra, Tamilnadu, Madhya Pradesh and Bihar.

2. BASIS OF PREPARATION

A. Statement of compliance

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter.

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the financial years presented in the financial statements except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. These financial statements are authorized for issue by the Company's Board of Director's on June 25, 2020.

Covid-19 Note:

The novel coronavirus (COVID-19) pandemic continues to spread rapidly across the globe including India. On March 24, 2020, the Indian government announced a strict 21-day lockdown which was further extended for various periods of time across the country to contain the spread of virus. Due to uncertainty around the course of the COVID-19 pandemic, the impact will depend upon on future developments. The impact of the global health pandemic may be different from that estimated as at the date of approval of Company's financial statements and the Company will continue to closely monitor any material changes to future economic conditions. The lock-down and consequential impact will affect the economy even in rural areas, though at a comparatively lower level, as per our estimate, the first half of the Financial Year 2020-21 will see some element of difficulties in recovery of loans, which will have consequential impact on new loan disbursements by the Holding Company and, consequently impact the service fee of the Company. The Holding Company expect the recovery and new disbursements to pick up from second quarter ."

B. Functional and presentation currency

The financial statements are presented in Indian Rupees (INR) which is also the Company's functional currency. All the amounts are rounded to the nearest lakhs with two decimals, except when otherwise indicated.

C. Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following:

- Certain financial assets and liabilities - measured at fair value (refer accounting policy regarding financial instruments); and
- Net defined benefit (asset) / liability - plan assets are measured at fair value less present value of defined benefit obligation.

D. Use of estimates and judgements

The preparation of financial statements in accordance with Ind AS requires use of judgements, estimates and assumptions for some items, which might have an effect on their recognition and measurement in the Balance Sheet and Statement of Profit and Loss. The actual amounts realized may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

Judgement, estimates and assumptions are required in particular for:

I. Revenue

Recognition of revenue over time or at a point in time:

The Company recognises revenue from servicing of microfinance loans originated as a business correspondent, over time because the customer simultaneously receives and consumes the benefits of the Company's performance as it performs.

The Company recognises revenue from distribution of micro insurance at a point in time because service is completed on transfer of micro insurance premium to insurance company.

II. Determination of estimated useful lives of property, plant and equipment

Useful lives of property, plant and equipment are based on nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers' warranties and maintenance support.

Schedules

forming part of Balance Sheet and Profit and Loss Account

III. Recognition and Measurement of defined benefit obligations

The obligation arising from defined benefit plan is determined on the basis of actuarial valuation. Key actuarial assumptions which form the basis of above valuation includes discount rate, trends in salary escalation, demographics and life expectancy. The discount rate is determined by reference to market yields at the end of the reporting period on government bonds. The period to maturity of the underlying bonds correspond to the probable maturity of the post-employment benefit obligations. Further details are disclosed in Note 32.

IV. Recognition of deferred tax assets

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases and depreciation carry-forwards. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and depreciation carry-forwards could be utilized.

V. Recognition and measurement of provisions and contingencies

The recognition and measurement of other provisions are based on the assessment of the probability of an outflow of resources, and on past experience and circumstances known at the reporting date. The actual outflow of resources at a future date may therefore, vary from the amount included in other provisions.

VI. Discounting of long-term financial assets/liabilities

All financial assets/liabilities are required to be measured at fair value on initial recognition. In case of financial assets/liabilities which are required to be subsequently measured at amortised cost, interest is accrued using the effective interest method.

VII. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. For further details about determination of fair value please refer Note 33.

VIII. Business model assessment

Classification and measurement of financial assets depends on the results of the Solely Payment of Principal and Interest ('SPPI') and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held.

IX. Effective Interest Rate (EIR) method

The Company's EIR methodology, recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the financial instrument.

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to benchmark rate and other fee income/expense that are integral parts of the instrument.

X. Impairment of financial assets

The Company recognizes loss allowances for Expected Credit Losses(ECL) on its financial assets measured at amortized cost and Fair Value through Other Comprehensive Income (FVOCI) except investment in equity instruments. At each reporting date, the Company assesses whether the above financial assets are credit- impaired. 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. The Company's ECL calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs.

XI. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs

Schedules

forming part of Balance Sheet and Profit and Loss Account

of disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

XII. Determination of lease term

Ind AS 116 – Leases requires lessee to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Company makes assessment on the expected lease term on lease by lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Company considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of lease and the importance of the underlying to the Company's operations taking into account the location of the underlying asset and the availability of the suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances.

XIII. Discount rate for lease liability

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated.

XIV. New standards and interpretations not yet adopted:

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.

3. SIGNIFICANT ACCOUNTING POLICIES

A. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises:

a. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

b. any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Income and expenses related to the incidental operations, not necessary to bring the item to the location and condition necessary for it to be capable of operating in the manner intended by management, are recognised in the Statement of Profit and Loss.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted and depreciated for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the Statement of Profit and Loss.

ii. Subsequent expenditure

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

iii. Depreciation

Deprecation is provided on a pro-rata basis on a Written Down Value Method over the estimated useful life of the assets at rates which are equal to or higher than the rates prescribed under Schedule II of the Companies Act, 2013 in order to reflect the actual usage of the assets. Estimated useful lives of assets based on technical evaluation by management are as follows:

Furniture and Fixtures	-	10 Years
Plant and Equipment	-	15 Years
Vehicles	-	8 Years
POS Device	-	10 Years
Computers	-	3 Years
Other Fixtures	-	1 Year

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

B. Intangible assets

i. Recognition and measurement

Intangible assets are stated at cost of acquisition less accumulated amortization and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making 'the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase/completion is recognized as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

ii. Amortisation

The intangible assets are amortized over the estimated useful lives as given below:

Softwares - 1- 5 Years

C. Leases

Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Schedules

forming part of Balance Sheet and Profit and Loss Account

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Non-lease component are recognised separately from lease component, unless non-lease component is not significant.

D. Revenue recognition

Revenue (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration received or receivable. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services

Fees

Upfront fee from loan originated as Business Correspondent are recognised as an income on accrual basis.
Revenue from servicing of microfinance loans is recognised as an income over the service period.
Micro Insurance Agency commission is recoginsed on successful conversion of micro insurance premium paid to insurance company.

Interest income

Interest income on financial assets is recognized on an accrual basis using effective interest method. Interest revenue is continued to be recognized at the original effective interest rate applied on the gross carrying amount of assets falling under impairment stages 1 and 2 as against on amortised cost for the assets falling under impairment stage 3.

Dividend income

Dividend income is recognised in the Statement of Profit and Loss when the right to receive the dividend is established.

E. Income Tax

Income tax expense comprises current and deferred tax. It is recognised in the Statement of Profit and Loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income (OCI).

Current tax

Current tax is measured at the amount expected to be paid in respect of taxable income for the year in accordance with the Income Tax Act, 1961.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss either in other comprehensive income or in equity. Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current tax assets and current tax liabilities are offset only if the Company has a legally enforceable right to set off the recognised amounts, and it intends to realise the asset and settle the liability on a net basis or simultaneously.

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 assets are reviewed at each reporting date and based on management's judgement, 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.

Unrecognized 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 Company 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:

a. the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and

b. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

F. Employee benefits

Defined Contribution Plan

Provident Fund/Employee State Insurance Scheme

The Company's contribution to government provident fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees. The Company has no further obligations.

Defined Benefit Plan

Gratuity

The Company accounts for the liability for future gratuity benefits based on an actuarial valuation. The Company contributes to a Gratuity Fund administered by trustees and managed by Kotak Mahindra Life Insurance Company Limited, fellow subsidiary. The net present value of the Company's obligation towards the same is actuarially determined based on the projected unit credit method as at the Balance Sheet date.

Remeasurement of all defined benefit plans, which comprise actuarial gains and losses are recognised immediately in OCI in the year they are incurred. 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 the Statement of Profit and Loss. Remeasurements are not reclassified to profit or loss in subsequent period.

Compensated Absences

Compensated absences which accrue to employees and which are expected to be availed within twelve months immediately following the year end are reported as expenses during the year in which the employees performs the services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefit, and where the availment or encashment is otherwise not expected to wholly occur within the next twelve months, the liability on account of the benefit is actuarially determined using the projected unit credit method.

Other Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentives.

G. Foreign Currency transactions and translations

Transactions in foreign currencies are translated into functional currency at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Gains/(Losses) relating to assets and liabilities denominated in foreign currency are reported in statement of Profit and Loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

H. Borrowing costs

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

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I. Earnings per share

Basic earnings per share is calculated by dividing the profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares), if any, that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

J. Impairment of non-financial assets

The carrying values of assets/cash generating units at each balance sheet date are reviewed for impairment if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount in the Statement of Profit and Loss.

The recoverable amount is the greater of the fair value less costs of disposal and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods which no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, to the extent the amount was previously charged to the Statement of Profit and Loss. In case of revalued assets, such reversal is not recognized.

K. Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Contingent liabilities are not recognised but disclosed in the notes.

L. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the company's Chief Operating Decision Maker ("CODM") to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

M. 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

Recognition, Initial measurement and Derecognition

All financial assets are recognised initially at fair value plus or minus, in the case of financial assets not recorded at fair value through profit or loss, transaction fees or costs that are directly attributable and incremental to the origination/acquisition of the financial asset unless otherwise specifically mentioned in the accounting policies.

All regular way purchase or sale of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Classification

The Company classifies its financial assets as subsequently measured at either amortized cost or fair value based on the 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 such that it best reflects the way the business is managed and is consistent with information provided to the management. The information considered includes:

- the objectives for the portfolio, in particular, management's strategy of focusing 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 Company'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, 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, 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. In making the assessment, the Company considers:

- reset terms
- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms; and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Subsequent measurement

The Company classifies its financial assets in the following measurement categories:

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest (EIR) method. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR and reported as part of interest income in the Statement of Profit and Loss. The losses if any, arising from impairment are recognised in the Statement of Profit and Loss.

Financial asset at fair value through Other Comprehensive Income (FVOCI)

A financial asset is measured at FVOCI if it meets both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at fair value. Interest income is recognised using the effective interest (EIR) method. The impairment losses, if any, are recognized through Statement of Profit and Loss. The loss allowance is recognized in OCI and does not reduce the carrying value of the financial asset. On derecognition, gains and losses accumulated in OCI are reclassified to the Statement of Profit and Loss.

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Financial asset at fair value through profit and loss (FVTPL)

Any financial asset, which does not meet the criteria for classification as at amortized cost or as FVOCI, is classified to be measured at FVTPL.

Financial assets included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

All equity investments except for investments in subsidiary/associate/joint ventures are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL.

Financial liabilities

The company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Liabilities which are classified at fair value through profit or loss, including derivatives that are liabilities, shall be subsequently measured at fair value.

N. Impairment of Financial Assets

Methodology for computation of Expected Credit Losses (ECL)

The financial instruments covered within the scope of ECL include financial assets measured at amortised cost and FVOCI, such as loans, fees receivable, security deposit, balances with banks and other financial assets. ECL has not been determined on financial assets measured at FVTPL.

The loss allowance has been measured using lifetime ECL except for financial assets on which there has been no significant increase in credit risk since initial recognition. In such cases, loss allowance has been measured at 12 month ECL.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and FVOCI is credit-impaired. 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 since initial recognition. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties.

ECL are a probability weighted estimate of credit losses, measured as follows:

- Financial assets that are not credit impaired at the reporting date:

ECL has been estimated by determining the probability of default (‘PD’), Exposure At Default (‘EAD’) and loss given default (‘LGD’).

PD has been computed using observed history of default and converted into forward looking PD’s using suitable macro-economic variable data.

- Financial assets that are credit impaired at the reporting date:

ECL has been estimated as the difference between the gross carrying amount and the present value of estimated future cash flows.

For trade receivables, the Company applies a simplified approach. It recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Further, regulatory LGD has been considered to compute ECL.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised:

- If the expected restructuring will not result in derecognition of the existing asset, expected cash flows arising from the modified financial asset are included in calculating cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset and the recognition of modified asset, the modified asset is considered as a new financial asset. The date of the modification is treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The impairment loss allowance is measured at an amount equal to 12 month expected credit losses until there is a significant increase in credit risk. If modified financial asset is credit-impaired at initial recognition, the financial asset is recognized as originated credit impaired asset.

Criteria used for determination of movement from stage 1 (12 month ECL) to stage 2 (lifetime ECL) and stage 3 (Lifetime ECL)

The Company applies a three-stage approach to measure ECL on financial assets measured at amortised cost and FVOCI. The assets migrate through the following three stages based on an assessment of qualitative and quantitative considerations:

- **Stage 1: 12 month ECL:**

For exposures where there has not been a 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 recognised. Interest income is accrued using the effective interest rate on the gross carrying amount.

- **Stage 2: Lifetime ECL (not credit impaired):**

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Company uses days past due (DPD) information and other qualitative factors to assess deterioration in credit quality of a financial asset.

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised. Interest income is accrued using the effective interest rate on the gross carrying amount.

- **Stage 3: Lifetime ECL (credit impaired):**

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortized cost (net of loss allowance).

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the Expected Credit Loss reverts from lifetime ECL to 12-months ECL.

For loans whose significant payment obligations are only after next 12 months, life time ECL has been applied.

Method used to compute lifetime ECL:

The Company calculates ECLs based on a probability-weighted scenarios to measure the expected cash shortfalls, discounted at EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the present value of cash flows that the entity expects to receive. The Company applies statistical techniques to estimate 12 month ECL and lifetime ECL.

Manner in which forward looking assumptions has been incorporated in ECL estimates:

The Company considers its historical loss experience and adjusts it for current observable data. In addition, the Company uses reasonable forecasts of future economic conditions including expert judgement to estimate the amount of expected credit losses. The methodology and assumptions including any forecasts of future economic conditions are periodically reviewed and changes, if any, are accounted for prospectively.

O. Write-offs

Financial assets are written off either partially or in their entirety when there is no reasonable expectation of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment on financial instruments in the Statement of Profit and Loss. However, financial assets that are written off may be subject to enforcement activities to comply with the Company's procedures for recovery of amounts due.

P. Derecognition of financial assets and financial liabilities

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 when:

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- 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. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes 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.

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 Company 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 the Statement of Profit and Loss.

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

Q. 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 financial 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 financial asset 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 as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit and loss account. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. 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 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 with modified terms is recognised in the Statement of Profit and Loss.

R. Offsetting
Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

S. Measurement of fair values
The Company's accounting policies and disclosures require fair value measurement of financial instruments such as investment in mutual funds.

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.

Management uses its judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market participants are applied.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

T. Transition to Ind AS 116: Leases:

On March 30, 2019, the Ministry of Corporate Affairs ("MCA") through the Companies (Indian Accounting Standards) Amendment Rules, 2019 and the 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.

Effective from April 1, 2019 ('the date of transition'), the Company applied Ind AS 116 retrospectively to all leases previously classified as operating leases with the cumulative effect of initially applying the Standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings at April 1, 2019 ('the modified retrospective approach'). Accordingly, the comparative information is not restated – i.e. it is presented, as previously reported, under Ind AS 17. Additionally, the disclosure requirements in Ind AS 116 have not generally been applied to comparative information.

The Company has recognised a lease liability at the date of initial application for leases previously classified as an operating lease applying Ind AS 17. The Company has measured lease liability at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application. The Company has recognised a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying Ind AS 17. The Company has chosen to measure that right-of-use asset at its carrying amount as if the Ind AS 116 had been applied since the commencement date on a lease by lease basis, but discounted using the lessee's incremental borrowing rate at the date of initial application and adjusted for prepaid or accrued lease payments. Rent equalisation liability created on account of straight-lining of rent escalations has been reversed through retained earnings. The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

Applying Ind AS 116, for all operating leases (except as indicated below), the Company:

(a) Recognises right-of-use assets and lease liabilities in the standalone balance sheet;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the Statement of Profit and Loss;

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the standalone statement of cash flows.

The Company used a number of practical expedients when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17. In particular, the Company:

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Elected not to apply the requirements of Ind AS 116 to leases which are expiring within 12 months from the date of transition by class of assets and leases for which the underlying asset is of low value on a lease-by-lease basis. The difference between the future minimum lease rental commitments towards non-cancellable operating leases reported as at March 31, 2019 compared to the lease liability as accounted as at April 1, 2019 is primarily due to inclusion of present value of the lease payments for the cancellable term of the leases, reduction due to discounting of the lease liabilities as per the requirement of Ind AS 116 and exclusion of the commitments for the leases to which the Company has chosen to apply the practical expedient as per the standard.

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U. Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits with banks. It also comprises of short-term deposits with an original maturity of three months or less, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

V. Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit / (loss) before exceptional items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

W. Current versus non-current classification

The Company presents assets and liabilities in the Balance Sheet based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading.

4. OPERATING CYCLE

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III (Division II) to the Companies Act, 2013. Based on the nature the of services and the time between the provision of services and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current and non-current classification of assets and liabilities.

NOTE 2 PROPERTY, PLANT AND EQUIPMENT

(Amount in lakhs)

Particulars	Plant and equipment	Furniture and fixtures	Vehicles	Computers	POS Device	Other fixtures	Right-Of-Use Asset - Building*	Total
Balance as at April 1, 2018	79.37	104.14	3.79	268.45	175.42	0.02	-	631.19
Additions during the year	32.46	153.09	-	185.85	-	0.68	-	372.08
Disposals during the year	(9.87)	(4.14)	-	(4.87)	-	-	-	(18.88)
Balance as at March 31, 2019	**101.96**	**253.09**	**3.79**	**449.43**	**175.42**	**0.70**	**-**	**984.39**
Accumulated depreciation as at April 1, 2018	13.69	25.50	1.26	86.60	160.17	0.02	-	287.24
Depreciation for the year	14.31	34.74	0.77	130.24	-	0.27	-	180.33
Disposals during the year	(7.12)	(3.58)	-	(4.57)	-	-	-	(15.27)
Balance as at March 31, 2019	**20.88**	**56.66**	**2.03**	**212.27**	**160.17**	**0.29**	**-**	**452.30**
Net carrying amount as at March 31, 2019	**81.08**	**196.43**	**1.76**	**237.16**	**15.25**	**0.41**	**-**	**532.09**
Balance as at April 1, 2019	**101.96**	**253.09**	**3.79**	**449.43**	**175.42**	**0.70**	**-**	**984.39**
Restatement on Adoption of IndAS 116 (Leases)	-	-	-	-	-	-	383.56	383.56
Additions during the year	45.51	245.40	-	259.32	-	0.48	-	550.71
Disposals during the year	-	(0.30)	-	(4.37)	(175.42)	-	-	(180.09)
Balance as at March 31, 2020	**147.47**	**498.19**	**3.79**	**704.38**	**-**	**1.18**	**383.56**	**1,738.57**
Accumulated depreciation as at April 1, 2019	**20.88**	**56.66**	**2.03**	**212.27**	**160.17**	**0.29**	**-**	**452.30**
Restatement on Adoption of IndAS 116 (Leases)	-	-	-	-	-	-	182.00	182.00
Depreciation for the year	19.65	87.42	0.32	207.83	-	0.64	26.17	342.03
Disposals during the year	-	-	-	(3.82)	(160.17)	-	-	(163.99)
Balance as at March 31, 2020	**40.53**	**144.08**	**2.35**	**416.28**	**-**	**0.93**	**208.17**	**812.34**
Net carrying amount as at March 31, 2020	**106.94**	**354.11**	**1.44**	**288.10**	**-**	**0.25**	**175.39**	**926.23**

**Refer Note 31*

Impairment loss and reversal of impairment loss

There is no impairment loss recognised for property, plant and equipment.

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NOTE 3 INTANGIBLE ASSETS

(Amount in lakhs)

Particulars	Software	Other Intangible Assets	Total
Balance as at April 1, 2018	**13.65**	**26.78**	**40.43**
Additions during the year	35.59	41.08	76.67
Disposals during the year	-	-	-
Balance as at March 31, 2019	**49.24**	**67.86**	**117.10**
Accumulated amortisation and impairment	**9.98**	**25.40**	**35.38**
Amortisation for the year	5.12	9.23	14.35
Disposals during the year	-	-	-
Balance as at March 31, 2019	**15.10**	**34.63**	**49.73**
Net carrying amount as at March 31, 2019	**34.14**	**33.23**	**67.37**
Balance as at April 1, 2019	49.24	67.86	117.10
Additions during the year	-	40.91	40.91
Disposals during the year	(49.24)	-	(49.24)
Balance as at March 31, 2020	-	108.77	108.77
Accumulated amortisation and impairment	15.10	34.63	49.73
Amortisation for the year	15.36	51.98	67.34
Disposals during the year	(30.46)	-	(30.46)
Balance as at March 31, 2020	**-**	**86.61**	**86.61**
Net carrying amount as at March 31, 2020	**-**	**22.16**	**22.16**

Impairment loss and reversal of impairment loss

There is no impairment loss recognised for intangible assets

NOTE 4 NON-CURRENT INVESTMENT

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Investment in Debentures		
Investments at amortized cost		
Investment in Non Convertible Debentures(NCDs) of Kotak Mahindra Prime Limited	2,032.23	-
Total	**2,032.23**	**-**
Investment in Equity Instruments		
Investments at Fair Value Through Profit and Loss		
Equity Investment in Alpha Microfinance Consultants Private Limited	20.00	20.00
Total	**20.00**	**20.00**
Less: Impairment Loss allowance	(1.28)	-
Total	**2,050.95**	**20.00**
Aggregate Amount of Quoted Investments	2,032.23	-
Market Value of Quoted Investments	2,032.23	-
Aggregate Amount of Unquoted Investments	20.00	20.00
Aggregate Amount of Impairment in Value of Investments	(1.28)	-

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NOTE 5 NON CURRENT LOANS AND ADVANCES

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Deposits for utilities	3.32	2.95
Security Deposits		
Unsecured, considered good	211.49	170.01
Less: Impairment loss allowance	(3.16)	(1.32)
Total	**211.65**	**171.64**

NOTE 6 OTHER NON-CURRENT ASSETS

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Capital Advances	16.70	24.19
Prepaid Rent	-	8.21
Total	**16.70**	**32.40**

NOTE 7 CURRENT INVESTMENT

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Investment in Mutual Funds		
Investments at Fair Value Throught Profit and Loss		
Mutual funds	-	751.56
Total	**-**	**751.56**
Aggregate Amount of Quoted Investments	-	751.10
Market Value of Quoted Investments	-	751.56
Aggregate Amount of Unquoted Investments	-	-
Aggregate Amount of Impairment in Value of Investments	-	-

NOTE 8 TRADE RECEIVABLES

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Unsecured, considered good	2,130.92	1,376.44
Less: Impairment loss allowance	(1.34)	(0.46)
Total	**2,129.58**	**1,375.98**

Note: Represents the amount receivable from KMBL (Refer Note 30).

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forming part of Balance Sheet and Profit and Loss Account

NOTE 9 CASH AND CASH EQUIVALENTS

(Refer Note - 18)

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Cash on hand	61.97	390.03
Balances with banks in current account	2,120.04	566.16
Balance in fixed deposits	7,692.07	1,200.87
Sub total	9,874.08	2,157.06
Less: Impairment loss allowance	(6.31)	(0.69)
Total	**9,867.77**	**2,156.37**

NOTE 10 BANK BALANCE OTHER THAN CASH AND CASH EQUIVALENTS

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Balance in fixed deposits	7,873.64	12,826.70
Less: Impairment loss allowance	(4.95)	(4.30)
Total	**7,868.69**	**12,822.40**

NOTE 11 SHORT TERM LOANS AND ADVANCES

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Microfinance Loans / FLDG Receivables		
Unsecured, considered good	502.87	3,144.11
Significant increase in Credit Risk	633.86	131.23
Credit impaired	4,109.06	48.19
	5,245.79	**3,323.53**
Loans to employees		
Secured, considered good	157.21	144.49
	5,403.00	**3,468.02**
Less: Impairment loss allowance	(2,871.05)	(146.14)
Total	**2,531.95**	**3,321.88**

NOTE 12 OTHER CURRENT FINANCIAL ASSETS

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Deposit with insurance companies	126.13	90.04
Less: Impairment loss allowance	(0.16)	(0.03)
Total	**125.97**	**90.01**

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NOTE 13 OTHER CURRENT ASSETS

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Prepaid Rent	-	1.18
Balance with government authorities	9.56	3.56
Prepaid expenses	87.92	100.32
Others	113.52	75.15
Total	**211.00**	**180.21**

NOTE 14 EQUITY SHARE CAPITAL

(Amount in lakhs)

Particulars	No. of Shares held	As at March 31, 2020	No. of Shares held	As at March 31, 2019
Authorised				
3,50,00,000 (March 31, 2019: 3,50,00,000) Equity shares of ₹10 each with voting rights	35,000,000	3,500.00	35,000,000	3,500.00
50,00,000 (March 31, 2019: 50,00,000) Optionally Convertible Preference Shares of ₹ 10 each	5,000,000	500	5,000,000	500
Total	**40,000,000**	**4,000**	**40,000,000**	**4,000.00**
Issued, subscribed and paid up				
2,67,28,661 (March 31, 2019: 2,67,28,661) equity shares of ₹10 each with voting rights	26,728,661	2,672.87	26,728,661	2,672.87

a. **Reconciliation of number of shares outstanding at the beginning and end of the year :**

(Amount in lakhs)

Particulars	No. of shares	Face Value	Amount
Equity shares of ₹ 10 each, fully paid-up			
As at April 1, 2018	**26,728,661**	**10**	**2,672.87**
Add/(less) : Movement during the year	-		-
As at March 31, 2019	**26,728,661**	**10**	**2,672.87**
Add/(less) : Movement during the year	-		-
As at March 31, 2020	**26,728,661**	**10**	**2,673**

b. **Rights, preferences and restrictions attached to equity shares**

The Company has only one class of equity shares having a par value of Rs.10 per share. Each shareholder is entitled to one vote per share held. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors if any, is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the equity shareholders will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. However, no preferential amount exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

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c. Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

Particulars	As at 31st March, 2020		As at 31st March, 2019	
	Number of shares	% Holding	Number of shares	% Holding
Kotak Mahindra Bank Limited	26,728,661	100.00%	26,728,661	100.00%

d. Details of shareholders holding more than 5% shares in the company

Particulars	As at 31st March, 2020		As at 31st March, 2019	
	Number of shares	% Holding	Number of shares	% Holding
Kotak Mahindra Bank Limited	26,728,661	100%	26,728,661	100.00%

NOTE 15 OTHER EQUITY

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Securities Premium	400.93	400.93
Statutory Reserve	1,571.39	1,571.39
Retained Earnings	17,081.06	11,405.82
Total	**19,053.38**	**13,378.14**

Notes

1. Nature and purpose of reserves

Securities Premium

Premium collected on issue of securities are accumulated as part of securities premium. Utilisation of such reserve is restricted by the Companies Act, 2013.

Statutory Reserve

Before the Company de-registered itself as an Non Banking Finance Company, it was required to appropriate 20% of its profits as per Section 45 IC of the Reserve Bank of India Act, 1934.

Retained Earnings

Retained earnings represents surplus/accumulated earnings of the Company and are available for distribution to shareholders.

2. Other equity movement

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Securities Premium		
Opening balance	400.93	400.93
Addition during the year	-	-
Closing balance	**400.93**	**400.93**
Statutory Reserve		
Opening balance	1,571.39	1,571.39
Addition during the year	-	-
Closing balance	**1,571.39**	**1,571.39**
Retained Earnings		
Opening balance	11,405.82	5,863.47
Impact of adoption of IndAs 116 (net of tax) (Ref. Note 31)	(142.24)	-
Profit for the year	5,840.06	5,528.95
Other comprehensive income for the year (net of tax)	(22.58)	13.40
Closing balance	**17,081.06**	**11,405.82**

Schedules

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NOTE 16 OTHER NON CURRENT FINANCIAL LIABILITIES

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Lease Liability (Refer Note 31)	280.58	-
Total	**280.58**	**-**

NOTE 17 LONG TERM PROVISIONS

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Provision for employee benefits		
Compensated Absences	155.91	109.63
Total	**155.91**	**109.63**

NOTE 18 OTHER CURRENT FINANCIAL LIABILITIES

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Current Maturities of Long-Term debt	-	2,987.79
Amount Payable to Kotak Mahindra Bank Limited	-	626.58
Amount received from Kotak Mahindra Bank Limited* (Refer Note -9)	2,908.32	454.26
Lease Liability (Refer Note 31)	29.22	-
Salaries payable	16.48	8.95
Total	**2,954.02**	**4,077.58**

**This is included in cash and cash equivalents.*

NOTE 19 OTHER CURRENT LIABILITIES

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Revenue received in advance	-	2.36
Statutory dues payable	110.88	47.35
Gratuity (Refer Note 32)	21.38	0.43
Other payables	5.58	7.25
Total	**137.84**	**57.39**

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NOTE 19(A) SHORT TERM PROVISIONS

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Provision for employee benefits		
Compensated Absences	37.32	28.60
Others		
Provision for Expenses	307.49	360.84
Provision related to managed portfolio	278.35	373.59
Total	**623.16**	**763.03**

NOTE 20 REVENUE FROM OPERATIONS

(Amount in lakhs)

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Business Correspondent Service Fees (Refer Note 36)	18,012.70	10,393.47
Interest income on Microfinance Loans / FLDG Receivables (Net)	284.30	4,319.45
Micro Insurance commission	291.01	133.38
Total	**18,588.01**	**14,846.30**

Business Correspondent Service fees shown above is inclusive of round off account balance as on March 31, 2020.

NOTE 21 OTHER INCOME

(Amount in lakhs)

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Interest Income for Financial Assets measured at Amortized Cost		
Interest income on fixed deposits	969.65	814.22
Interest income on employee advances	11.21	6.73
Unwinding of discount on security deposit	1.10	1.00
Interest Income on NCDs	28.45	-
Net gain on fair value changes for investment		
Investments at Fair Value Through Profit and Loss	102.76	157.84
Liabilities no longer required written back	-	61.61
Miscellaneous Income	66.80	2.10
Total	**1,179.97**	**1,043.50**

Schedules
forming part of Balance Sheet and Profit and Loss Account

NOTE 22 EMPLOYEE BENEFIT EXPENSES

(Amount in lakhs)

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Salaries and wages	5,982.55	3,783.49
Contribution to provident and other funds	392.07	222.33
Compensated absences	191.35	145.99
Staff welfare expenses	117.55	92.99
Total	**6,683.52**	**4,244.80**

NOTE 23 FINANCE COSTS

(Amount in lakhs)

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Interest on Borrowings	52.56	1,973.22
Interest on Lease Liability (Refer Note 31)	25.07	-
Total	**77.63**	**1,973.22**

NOTE 24 OTHER EXPENSES

(Amount in lakhs)

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Rent	560.33	359.85
Communication cost	165.81	112.25
Travelling and conveyance	842.42	482.45
Legal, professional and consultancy charges	16.04	9.13
Repairs and maintenance	151.89	88.31
Insurance	19.92	23.12
Printing and stationary	159.58	136.44
Bank charges	-	-
Electricity and water charges	161.29	88.93
Payment to auditors (Refer Note 28)	12.05	17.92
Membership, subscription and conference	3.10	3.55
Impairment Loss on financial assets and other provisions		
Microfinance Loans / FLDG Receivables	2,483.08	17.92
Trade Receivables	0.88	0.34
Bank Balances	6.27	2.43
Other Financial Asset	8.71	0.03
Non Convertible Debentures	1.28	-
Rates and Taxes	80.33	42.72
Postage and courier	28.50	39.20
Overlap/Credit Report Charges	38.30	21.96
CSR Expenditure (Refer Note 29)	46.62	30.10
Disaster Recovery Charges	8.57	8.57
Loss on Sale or Disposal of Assets	33.95	-
Miscellaneous expenses	50.10	125.53
Total	**4,879.02**	**1,610.75**

Schedules
forming part of Balance Sheet and Profit and Loss Account

NOTE 25 TAX EXPENSE

(a) Amounts recognised in the statement of profit and loss

(Amount in lakhs)

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Current tax expense		
Current period	2,582.16	2,212.06
Changes in estimates related to prior years	(27.47)	49.27
Total current tax expense (A)	**2,554.69**	**2,261.33**
Deferred income tax liability / (asset), net		
Origination and reversal of temporary differences	(676.31)	76.08
Deferred tax expense (B)	**(676.31)**	**76.08**
Tax expense for the year (A)+(B)	**1,878.39**	**2,337.41**

(b) Amounts recognised in other comprehensive income

(Amount in lakhs)

Particulars	For the year ended 31st March, 2020			For the year ended 31st March, 2019		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Items that will not be reclassified to profit or loss						
(a) Remeasurements of defined benefit liability (asset)	(30.18)	7.60	(22.58)	18.90	(5.50)	13.40
Total	**(30.18)**	**7.60**	**(22.58)**	**18.90**	**(5.50)**	**13.40**

(c) Reconciliation of effective tax rate

(Amount in lakhs)

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Profit before tax	7,718.44	7,866.35
Tax Rate	25.17%	29.120%
Tax using applicable tax rate	1,942.58	2,290.68
Tax effect of:		
Change in tax rates	(12.42)	-
Tax effects of amounts which are not deductible for taxable income	(24.00)	1.51
Changes in estimated related to prior years	(27.47)	49.27
Others	(0.29)	(4.05)
Total income tax expenses	**1,878.39**	**2,337.41**

Schedules
forming part of Balance Sheet and Profit and Loss Account

(d) Movement in deferred tax balances

(Amount in Lakhs)

Particulars	31st March, 2020					
	Net balance 31st Mar-19	Recognised in profit or loss	Recognised directly in equity	Net	Deferred tax asset	Deferred tax liability
Deferred tax asset/(liabilities)						
Property, plant and equipment	14.26	51.81	-	66.07	66.07	-
Microfinance Loans / FLDG Receivables	(1,457.21)	2,149.84	-	692.63	692.63	-
Borrowings	1,503.21	(1,503.21)		-	-	
Investments	(0.13)	0.13		-	-	
Provision for employee benefits	40.38	8.26	-	48.64	48.64	-
Provision related to managed assets	108.79	(38.73)	-	70.06	70.06	-
Other Provisions	105.08	(27.69)	-	77.39	77.39	-
Lease under IndAS 116	-	0.10	35.80	35.90	35.90	-
Total	**314.38**	**640.51**	**35.80**	**990.69**	**990.69**	**-**

(Amount in Lakhs)

Particulars	31st March, 2020					
	Net balance 31st Mar-18	Recognised in profit or loss	Recognised directly in equity	Net	Deferred tax asset	Deferred tax liability
Deferred tax asset/(liabilities)						
Property, plant and equipment	18.43	(4.17)	-	14.26	14.26	-
Loans	(819.00)	(638.21)	-	(1,457.21)	-	(1,457.21)
Investments	(13.17)	13.04	-	(0.13)	-	(0.13)
Borrowings	922.21	581.00	-	1,503.21	1,503.21	-
Provision for employee benefits	118.16	(77.78)	-	40.38	40.38	-
Provision related to managed assets	62.60	46.19	-	108.79	108.79	-
Other Provisions	101.23	3.85	-	105.08	105.08	-
Total	**390.46**	**(76.08)**	**-**	**314.38**	**1,771.72**	**(1,457.34)**

NOTE 26 EARNINGS PER SHARE

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of Equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of Equity shares outstanding during the year plus the weighted average number of Equity shares that would be issued on conversion of all the dilutive potential Equity shares into Equity shares.

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(Amount in lakhs)

Sr. No.	Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
A)	Net profit attributable to equity holders (Amount in Lakhs)	5,840.06	5,528.94
B)	**Adjustments**	-	-
C)	**Profit attributable to equity holders of the Company adjusted for the effect of dilution**	5,840.06	5,528.94
D)	**Weighted average number of ordinary shares**		
	Issued ordinary shares at the beginning of the year (Lakhs)	267.29	267.29
	Weighted average number of shares (in lakhs) at the end of the year for basic EPS (Lakhs)	267.29	267.29
E)	**Weighted average number of shares at 31 March adjusted for the effect of dilution(Lakhs)**	267.29	267.29
F)	**Face value per share (INR)**	10.00	10.00
G)	**Basic earnings per share (INR)**	21.85	20.69
H)	**Diluted earnings per share (INR)**	21.85	20.69

NOTE 27 CONTINGENT LIABILITIES

(Amount in lakhs)

Sr. No.	Particulars	As at 31st March, 2020	As at 31st March, 2019
	Contingent liabilities:		
a)	First Loss Default Guarantee	10,801.62	8,199.96
	Total	**10,801.62**	**8,199.96**

NOTE 28 PAYMENT TO AUDITORS

(Amount in lakhs)

Sr. No.	Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
	Payment to the auditor as:		
a)	Audit fees	12.00	17.00
c)	For Other services (Interim Audit, Certification work etc.)	-	0.88
b)	For reimbursement of expenses	0.05	0.92
	Total	**12.05**	**17.92**

NOTE 29 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company's CSR program is associated with the CSR initiatives of Kotak Mahindra Bank Limited (KMBL), its holding company. KMBL is building its CSR capabilities on a sustainable basis and the Company is committed to gradually increase its CSR spend in the coming years. As per the provisions of the Section 135 of the Companies Act, 2013, the Company is required to spend Rs.91.89 lakh during the year on CSR activities and ₹ 46.62 Lakh has been spent towards eradication of hunger. Unspent amount for financial year 2019-20 is ₹ 45.27 lakhs.

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Details of CSR expenditure

(Amount in lakhs)

Particulars	In cash	Yet to be paid in cash	Total
Amount spent during the year ending on March 31, 2020:			
Construction/ acquisition of any asset	-	-	-
On purposes other than above			
Eradication of Hunger	46.62		46.62
Promoting Education			
Amount spent during the year ending on March 31, 2019:			
Construction/ acquisition of any asset	-	-	-
On purposes other than above	-	-	-
Eradication of Hunger	11.44	-	11.44
Promoting Education	18.66	-	18.66

NOTE 30 RELATED PARTY DISCLOSURES

Related party disclosures, as required by notified Ind AS 24 - 'Related Party Disclosures' are given below:

A. Names of Related Parties

Sr. No.	Particulars	Country of Incorporation	Proportion of ownership interest
a)	**Holding company:**		
	Kotak Mahindra Bank Limited	India	100.00%
	Mr. Uday S. Kotak along with his relatives and enterprises in which he has beneficial interest holds 29.92% of the equity share capital and 19.65% of the paid-up share capital of Kotak Mahindra Bank Limited as on March 31, 2020.		
b)	**Fellow subsidiaries with whom transactions have taken place during the year:**		
	Kotak Mahindra Life Insurance Company Limited	India	
	Kotak Mahindra Prime Limited	India	
	Kotak Mahindra General Insurance Company Limited	India	
c)	**Key Management Personnel / Directors**		
	Narayan Subramaniam Ayypankav - Director		
	Devarajan Kannan - Director		
	Sambasivakumar Balasubranian - Director		
	Chandrashekhar Shrikrishna Sathe - Director		
	Noshir Rustom Dastur - Director		
d)	**Post employment benefit plans**		
	BSS Microfinance Limited Employees Group Gratuity Trust (BMLEGGT) (Refer Note 32)	India	

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B. Transactions with key management personnel

i. Key management personnel compensation

(Amount in lakhs)

Sr. No.	Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
i.	Short-term employee benefits	-	-
ii.	Contribution to funds	-	-
iii.	Director sitting fees	10.30	1.95

Note: The above figures do not include provisions for encashable leave and gratuity, as separate actuarial valuation are not available

ii. Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

(Amount in lakhs)

Nature of Transaction	Year ended March 31	Holding Company	Fellow Subsidiaries	Total
Interest income on fixed deposit	2020	957.19	-	957.19
	2019	745.88	-	745.88
Interest Income on NCDs	2020	-	28.45	28.45
	2019	-	-	-
Service fee income	2020	18,011.81	-	18,011.81
	2019	10,608.98	-	10,608.98
Amount received towards rendering of services	2020	2.36	-	2.36
	2019	1.00	-	1.00
Micro-Insurance Commission	2020	-	291.01	291.01
	2019	-	133.38	133.38
Interest expense	2020	0.71		0.71
	2019	1,972.19	-	1,972.19
Insurance Premium Paid	2020	-	59.33	59.33
	2019	-	24.53	24.53
Expenses incurred	2020	4.85	-	4.85
	2019	6.87	-	6.87
Balance Outstanding				
Balance in current account	2020	1,223.00		1,223.00
(Net of impairment allowance)	2019	204.46	-	204.46
Fixed deposits	2020	15,555.92		15,555.92
(Net of impairment allowance)	2019	13,022.77	-	13,022.77
				-
Investment in NCDs	2020	-	2,000.86	2,000.86
	2019	-	-	-
Trade receivables	2020	2,091.05	65.11	2,156.17
(Net of Impairment allowance)	2019	1,358.93	17.05	1,375.98
Insurance deposit	2020	-	123.07	123.07

(Amount in lakhs)

Nature of Transaction	Year ended March 31	Holding Company	Fellow Subsidiaries	Total
Net of Impairment allowance)	2019	-	87.39	87.39
Prepaid insurance	2020	-	50.75	50.75
	2019	-	33.58	33.58
Amount payable to Kotak Bank	2020	-	-	-
	2019	626.58	-	626.58
				-
Advance received	2020	2,908.32	-	2,908.32
	2019	454.26	-	454.26
Other Payables	2020	203.98		203.98
	2019	3.98	-	3.98
Revenue received in advance	2020	-	-	-
	2019	2.36	-	2.36
First Loss Default Guarantee (Contingent Liability)	2020	10,801.62		10,801.62
	2019	8,199.96	-	8,199.96

iii. Terms and conditions of transactions with related parties

All transactions with these related parties are made in the normal course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances (excluding collateralized borrowings) at the year-end are unsecured and settlement occurs in cash.

NOTE 31 LEASE DISCLOSURES

The Company has taken head office premises under cancellable operating lease or leave and license agreement. The tenor of the lease is 15 years with a lock in period of 5 years and cancellable after 5 years by lessee on giving 2 months notice and renewable by mutual consent on mutually agreeable terms.

Information for leases where Company is leasee is presented below:

Right Of Use Asset - Building

(Amount in lakhs)

Particulars	As at 31st March, 2020
Balance at April 1, 2019	383.56
Less: Accumulated Depreciation	182.00
Less: Depreciation charge for the year	26.17
Balance at March 31, 2020	**175.39**

Maturity analysis of lease liabilities

(Amount in lakhs)

Particulars	As at 31st March, 2020
Less than one year	29.22
One to five years	172.91
More than five years	107.67
Total undiscounted lease liabilities at March 31, 2020	**309.80**
Lease liabilities included in the statement of financial position	
Current	29.22
Non Current	280.58

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Amounts recognised in Profit and loss

(Amount in lakhs)

Particulars	As at 31st March, 2020
Interest on lease liabilities	25.07
Depreciation charge for the year	26.17
Total	**51.24**

(Amount in lakhs)

Particulars	As at 31st March, 2020
Total cash outflow for leases	49.68

Reclassification of Prepaid Rent into Right of Use Asset

(Amount in lakhs)

Particulars	ROU Asset - Building	Prepaid Rent	Total
Opening as on April 1, 2019	374.17	9.39	383.56
Less: Accumulated Depreciation	(182.00)	-	(182.00)
Less : Depreciation for the year	(24.99)	(1.18)	(26.17)
Closing as on March 31, 2020	**167.18**	**8.21**	**175.39**

Prepaid rent on lease hold premises which were earlier classified under other Current Assest have been reclassified into Right Of Use Asset.

Short term leases and Leases of low value assets
The Company has elected not to recognise right of use assets and lease liabilities for short term leases of premises that have a lease term of 12 months or less and leases of low value assets.

Impact on Financial Statements
On transition to Ind AS 116, the Company recognised an additional Rs. 192.17 lakhs of right of use asset and Rs. 334.41 lakhs of lease liabilities, recognising the difference in retained earnings.

The Company is committed to Rs. 694.81 Lakhs for short-term leases.

II. Lease disclosures under Ind-AS 17 for the comparative year ended March 31, 2019
Future likely Lease payments in respect of the above are as follows:

(Amount in lakhs)

Particulars	As at 31st March, 2019
Less than one year	538.75
One to five years	-
More than five years	-

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NOTE 32 EMPLOYEE BENEFITS

A. The Company contributes to the following post-employment defined benefit plans in India.

(i) Defined Contribution Plans:

The Company makes contributions towards provident fund. Under the plan, the Company is required to contribute a specified percentage of payroll cost to fund the benefits. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes. The Company recognised INR 222.63 lakhs (previous year INR 155.69 lakhs) for provident fund contributions in the Statement of Profit and Loss.

(ii) Defined Benefit Plan:

Gratuity

The Company accounts for the liability for future gratuity benefits based on an actuarial valuation. The Company contributes to a Gratuity Fund administered by trustees and managed by Kotak Mahindra Life Insurance Company Limited, fellow subsidiary. The net present value of the Company's obligation towards the same is actuarially determined based on the projected unit credit method as at Balance Sheet date.

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:

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Present value of funded defined benefit obligation (A)	445.80	345.70
Fair value of plan assets (B)	(424.42)	(345.28)
Net liability recognised in the Balance Sheet (A-B)	21.38	0.42

B. Movement in 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:

(Amount in lakhs)

Particulars	Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset) / liability	
	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019
Opening balance	345.70	294.65	345.28	-	0.42	294.65
Included in profit or loss						
Current service cost	71.17	48.73	-	-	71.17	48.73
Interest cost / income	24.08	21.64	24.04	-	0.04	21.64
	440.95	365.02	369.32	-	71.63	365.02

Particulars	Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset) / liability	
	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019
Included in OCI						
Remeasurement loss (gain):						
Actuarial loss (gain) arising from:						

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Particulars	Defined benefit obligation		Fair value of plan assets		Net defined benefit (asset) / liability	
	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019	As at 31st March, 2020	As at 31st March, 2019
Demographic assumptions	0.02	-	-	-	0.02	-
Financial assumptions	30.08	(9.25)	-	-	30.08	(9.25)
Experience adjustment	1.97	2.47	-	-	1.97	2.47
Actual return on plan assets less interest on plan assets	-	-	1.89	12.13	(1.89)	(12.13)
	32.07	(6.78)	1.89	12.13	30.18	(18.91)
Other						
Contributions paid by the employer	-	-	80.43	340.15	(80.43)	(340.15)
Benefits paid	(27.22)	(12.54)	(27.22)	(7.00)	-	(5.54)
Closing balance	**445.80**	**345.70**	**424.42**	**345.28**	**21.38**	**0.42**
Represented by						
Net defined benefit asset					-	-
Net defined benefit liability					21.38	0.42

C. Plan assets

Plan assets comprise the following:

Particulars	As at 31st March, 2020		As at 31st March, 2019	
	Quoted value	Unquoted value	Quoted value	Unquoted value
Funds Managed by Insurer	-	100%	-	100%

D. Defined benefit obligations

i. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

Particulars	As at 31st March, 2020	As at 31st March, 2019
Discount rate	5.60%	6.95%
Salary escalation rate	8.00%	8.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

ii. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Particulars	As at 31st March, 2020		As at 31st March, 2019	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(22.68)	25.05	(16.18)	17.78
Future salary growth (1% movement)	22.82	(21.33)	16.45	(15.40)

The sensitivity analysis presented above may not be representative of actual change in the defined benefit obligation as it is unlikely that the change in assumption would occur in isolation of one another as some of the assumptions may be corelated.

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iii. Risk Exposure

A decrease in Government Securities yield will increase plan liabilities. Since the benefits are lump sum in nature the plan is not subject to any longevity risks.

Description of Risk Exposures

1. 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.

2. Salary Escalation 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 liability.

3. Demographic Risk: The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

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

5. Regulatory Risk: Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity pay outs (e.g. Increase in the maximum limit on gratuity of ₹ 20,00,000).

E. Expected Future Cash Flows

Expected contribution:

The Company's best estimate of Contribution during the next year is INR 120.47 lakhs.

Expected future benefit payments:

(Amount in lakhs)

Expected cash flows over the next (valued on undiscounted basis)	As at 31st March, 2020	As at 31st March, 2019
1 Year	73.54	64.73
2 to 5 years	240.78	199.06
6 to 10 years	174.75	137.86
More than 10 years	140.23	109.77

F. Compensated Absence - Earned Leave

The Company provides for accumulated compensated absences as at the balance sheet date on the basis of an actuarial valuation. The Company recognized ₹ 191.35 lakhs (Previous year : ₹145.99 lakhs) for Compensated Absences in the Statement of Profit and Loss.

(Amount in lakhs)

Particulars	As at March 31, 2020			As at March 31, 2019		
	FVTPL	FVTOCI	Amortised cost	FVTPL	FVTOCI	Amortised cost
Financial Assets						
Non-current assets						
(i) Non-Current Investments	20.00	-	2,030.95	20.00	-	-
(ii) Non-Current Loans and Advances	-	-	211.65	-	-	171.64
Current assets						
(i) Current Investments	-	-	-	751.56	-	-
(ii) Trade receivables	-	-	2,129.58	-	-	1,375.98
(iii) Cash and cash equivalents	-	-	9,867.77	-	-	2,156.37
(iv) Bank balance other than (iii) above	-	-	7,868.69	-	-	12,822.40
(v) Short term loans and Advances	-	-	2,531.95	-	-	3,321.88
(vi) Other current financial assets	-	-	125.97	-	-	90.01
Total financial assets	**20.00**	**-**	**24,766.56**	**771.56**	**-**	**19,938.28**

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(Amount in lakhs)

Particulars	As at March 31, 2020			As at March 31, 2019		
	FVTPL	FVTOCI	Amortised cost	FVTPL	FVTOCI	Amortised cost
Financial liabilities						
Non-current liabilities						
(i) Other non-current financial liabilities	-	-	280.58	-	-	-
Current liabilities						
(i) Trade payables						
(A) total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
(B) total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	1,037.20	-	-	707.81
(ii) Other current financial liabilities	-	-	2,954.02	-	-	4,077.58
Total financial liabilities	**-**	**-**	**4,271.81**	**-**	**-**	**4,785.39**

B. Fair value

Fair values of financial assets and financial liabilities measured as fair value, including their levels in the fair value hierarchy, are presented below.

(Amount in lakhs)

Particulars	As at March 31, 2020					As at March 31, 2019				
	Carrying amount	Fair Value				Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
Financial Assets										
Non-current assets										
(i) Non-Current Investments	2,050.95		2,053.49	20.00	2,073.49	20.00	-	-	20.00	20.00
(ii) Non Current Loans and Advances	211.65	-	-	211.65	211.65	171.64	-	-	171.64	171.64
Current assets										
(i) Current Investments	-	-	-		-	751.56	751.56	-	-	751.56
(ii) Trade receivables	2,129.58	-	-	2,129.58	2,129.58	1,375.98	-	-	1,375.98	1,375.98
(iii) Cash and cash equivalents	9,867.77	-	-	9,867.77	9,867.77	2,156.37	-	-	2,156.37	2,156.37
(iv) Bank balance other than (iii) above	7,868.69	-	-	7,868.69	7,868.69	12,822.40	-	-	12,822.40	12,822.40
(v) Short term loans and Advances	2,531.95	-	-	2,531.95	2,531.95	3,321.88	-	-	3,321.88	3,321.88
(vi) Other current financial assets	125.97	-	-	125.97	125.97	90.01	-	-	90.01	90.01
Total financial assets	**24,786.56**	**-**	**2,053.49**	**22,755.61**	**24,809.10**	**20,709.83**	**751.56**	**-**	**19,958.28**	**20,709.84**
Financial liabilities										
Non-current liabilities										
(i) Other non-current financial liabilities	280.58	-	-	280.58	280.58		-	-	-	
Current liabilities										
(i) Trade payables										
(A) total outstanding dues of creditors other than micro enterprises and small enterprises	1,037.20	-	-	1,037.20	1,037.20	707.81	-	-	707.81	707.81
(ii) Other current financial liabilities	2,954.02	-	-	2,954.02	2,954.02	4,077.58	-	-	4,077.58	4,077.58
Total financial liabilities	**4,271.81**	**-**	**-**	**4,271.81**	**4,271.81**	**4,785.39**	**-**	**-**	**4,785.39**	**4,785.39**

C. Measurement of fair values

The fair value of financial instruments have been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The categories used are as follows:

Level 1 : Level 1 hierarchy includes financial instruments measured using unadjusted quoted prices in active markets that the Company has the ability to access for the identical assets or liabilities. A financial instrument is classified as a Level 1 measurement if it is listed on an exchange. This includes listed equity instruments, traded bonds and mutual funds that have quoted price. The fair value of all equity instruments (including bonds) which are traded in the stock exchanges in valued using the closing price as at the reporting period. The mutual funds are valued at the closing NAV.

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.

Financial instruments valued at carrying value

The respective carrying values of certain on-balance sheet financial instruments approximated their fair value. These financial instruments trade receiavbles, cash and cash equivalents, bank balance, other financial assets, trade payables, employee related payables and other financial liabilities which are considered as financial instruments. 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 or are receivable or payable on demand.

Valuation techniques used to determine fair value

Investment in equity shares

Investment in Alpha Micro Finance Consultants Private Limited comprises of 200,000 fully Paid Equity Shares of Rs. 10 each -Rs. 20,00,000. This Investee Company was formed by group of Micro Finance NBFCs for the purpose of interacting with credit bureaus and establishing an optimal credit bureau environment for micro finance sector. This investment is longterm investment and unquoted. Fair value is not materially different from the cost.

Fair value of financial assets carried at amortised cost

Short-term Loans

The fair values of loans that do not reprice or mature frequently are estimated using discounted cash flow models. The discount rates are based on internal models and consequently for the purposes of level disclosures categorized under Level 3. The Level 3 loans would decrease (increase) in value based upon an increase (decrease) in discount rate. Since, the Company has charged the interest rates which reflect current market price, the carrying values of these loans approximate their fair values. For purposes of these fair value estimates, the fair values of impaired loans were computed by discounting expected cashflows using appropriate market yield.

Long-term Loans - Deposits

The fair value of demand deposits and savings deposits without defined maturities are the amounts payable on demand. For deposits with defined maturities, the fair values were estimated using discounted cash flow models that apply market interest rates corresponding to similar deposits and timing of maturities.

Investments in Non Convertible Debentures

The fair value of the Company's Investments in Non Convertible Debentures are derived as below:

Fair valuation calculated for debt with residual tenure 6 months or more Rate for residual tenure is derived from FIMMDA curve plus applicable AAA spread FIMMDA FBIL 'Par-yeild' sheet which is Gsec yeild curve is considered + respective tenure AAA NBFC spread Gsec rate as well as Spread are interpolated based on the residual tenure.

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Level 3

The table below lists key unobservable inputs to Level 3 financial instruments, and provides the range of those inputs as at March 31, 2020:

(Amount in lakhs)

Financial Instruments	Significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Investments in equity securities	Price	If the price was higher / lower, the fair value would increase / decrease.

Sensitivity analysis of Level 3 financial instruments measured at fair value on a recurring basis

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects:

Particulars	As at 31st March, 2020		As at 31st March, 2019	
	Increase	Decrease	Increase	Decrease
Investment in unquoted equity shares:				
If price was higher / (lower) by 500 bps, the fair value would increase / (decrease)	1.00	(1.00)	1.00	(1.00)

D. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk ;
- Liquidity risk ; and
- Market risk.

i. Risk management framework

The Company’s board of directors has overall responsibility for the establishment and oversight of the Company’s risk management framework.

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 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.

ii. 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 Company's receivables from customers, loans and advances, bank balances and other financial assets. The carrying amounts of following financial assets represent the maximum credit risk exposure:

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Trade receivables	2,130.92	1,376.44
Loans	5,617.81	3,640.97
Investments	2,032.23	-
Bank Balances	17,685.76	14,593.74
Other financial assets	126.13	90.04
Total	**27,592.85**	**19,701.19**

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a. Credit quality analysis

The following table sets out the information about the credit quality of financial assets measured at amortised cost.

(Amount in lakhs)

Particulars	As at March 31, 2020				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit impaired	Total
Trade Receivables					
Current	-	2,130.92	-	-	2,130.92
Past due 1–30 days	-		-	-	-
Past due 31–60 days	-		-	-	-
Past due 61–90 days	-		-	-	-
Past due 90 days	-		-	-	-
	-	2,130.92	-	-	2,130.92
Less: Impairment Allowance	-	(1.34)	-	-	(1.34)
Carrying amount	-	2,129.58	-	-	2,129.58
Loans (other than security deposit and employee loans)					
Current	104.41	-	-	-	104.41
Past due 1–30 days	408.97	-	-	-	408.97
Past due 31–60 days	-	272.24	-	-	272.24
Past due 61–90 days	-	351.11	-	-	351.11
Past due 90 days	-	-	4,109.06	-	4,109.06
	513.38	623.35	4,109.06	-	5,245.80
Less: Impairment Allowance	(25.96)	(166.43)	(2,670.89)		(2,863.28)
Carrying amount	487.42	456.92	1,438.17	-	2,382.52

(Amount in lakhs)

Particulars	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit impaired
Investments	2,032.23	-	-	-
Rated A and above	-	-	-	-
Rated BBB	-	-	-	-
Rated BB	-	-	-	-
Rated CCC and below	(1.28)	-	-	-
Less: Impairment allowance	2,030.95	-	-	-
Net carrying amount				

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(Amount in lakhs)

Particulars	As at March 31, 2019				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Purchased credit impaired	Total
Trade Receivables					
Current	-	1,376.44	-	-	1,376.44
Past due 1–30 days	-	-	-	-	-
Past due 31–60 days	-	-	-	-	-
Past due 61–90 days	-	-	-	-	-
Past due 90 days	-	-	-	-	-
	-	1,376.44	-	-	1,376.44
Less: Impairment Allowance	-	(0.46)	-	-	(0.46)
Carrying amount	-	1,375.98	-	-	1,375.98
Microfinance Loans / FLDG Receivables					
Current	3,267.29	-	-	-	3,267.29
Past due 1–30 days	152.66	-	-	-	152.66
Past due 31–60 days	-	116.25	-	-	116.25
Past due 61–90 days	-	46.45	-	-	46.45
Past due 90 days	-		55.38	-	55.38
	3,419.95	162.70	55.38	-	3,638.03
Less: Impairment Allowance	(55.85)	(55.17)	(36.43)		(147.45)
Carrying amount	3,364.10	107.53	18.95	-	3,490.58

b. Amounts arising from ECL

i. Inputs, assumptions and techniques used for estimating impairment:

Inputs considered in the ECL model:

The Company applies various approaches to determine if there has been a significant increase in credit risk.

In determining whether credit risk has increased significantly since initial recognition, the Company uses days past due information and forecast information to assess deterioration in credit quality of a financial asset.

The company categorises Financial assets into stages based on the days past due status.

- Stage 1: 0-30 days past due
- Stage 2: 31- 90 days past due
- Stage 3: More than 90 days past due

The Company has used simplified approach to provide expected credit loss on trade receivables as prescribed by Ind AS 109 which permits use of lifetime expected credit loss provision for all trade receivables. The Company has historic credit loss data to compute ECL.

Assumption considered in the ECL model:

- "Loss given default" (LGD) is an estimate of loss from a transaction given that a default occurs.
- "Probability of default" (PD) is defined as the probability of whether the borrowers will default on their obligations in the future. For assets which are in Stage 1, a 12 month PD is required. For Stage 2 assets a lifetime PD is required while Stage 3 assets are considered to have a 100% PD.
- "Exposure at default" (EAD) represents the expected exposure in the event of a default and is the gross carrying amount in case of the financial assets held by the Company.

Forward looking information:
The Company incorporates forward looking information into both assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on the consideration of a variety of external actual and forecast information, the Company forms a 'base case' view of the future direction of relevant economic variables such as domestic credit growth, change in gross fixed investments etc.. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. The base case represents a most likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes.

Assessment of significant increase in credit risk:
The credit risk on a financial asset of the Company are assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due. Accordingly the financial assets shall be classified as Stage 2, if on the reporting date, it has been 30 days past due.

Definition of default:
A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. This definition of default is determined by considering the business environment in which the company operates and other micro-economic factors. Accordingly the financial assets shall be classified as Stage 3, if on the reporting date, it has been 90 days past due. As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

Policy for write-off of loan assets:
All loans which are not recoverable in the opinion of management are written off.

ii. Impairment loss allowance
The following table shows reconciliations from the opening to the closing balance of the loss allowances and write offs:

(Amount in lakhs)

Particulars	Current	Past due 1–30 days	Past due 31–60 days	Past due 61–90 days	Past due more than 90 days
Trade receivables					
Balance as at April 1, 2018	0.11	-	-	-	-
Net remeasurement of loss allowance			-	-	-
New financial assets originated during the year	0.36	-	-	-	-
Financial assets that have been derecognised during the period	(0.11)	-	-	-	-
Balance as at March 31, 2019	**0.36**	**-**	**-**	**-**	**-**
Net remeasurement of loss allowance					
New financial assets originated during the year	1.34				
Financial assets that have been derecognised during the period	(0.36)				
Balance as at March 31, 2020	**1.34**	**-**	**-**	**-**	**-**

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(Amount in lakhs)

Particulars	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loans				
Balance as at April 1, 2018	**176.93**	**2.69**	**3.97**	**183.59**
Transfer to/from 12 month ECL	(1.04)	0.24	0.80	-
Transfer to/from Lifetime ECL not credit impaired	-	(2.06)	2.06	-
Transfer to/from Lifetime ECL credit impaired	-	-	-	-
Net remeasurement of loss allowance	(58.31)	4.92	6.56	(46.83)
New financial assets originated during the year	211.10	50.02	23.40	284.52
Financial assets that have been derecognised during the period	(105.44)	(0.64)	(0.36)	(106.44)
Write-offs	(169.73)	-	-	(169.73)
Balance as at March 31, 2019	**53.50**	**55.17**	**36.43**	**145.11**
Transfer to/from 12 month ECL	0.51	0.81	1.76	3.08
Transfer to/from Lifetime ECL not credit impaired	0.07	2.88	11.95	14.90
Transfer to/from Lifetime ECL credit impaired	-	-	17.41	17.41
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated during the year	25.37	162.74	2,639.77	2,827.88
Financial assets that have been derecognised during the period	(53.50)	(55.17)	(36.43)	(145.10)
Write-offs				
Balance as at March 31, 2020	**25.96**	**166.43**	**2,670.89**	**2,863.29**
For the year ended March 31, 2019				
Impact on Statement of profit and loss before bad debts recovered	-	-	-	131.24
Bad debt written of recovered	-	-	-	(273.31)
Impairment loss on microfinance loans	-	-	-	(142.07)
For the year ended March 31, 2020				
Impact on Statement of profit and loss before bad debts recovered	-	-	-	2,718.18
Bad debt written of recovered (net)	-	-	-	(0.76)
Impairment loss on microfinance loans	-	-	-	2,717.42

(Amount in lakhs)

Particulars	Investments	Security deposit, employee loans	Bank Balance	Other financial assets
Balance as at April 1, 2018	**-**	**1.00**	**2.56**	**-**
Net remeasurement of loss allowance	-	1.34	2.43	0.03
Balance as at March 31, 2019	**-**	**2.34**	**4.99**	**0.03**
Net remeasurement of loss allowance	1.28	8.62	1.32	5.09
Balance as at March 31, 2020	**1.28**	**10.96**	**6.31**	**5.12**

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iii. 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.

Maturity Profile of Financial Liabilities

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

Sr. No.	Particulars	Carrying amount	Total	Less than 1 month	1-3 months	3 months-1 year	1-5 years	More than 5 years
	As at March 31, 2020							
	Financial liabilities							
1	Trade Payables	1,037.20	1,037.20	694.64	-	342.56	-	-
2	Other Financial Liabilities	3,234.61	3,234.61	2,924.80	6.64	22.58	172.91	107.68
	Carrying Amount	**4,271.81**	**4,271.81**	**3,619.44**	**6.64**	**365.14**	**172.91**	**107.68**

Sr. No.	Particulars	Carrying amount	Total	Less than 1 month	1-3 months	3 months-1 year	1-5 years	More than 5 years
	As at March 31, 2019							
	Financial liabilities							
1	Trade Payables	707.81	707.81	707.81	-	-	-	-
2	Other Financial Liabilities	1,089.79	1,089.79	1,089.79	-	-	-	-
	Carrying Amount	**1,797.60**	**1,797.60**	**1,797.60**	**-**	**-**	**-**	**-**

iv. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company does not have any exposure to currency risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates would adversely affect the Company's financial conditions. The same typically involves looking at Gap or mismatch over different time intervals as at a given date.

Exposure to interest rate risk

Company's interest rate risk arises from Investments and Fixed Deposits. The interest rate profile of the Company's interest bearing financial instruments as reported to the management of the Company is as follows.

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Fixed-rate instruments		
Financial Assets		
Investment in Non Convertible Debentures	2,030.95	-
Fixed Deposits	15,555.92	14,022.58
Total Net	**17,586.87**	**14,022.58**

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Schedules

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Variable-rate instruments

There are no financial instruments with variable rate.

NOTE 34 CAPITAL DISCLOSURE

For the purpose of the Company's capital management, capital includes issued capital and other equity reserves . The primary objective of the Company's Capital Management is to maximise shareholders value. The Company manages its capital structure and makes adjustments in the light of changes in economic environment. The Company is sufficiently capitalised and no changes were made in objectives, policies or processes for managing capital during the year ended March 31, 2020 and March 31, 2019.

The Company funds its operations through internal accruals and aims at maintaining a strong capital base to support the future growth of its businesses.

NOTE 35 SEGMENT INFORMATION

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. The Company is organised into one business unit and has single segment which is acting as a business correspondent to KMBL.

The Board of Directors are the Chief Operating Decision Maker ("CODM") of the company and evaluates the Company's performance. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statement.

The Company caters only to the domestic market where there are no differing risks and returns and hence, there are no reportable geographical segments.

Information about major customers

Revenue from one customer of the Company is Rs. 18,012.70 Lakhs (PY: Rs. 10,393.47 lakhs) which is more than 10 percent of the Company's total revenue.

NOTE 36 REVENUE FROM CONTRACTS WITH CUSTOMERS

a) The Company has recognised following amounts relating revenue in the Statement of Profit and Loss:

(Amount in lakhs)

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Revenue from contracts with customers	18,303.71	10,526.85
Revenure from other sources	1,179.97	1,043.50
Total Income	**19,483.68**	**11,570.35**
Impairment loss on receivables	0.88	0.34

The above excludes interest income on microfinance loans / FLDG receivables recognised under Ind AS 109 amounting to ₹ 284.30 Lakhs (PY ₹ 4319.45 Lakhs)

b) Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical market, major service lines :

(Amount in lakhs)

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
Primary Geographical Market		
India	18,303.71	10,526.85
Major services		
Business Correspondent	18,012.70	10,393.47
Micro Insurance	291.01	133.38
Total	**18,303.71**	**10,526.85**
Timing of revenue recognition		
Over a period of time	18,012.70	9,501.56
At a point in time	291.01	1,025.29
Total	**18,303.71**	**10,526.85**

Schedules
forming part of Balance Sheet and Profit and Loss Account

c) Contract Balances

i. The following table provides information about receivables, contract assets and contract liabilities from contracts with customers:

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Receivables	2,129.58	1,375.98

Note 37 Transfer of financial assets that do not result in derecognition

During the financial year 2017-18, the Company has transferred its microfinance loans through assignment agreement with a first loss default guarantee (FLDG). The Company has also agreed to provide servicing assistance to the transferee pursuant to the terms of servicing agreement.

As per previous GAAP, the above loans were derecognized as they satisfied the True Sale criteria.

Under Ind AS, the Company continues to recognise the microfinance loans in its entirety in the balance sheet because it retains credit risk on the microfinance loans transferred (due to FLDG). Accordingly, it retains the credit risk in respect of the transferred microfinance loans. Hence, the company continues to recognise the microfinance loans receivables in its books of accounts and cash received on assignment is recognised as an associated liability.

The Company had no ability to use these assets during the tenure of the microfinance loans in view of the legal transfer pursuant to assignment agreement. All these assets (Ref. Note 5 and 11) should accordingly be considered as collateralised security for the liabilities (Ref. Note 16 and 18).

The entire portfolio has been matured during the current year and there are no receivables balance as at March 31, 2020.

The following table sets out the carrying amount of the financial assets transferred that are not derecognised in their entirety and associated liabilities:

(Amount in lakhs)

Particulars	As at 31st March, 2020	As at 31st March, 2019
Carrying amount of assets	-	2,967.91
Carrying amount of associated liabilities	-	2,987.79
Fair value of assets	-	2,967.91
Fair value of associates liabilities	-	2,987.79
Net position at Fair Value	**-**	**(19.88)**

Schedules

forming part of Balance Sheet and Profit and Loss Account

NOTE 38 OFFSETTING

The following table presents the recognised financial instruments that are offset and other similar agreements but are not offset, as at March 31, 2020 and March 31, 2019.

The column 'net amount' shows the impact on the Company's balance sheet if all set-off rights are exercised.

(Amount in lakhs)

Particulars	Effect of offsetting on the balance sheet			Related amounts not offset	
	Gross amounts	Gross amounts set off in the balance sheet	Net amounts presented in the balance sheet	Netting not recognised on the balance sheet	Net Amount
March 31, 2020					
Financial Assets	**-**	**-**	**-**	**-**	**-**
Loans	-	-	-	-	-
March 31, 2019					
Financial Assets					
Loans	2,967.91	-	2,967.91	(2,987.79)	(19.88)

Note 39 Previous Year figures have been regrouped or reclassified wherever necessary to correspond with the current year's classification / disclosures.

Note 40 The Board, duly taking into account all the relevant disclosures made, has approved these financial statements in its meeting held on June 25, 2020.

For and on behalf of Board of Directors

Sivakumar BS	**D Kannan**	**Kumar S**	**Suresh Batchu**	**Kavitha P B**
Director	Director	CEO	CFO	CS

Place : Bengaluru

Date : June 25, 2020