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Annual Report
2020-21

INDOSTAR HOME FINANCE

BOARD'S REPORT

Dear Members,

Your Directors take pleasure in presenting the 6th Annual Report on the affairs of your Company together with the audited financial statements for the financial year ended March 31, 2021.

FINANCIAL HIGHLIGHTS

The key highlights of the audited financial statements of your Company for the financial year ended March 31, 2021 and comparison with previous financial year ended March 31, 2020 are summarized below:

(₹ in crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Total income	1,34.07	97.14
Total expenditure	95.40	87.62
Profit before taxation	38.67	9.52
Net Profit after taxes	**27.95**	**14.20**
Other comprehensive income, net of tax	0.03	0.06
Total comprehensive income	27.98	14.26
Transfer to statutory reserve fund u/s 29C of National Housing Bank Act, 1987	5.59	2.84
Balance brought forward from previous year	(17.73)	(29.15)
Balance carried to balance sheet	4.66	(17.73)
Earnings per share (Face Value ₹ 10/- each)		
Basic (₹)	1.40	0.71
Diluted (₹)	1.40	0.71

FINANCIAL PERFORMANCE & COMPANY'S STATE OF AFFAIRS

Your Company mainly focuses on affordable housing finance and had asset under management (AUM) of ₹ 991.09 crore as on March 31, 2021. In line with Government's mission of 'Housing for All' your Company strives to pass on the benefits of various schemes of the National Housing Bank ("NHB") under the said mission to its customers. Your Company commenced business operations in mid of 2017 and has built a quality and profitable portfolio of over ₹ 838.22 crore as on March 31, 2021.

Your Company has an expanded network of branches and operates across 10 states in India and has an employee base of over 270 employees as on March 31, 2021.

Your Company has continued to maintain good asset quality with net non-performing assets ("NPA") of 1.41% as on March 31, 2021, in spite of a difficult macro-economic environment. Pursuant to requirement of the Housing Finance Companies (NHB) Directions, 2010, the Master Direction – Non-Banking Financial

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Company – Housing Finance Company (Reserve Bank) Directions, 2021 ("RBI HFC Directions") and provisions of the Companies Act, 2013 ("Act") read with Rules made thereunder, a provision of ₹ 11.83 crore (previous year: ₹ 5.19 crore) i.e. 1.41% of outstanding standard assets of the Company, was made as at March 31, 2021. Further, pursuant to the requirement of Section 29C of the National Housing Bank Act, 1987, an amount of ₹ 5.59 crore was transferred to statutory reserve fund. For details of Reserves and Surplus of the Company, please refer Note 20 of the audited standalone financial statements of the Company for the financial year ended March 31, 2021.

Indirect Change in Control
During the year under review, BCP V Multiple Holdings Pte. Ltd. ("Brookfield") acquired 56.55% stake in the fully diluted share capital of IndoStar Capital Finance Limited, the holding company of the Company ("ICFL") by way of (i) acquisition of 3,01,72,414 equity shares and 1,20,68,966 compulsorily convertible preference shares of ICFL under preferential allotment, on May 27, 2020; (ii) acquisition of 2,92,41,258 equity shares of ICFL on July 08, 2020, under open offer made pursuant to regulations issued by the Securities and Exchange Board of India; and (iii) acquisition of 50,00,000 equity shares of ICFL on July 09, 2020, from Indostar Capital, Mauritius ("ICM"). Subsequent to completion of the said acquisitions, Brookfield is in control of ICFL and a promoter of ICFL. ICM continues to be in control and be classified as a promoter of ICFL.

As a result of Brookfield acquiring control of ICFL, Brookfield has acquired indirect control of your Company along with ICM. There has been no change in the shareholding pattern of the Company and it continues to be the wholly-owned subsidiary of ICFL.

This strategic investment by Brookfield in ICFL will also enable your Company to leverage Brookfield's expertise in the financial services domain globally to facilitate the raising of external finance, introduce operational improvements and continue to scale the business and will accelerate the pace of achieving your Company's objective of becoming a leading provider of housing finance.

The operating and financial performance of your Company has been covered in the Management Discussion and Analysis Report which forms part of the Annual Report.

During the year under review, there has been no change in the nature of business of your Company.

No material changes and commitments, affecting the financial position of your Company have occurred between the end of the year under review and date of this Board's Report.

IMPACT OF COVID-19

The year under review saw unprecedented economic and social disruption on account of the COVID-19 pandemic. The nation witnessed a complete lock-down in the start of the year which was gradual relaxed and tightened as and when the impact of the virus varied, which has contributed to a significant decline in economic activities and severely impacted the business and operations of your Company. The extent to which the COVID-19 pandemic will impact the Company's financial position will depend on future developments, which are highly uncertain.

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During the pandemic, safety of employees has been your Company's priority. Further, in support of Government's initiatives to support general public in the wake of disruption caused by the pandemic, your Company provided its borrowers affected by the pandemic with moratorium on payment of loan instalments. Your Company believes that this move has enabled borrowers to cope with the difficult business conditions caused by the pandemic.

Detailed information on impact of COVID-19 on operations of the Company, has been included under the Management Discussion and Analysis Report which forms part of the Annual Report.

FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance the Indian Accounting Standards ("Ind AS") notified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time, and applicable direction(s), circular(s), notification(s) and guideline(s) issued by the National Housing Bank ("NHB") /Reserve Bank of India ("RBI") from time to time.

In terms of Section 129 of the Act read with Rules framed thereunder, audited financial statements of the Company for the financial year ended March 31, 2021 shall be laid before the ensuing Annual General Meeting of the Company.

The audited standalone financial statements together with Auditor's Report thereon forms part of the annual report and are also available or the website of the Company at https://www.indostarhfc.com/investors-corner#investor-relations.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of the requirements of RBI HFC Directions, the Management Discussion and Analysis Report for the year under review is presented in a separate section forming part of the Annual Report.

SHARE CAPITAL

During the period under review, there has been no change in the authorised, issued and paid-up share capital of your Company.

As on March 31, 2021, the authorised, issued and paid-up share capital of your Company was ₹ 200 crore, divided into 20,00,00,000 equity shares of face value of ₹ 10/- each.

Your Company has not issued any equity shares with differential rights as to voting, dividend or otherwise.

Subsequent to the year under review, your Company was further capitalized by IndoStar Capital Finance Limited with ₹ 250 crore to meet its operational and business requirements and to maintain adequate liquidity, consequent to which the issued, subscribed and paid-up share capital of the Company as on date

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of this report stands increased to ₹ 450 crore divided into 45,00,00,000 equity shares of face value of ₹ 10/- each.

DIVIDEND

In view to conserve cash in the Company, *inter-alia, to* meet the uncertainties arising out of COVID-19 and for the Company's growth, despite having sufficient distributable profits, the Board of Directors has not recommended final Dividend on equity shares for financial year 2020-21.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

At present, the Board of Directors of your Company comprises 4 (four) Directors of which 3 (three) are Non-Executive Directors and 1 (one) is an Executive Director. The Board composition is in compliance with the requirements of the Act and the direction(s), circular(s), notification(s) and guideline(s) issued by the NHB and RBI as applicable. Detailed composition of the Board of Directors of the Company has been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

Appointments and cessations

All appointments of Directors are made in accordance with the relevant provisions of the Act, the direction(s), circular(s), notification(s) and guideline(s) issued by the NHB and RBI, as applicable, and other laws, rules, guidelines as may be applicable to the Company from time to time. The Nomination & Remuneration Committee ("NRC") exercises due diligence *inter-alia* to ascertain the 'fit and proper' person status of person proposed to be appointed on the Board of Directors of the Company, and if deemed fit, recommends their candidature to the Board of Directors for consideration.

During the year under review, in terms of the Shareholders Agreement dated January 31, 2020 entered into by ICFL, Brookfield and ICM (hereinafter referred to as "SHA") and upon the recommendation of the NRC, the Board of Directors at its meeting held on July 10, 2020, approved appointment of Mr. Aditya Joshi and Mr. Vibhor Kumar Talreja, nominated by Brookfield and ICM, respectively, as Additional Directors in the category of Non-Executive Non-Independent Directors of the Company. The shareholders of the Company at the 5th Annual General Meeting of the Company held on September 08, 2020, approved the appointment of Mr. Joshi and Mr. Talreja, as Non-Executive Non-Independent Directors of the Company, liable to retire by rotation.

During the year under review, Mr. Prashant Joshi, Non-Executive Non-Independent Director, resigned from the Board of the Company with effect from August 12, 2020.

Further, subsequent to the year under review, Mr. Pankaj Thapar, Non-Executive Non-Independent Director resigned from the Board of Directors of the Company with effect from April 09, 2021 and Mr. Aditya Joshi, Non-Executive Non-Independent Director resigned from the Board of Directors of the Company with effect from June 14, 2021. The Board of Directors places on record its sincere appreciation

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for the valuable contribution and guidance provided by Mr. Prashant Joshi, Mr. Pankaj Thapar and Mr. Aditya Joshi, during their association with the Company.

Subsequent to resignation of Mr. Aditya Joshi, upon nomination by Brookfield in terms of the SHA and the Articles of Association of the Company, the Board of Directors at its meeting held on June 14, 2021, approved appointment of Mr. Munish Dayal as an Additional Director in the category of Non-Executive Non-Independent Director, to hold office up to the date of the ensuing Annual General Meeting of the Company. Further, notice in terms of Section 160 of the Act, has been received from a Member of the Company, proposing the candidature of Mr. Dayal, as Non - Executive Non-Independent Director of the Company, which shall be considered by the shareholders at the ensuing Annual General Meeting of the Company. The Board of Directors recommends appointment of Mr. Dayal as Non - Executive Non-Independent Director of the Company, at the ensuing Annual General Meeting of the Company. Brief profile of Mr. Dayal has been included in the notice convening the ensuing Annual General Meeting of the Company.

Director(s) Retiring by Rotation

In terms of Section 152(6) of the Act read with the Articles of Association of the Company, Mr. Shreejit Menon, Whole-time Director, shall retire by rotation and being eligible, has offered himself for re-appointment at the ensuing Annual General Meeting of the Company. A brief profile of Mr. Menon has been included in the notice convening the ensuing Annual General Meeting.

Director(s) Declaration and Disclosures

Based on the declarations and confirmations received in terms of the provisions of the Act and direction(s), circular(s), notification(s) and guideline(s) issued by the NHB / RBI, none of the Directors on the Board of your Company are disqualified from being appointed / continuing as Directors.

Key Managerial Personnel ("KMP")

During the year under review there were no changes in the KMPs of the Company.

In terms of the provisions of the Act, the following persons are the KMP of the Company:

Mr. Shreejit Menon	-	Whole-time Director
Mr. Prashant Shetty	-	Chief Financial Officer
Ms. Priyal Shah	-	Company Secretary

NHB / RBI DIRECTIONS

Your Company complies with the direction(s), circular(s), notification(s) and guideline(s) issued by the NHB / RBI as applicable to your Company.

During the year under review, the NHB imposed a monetary penalty of ₹ 25,000/- on account of contravention of para 27A of the Housing Finance Companies (NHB) Directions, 2010, pursuant to inspection conducted with reference to the financial position of the Company as at March 31, 2019. The said penalty does not have any material impact on the Company.

COMPLIANCE WITH SECRETARIAL STANDARDS

In terms of provisions of Section 118 of the Act, your Company is in compliance with Secretarial Standards on Meetings of the Board of Directors and Secretarial Standards on General Meeting issued by the Institute of Company Secretaries of India.

DEPOSITS

Your Company has not accepted any public deposits during the year under review and shall not accept any deposits from the public without obtaining prior approval of the NHB / RBI. Further, your Company being non-deposit accepting housing finance company, disclosure requirements under Chapter V of the Act read with Rule 8(5) (v) and 8(5) (vi) of the Companies (Accounts) Rules, 2014 and Para 44 of the RBI HFC Directions, are not applicable to your Company.

RESOURCES AND LIQUIDITY

During the year under review, your Company has raised funds from *inter-alia*, following sources (i) ₹ 226.60 crore as bank borrowings (outstanding as on March 31, 2021: ₹ 248.26 crore); (ii) ₹ 180 crore through borrowings from holding company (outstanding as on March 31, 2021: ₹ 380 crore); and (iii) ₹ 91.93 crore by sale/assignment of loan assets.

Further, the Company has a revolving line of credit facility of ₹ 350 crore from holding company, IndoStar Capital Finance Limited.

Credit Rating

Your Company's financial discipline and prudence is reflected in the strong credit ratings ascribed by rating agencies. Ratings assigned to the Company as on March 31, 2021 is summarised below:

Particulars / Rating Agencies	Rating	Remarks
Long Term Debt Programme		
India Ratings & Research (Fitch group)	IND AA-	The rating indicates that the instruments have high degree of safety regarding timely servicing of financial obligations and carry very low credit risk.
CRISIL Ratings Limited	CRISIL AA-	

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Short Term Debt Programme /Commercial Paper		
CARE Ratings Limited	CARE A1+	The ratings indicate that the instruments have very strong degree of safety regarding timely payment of financial obligations and carry lowest credit risk. Short Term Debt Programme / Commercial Paper of your Company carry the highest rating by two major credit rating agencies
ICRA Limited	[ICRA] A1+	

Subsequent to the year under review, upon request by the Company for voluntary withdrawal of rating, India Ratings and Research Private Limited, re-affirmed and withdrew rating assigned to the long term debt program of the Company.

DEBT EQUITY RATIO

Your Company's Debt Equity ratio as on March 31, 2021 stood at 2.97:1

CAPITAL ADEQUACY RATIO

Your Company is well capitalized to provide adequate capital for its continued growth. As on March 31, 2021, the Capital to Risk Assets Ratio ("CRAR") of your Company stood at 49.2% (Tier I Capital to Risk Assets Ratio was 48% and Tier II Capital to Risk Assets Ratio was 1.2%), well above the regulatory limit of 14% prescribed by the NHB / RBI for housing finance companies.

NET OWNED FUNDS

The Net Owned Funds of your Company as on March 31, 2021 stood at ₹ 214.16 crore.

AUDITORS

Statutory Auditors & their Report

In terms of the provisions of the Act, M/s. Deloitte Haskins & Sells LLP, Chartered Accountants having ICAI Firm Registration No. 117366W/W-100018, were appointed as the Statutory Auditors of the Company at the 5th Annual General Meeting of the Company held on September 08, 2020 for a period of five years and hold office till the conclusion of the 10th Annual General Meeting of the Company.

M/s. Deloitte Haskins & Sells LLP, Statutory Auditors in their report on the audited financial statements of your Company for the financial year ended March 31, 2021, have not submitted any qualifications, reservations, adverse remarks or disclaimers.

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During the year under review, the Statutory Auditors have not reported any instances of fraud in the Company committed by officers or employees of the Company to the Audit Committee.

In terms of RBI guidelines dated April 27, 2021 for appointment of statutory auditors for NBFCs including HFCs applicable from the second half of FY 2021-22, one audit firm can concurrently conduct statutory audit of a maximum of eight NBFCs. The Company has received letter dated September 21, 2021 from M/s. Deloitte Haskins & Sells LLP ("Deloitte") Statutory Auditors of the Company, conveying its ineligibility to continue as Statutory Auditors of the Company after the conclusion of the ensuing 6th Annual General Meeting of the Company as Deloitte is Statutory Auditor of more than eight NBFCs.

In terms of Section 139 of the Act read with rules made thereunder, the Audit Committee of the Board after assessing that the qualifications and experience of M/s. G. D. Apte & Co., Chartered Accountants, having ICAI Firm Registration No.: 100515W, recommended their appointment as Statutory Auditors of the Company for a term of three years to the Board of Directors. Upon recommendation of the Audit Committee, the Board of Directors has approved appointment of M/s. G. D. Apte & Co., Chartered Accountants, as Statutory Auditors of the Company to hold office for a period of three years i.e. from the conclusion of the 6th Annual General Meeting of the Company till the conclusion of the 9th Annual General Meeting of the Company.

Your Directors recommend to the members of the Company, appointment of M/s. G. D. Apte & Co., Chartered Accountants, as Statutory Auditors of the Company to hold office for a term of three years i.e. from the conclusion of the 6th Annual General Meeting of the Company till the conclusion of the 9th Annual General Meeting of the Company.

M/s. G. D. Apte & Co., being eligible for appointment as Statutory Auditors have consented and confirmed that their appointment, if made, shall be in compliance with the requirements of Section 139 read with section 141 of the Act read with rules made thereunder.

Secretarial Auditors & their Report

In terms of Section 204 of the Act, secretarial audit report from H Choudhary & Associates, Practicing Company Secretary, in prescribed format for the financial year ended March 31, 2021, is enclosed herewith at **Annexure I** to this Board's Report.

The observations and comments of the Secretarial Auditors, H Choudhary & Associates, Practicing Company Secretary, in its report on the secretarial audit of your Company for the financial year ended March 31, 2021, are self-explanatory and hence do not call for any further comments under Section 134 of the Act.

MAINTENANCE OF COST RECORDS

Your Company is not required to maintain cost records in terms of Section 148(1) of the Act.

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REPORT ON CORPORATE GOVERNANCE

The Corporate Governance Report for the year under review, including disclosures as stipulated under the requirements of RBI HFC Directions, is annexed to and forms an integral part of this Board's Report.

Meetings

The Board and its Committees meet at regular intervals *inter-alia* to discuss, review and consider various matters including business performance, strategies, policies and regulatory updates and impact. During the year under review, the Board met 7 (seven) times and several meetings of Committees including the Audit Committee were held. Details with respect to the meetings of the Board of Directors and Committee(s) held during the year under review, including attendance by Directors / Members at such meetings have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

Board Committees

The Board of Directors, in compliance with the requirements of various laws applicable to the Company, as part of the good corporate governance practices and for operational convenience, has constituted several committees to deal with specific matters and has delegated powers for different functional areas to different committees.

The Board of Directors has amongst others, constituted Audit Committee, Asset Liability Management Committee, Risk Management Committee, Nomination & Remuneration Committee, Corporate Social Responsibility Committee, Internal Complaints Committee(s) and Grievances Redressal Committee.

Details with respect to the composition, terms of reference, number of meetings held and attended by respective member(s), roles, powers and responsibilities of the Committee(s) have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

PERFORMANCE EVALUATION

In terms of the provisions of the Act and directions issued by NHB / RBI, the Board of Directors adopted a 'Board Performance Evaluation Policy' to set out a formal mechanism for evaluating performance of the Board, that of its Committee(s) and individual Directors. Additionally, in order to outline detailed process and criteria to be considered for performance evaluation, the Nomination & Remuneration Committee has put in place the 'Performance Evaluation Process – Board, Committees of the Board and individual Directors', which forms an integral part of the Board Performance Evaluation Policy.

Subsequent to the year under review, the Board of Directors evaluated the performance of the Directors, Committee(s) of the Board and the Board as a collective entity, during the year under review.

A statement indicating the manner in which formal evaluation of the performance of the Board, Committee(s) of the Board, individual Directors during the year under review was carried out, is provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

In terms of Section 178 of the Act and directions issued by NHB / RBI, the Board of Directors adopted a 'Policy on Selection criteria / "Fit & Proper" Person Criteria' *inter-alia* setting out parameters to be considered for appointment of Directors and Senior Management Personnel of the Company.

Details of the Policy on Selection Criteria/ "Fit & Proper" Person Criteria have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report and is also available on the website of the Company at https://www.indostarhfc.com/investors-corner#investor-services.

REMUNERATION OF DIRECTORS

During the year under review, Non-Executive Directors were not paid any remuneration and there were no pecuniary relationships or transactions between the Company and any of its Non-Executive Directors.

Mr. Shreejit Menon, Whole-time Director of the Company, was entitled to remuneration of INR 1.28 core for FY 2021, including variable payment for FY 2021. Mr. Menon is entitled to remuneration by way of monthly salary / fixed component, which comprises salary, contribution to provident fund, allowances, mediclaim, gratuity and performance linked variable compensation, medical insurance including his immediate family and life insurance as per group mediclaim and term insurance policies. The employment of the Whole-time Director of the Company can be terminated either by the Company or by him giving three months' notice or salary in lieu thereof. There is no separate provision for payment of severance fees.

Mr. Menon holds 1,00,000 stock options of IndoStar Capital Finance Limited, holding company of the Company.

WHISTLE BLOWER POLICY / VIGIL MECHANISM

In terms of Section 177(9) and Section 177(10) of the Act, the Board of Directors adopted a Whistle Blower Policy / Vigil Mechanism *inter-alia* to provide a mechanism for Directors and employees of the Company to approach the Audit Committee of the Company and to report genuine concerns related to the Company and provide for adequate safeguards against victimization of Director(s) or employee(s) who report genuine concerns under the mechanism.

Details of the Whistle Blower Policy / Vigil Mechanism have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report and the same has also been placed on the website of the Company at https://www.indostarhfc.com/investors-corner#investor-services

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CORPORATE SOCIAL RESPONSIBILITY

In terms of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board of Directors at their meeting held on August 12, 2020 *inter-alia* constituted a Corporate Social Responsibility (CSR) Committee.

Details of the composition of the CSR Committee and brief terms of reference have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

The Average net profit of the Company in the last three financial years was negative, the Company was not required to spend any amount towards CSR activities during the period under review. Accordingly disclosures in terms of Section 134(3)(o) and Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, as amended, with respect to CSR activities undertaken by the Company during the year is not applicable.

RISK MANAGEMENT FRAMEWORK

Management information systems, well defined organizational structures, authority matrix and documented policies, processes and codes together constitute the risk management system of the Company. During the year under review, the Board of Directors adopted a codified Risk Management Policy *inter-alia* covering principles of risk management, risk governance, risk identification and categorisation, reporting, assurance and internal audit. The Risk Management Committee of the Board of Directors is *inter-alia* responsible for identifying, monitoring and managing risks that affect / may affect the Company, deciding on the appropriateness of the size and nature of transactions undertaken by the Company, setting up and reviewing risk management policies of the Company and overseeing execution / implementation of risk management practices.

The Risk Management Committee of the Company has not identified any elements of risk which in its opinion may threaten the existence of your Company. Details of the risks and concerns relevant to the Company are discussed in detail in the Management Discussion and Analysis Report which forms part of the Annual Report.

Details of the Risk Framework and Policy have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company's well-defined organisational structure, documented policies, defined authority matrix and internal controls ensure efficiency of operations, compliance with internal system / policies and applicable laws. The internal control system / policies of your Company are supplemented with internal audits, regular reviews by the management and checks by external auditors. The Audit Committee and the Board of Directors monitor the internal controls system / policies of your Company. The Risk Management Committee and the Audit Committee periodically review various risks associated with the business of the

Company along with risk mitigants and ensure that they have an integrated view of risks faced by the Company.

To the best of our knowledge and belief and according to the information and explanations obtained by us, considering the size and operations of the Company and based on the report(s) of Statutory Auditors of the Company and submission(s) by Internal Auditors of the Company for the financial year under review, the Directors are of the view that the internal financial controls with reference to the financial statements of the Company were adequate and operating efficiently and further confirm that:

a) the Company has comprehensive internal financial control systems that are commensurate with the size and nature of its business;
b) the Company has laid down standards, processes and structures which enable implementation of internal financial control systems across the organisation and ensure that the same are adequate and operating effectively;
c) the systems are designed in a manner to provide reasonable assurance about the integrity and reliability of the financial statements;
d) the Company adopts prudent lending policies and exercises due diligence to safeguard its loan asset portfolio; and
e) the loan approval process involves origination and sourcing of business leads, credit appraisal and credit approval in accordance with approved processes / matrices.

CONTRACTS / ARRANGEMENTS WITH RELATED PARTIES AND RELATED PARTY TRANSACTION POLICY

In term of the provisions of the Act and directions issued by NHB / RBI, the Board of Directors adopted a 'Related Party Transaction Policy' to ensure proper approval and reporting of transactions with related parties.

In terms of Section 177 of the Act, directions issued by NHB / RBI read with the Related Party Transaction Policy of the Company and the terms of reference of the Audit Committee, transactions with related parties were placed before the Audit Committee for its approval and omnibus approval of the Audit Committee was obtained for related party transactions of repetitive nature, within the limits prescribed by the Board of Directors. The Audit Committee is updated with respect to related party transactions executed under omnibus approval.

During the year under review, your Company had not entered into any related party transactions covered within the purview of Section 188(1) of the Act, and accordingly, the requirement of disclosure of related party transactions in terms of Section 134(3)(h) of the Act in Form AOC – 2 is not applicable to the Company. All other transactions with related parties, during the year under review, were in compliance with the Related Party Transaction Policy. Further, during the year under review, the Company had not entered into transactions with related parties which could be considered to be 'material' in accordance with the Related Party Transaction Policy of the Company.

Disclosure of the related party transactions as required under Ind AS-24 is reported in Note 31 of the audited financial statements of the Company for the financial year ended March 31, 2021.

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Details of the Related Party Transaction Policy have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

In terms of Section 186(11) of the Act read with Companies (Meetings of Board and its Powers) Rules, 2014, the provisions of Section 186 in respect of loans made, guarantees given, securities provided or any investment by the Company are not applicable to your Company.

ANNUAL RETURN

In terms of Section 134(3)(a) and Section 92(3) of the Act read with the Companies (Management and Administration) Rules, 2014, the Annual Return as at financial year ended March 31, 2021 is available on the website of the Company at https://www.indostarhfc.com/investors-corner#investor-services

EMPLOYEE STOCK OPTION PLANS

In order to motivate and incentivize employees of the Company and for aligning their interest with the interests of the larger group, identified employees of the Company were granted stock options under employee stock option plans of IndoStar Capital Finance Limited, holding company of the Company.

DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

Consistent with its core values, your Company is committed to create an environment in which all individuals are treated with respect and dignity and promote a gender sensitive and safe work environment. Accordingly, the Board of Directors adopted a Care & Dignity Policy and also constituted an Internal Complaints Committee, in compliance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013.

Considering geographic diversification throughout the country and increase in number of employees, the Board of Directors also constituted Regional Internal Complaints Committees for North, West and South regions. The said Committees were re-constituted from time to time, due to appointment / resignation of the employees during the year under review.

During the year under review, no complaints related to sexual harassment were received by the Internal Complaints Committee and the Regional Internal Complaints Committees.

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

Since your Company is engaged in financial services activities, its operations are not energy intensive nor does it require adoption of specific technology and hence information in terms of Section 134(3)(m) of the Act read with the Companies (Accounts) Rules, 2014 is not provided in this Board's Report. Your Company is vigilant on the need for conservation of energy.

During the year under review, your Company did not have any foreign exchange earning nor incurred any foreign currency expenditure.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

During the year under review, no orders have been passed against your Company by any regulator(s) or court(s) or tribunal(s) which would impact the going concern status and / or the future operations of your Company.

DIRECTORS RESPONSIBILITY STATEMENT

To the best of our knowledge and belief and according to the information and explanations obtained by us, pursuant to the provisions of Section 134(3)(c) read with Section 134(5) of the Act, the Directors hereby confirm that:

a) in the preparation of the annual accounts for the financial year ended March 31, 2021, the applicable accounting standards have been followed and no material departures have been made from the same;

b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

c) they 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;

d) they have prepared the annual accounts on a going concern basis; and

e) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

APPRECIATIONS AND ACKNOWLEDGMENT

The Directors take this opportunity to express their appreciation to all the stakeholders of the Company including the National Housing Bank, the Reserve Bank of India, the Ministry of Corporate Affairs, the

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Government of India and other Regulatory Authorities, the Depositories, Bankers, IndoStar Capital Finance Limited - the holding company for their continued support and trust. Your Directors would like to express deep appreciation for the commitment shown by the employees in supporting the Company in achieving continued robust performance on all fronts.

By the Order of the Board of Directors
For IndoStar Home Finance Private Limited

	Benaifer Palsetia	**Shreejit Menon**
Place: Mumbai	Director	Whole-time Director
Date: September 23, 2021	DIN: 08678348	DIN: 08089220

Home Finance Private Limited

H Choudhary & Associates

Company Secretaries

Office: No. 57, Ground Floor, 343-C, Kalbadevi Road, Kalbadevi, Mumbai-400002,
E-mail : csharnath17@gmail.com, Off. : 022-22400055

Form No. MR-3

SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
IndoStar Home Finance Private Limited
CIN: U65990MH2016PTC271587
One World Center, 20th Floor,
Tower 2A, Jupiter Mills Compound,
Senapati Bapat Marg,
Mumbai – 400013

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **IndoStar Home Finance Private Limited** (hereinafter called the "Company") for the audit period covering the financial year ended on March 31, 2021. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2021, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2021 according to the relevant and applicable provisions of:

1. The Companies Act, 2013 ("the Act") and the rules made there;
2. The Securities Contracts (Regulation) Act, 1956 ("SCRA") and the rules made thereunder **(Not Applicable during the Audit Period)**;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
4. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Indirect Foreign Investment.
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act"): -

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 **(Not Applicable during the Audit Period);**
b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulation, 2015 **(Not Applicable during the Audit Period);**
c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation, 2009 and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 **(Not Applicable during the Audit Period);**
d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 **(Not Applicable during the Audit Period);**
e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 **(Not Applicable during the Audit Period);**
f) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 **(Not Applicable during the Audit Period);** and
g) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 **(Not Applicable during the Audit Period).**

6. Based on the representations made by the Company and its officers and our verification of the relevant records on test check basis, the Company has adequate systems and process in place for compliance with the following laws applicable specifically to the Company:
   a) The National Housing Bank Act, 1987 as applicable to Housing Finance Companies;
   b) Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 (effective since 17 February 2021);
   c) Master Direction - Know Your Customer (KYC) Direction, 2016;
   d) Prevention of Money Laundering Act, 2002 and the Rules made thereunder;
   e) Review of regulatory framework for Housing Finance Companies (HFCs) (effective since 22 October 2020 and repealed w.e.f. 17 February 2021)
   f) The Housing Finance Companies (NHB) Directions, 2010 (repealed w.e.f 17 February 2021);
   g) Guidelines on Fair Practices Code for HFCs (repealed w.e.f 17 February 2021);
   h) Housing Finance Companies - Auditor's Report (National Housing Bank) Directions, 2016 (repealed w.e.f 17 February 2021);
   i) Housing Finance Companies - Corporate Governance (National Housing Bank) Directions, 2016 (repealed w.e.f 17 February 2021);
   j) Guidelines on Reporting and Monitoring of Frauds in Housing Finance Companies (repealed w.e.f 22 October 2020); and
   k) Various Circulars, Notifications, Directions, Guidelines, Master Circulars issued by the Reserve Bank of India/National Housing Bank from time to time in respect of Non-Deposit taking Housing Finance Company to the extent applicable.

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by the Institute of Company Secretaries of India.

Other Statutes, Acts, Laws, Rules, Regulations, Guidelines and Standards as applicable to the Company are given below:

(i) Labour Laws and other incidental laws related to employees appointed by the Company either on its payroll or on contract basis, as related to wages, gratuity, provident fund, ESIC, compensation etc.;
(ii) Stamps Acts and Registration Acts of respective states;
(iii) Acts as prescribed under Direct Tax and Indirect Tax;
(iv) Labour Welfare Acts of respective states;
(v) Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013; and
(vi) Such other Local laws as applicable to the Company and its offices/ branches

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Circulars, Notifications, Directions, Guidelines, Standards, etc. mentioned above, except for Para 27A of the Housing Finance Companies (NHB) Directions, 2010 ("NHB Directions"). During Financial Year 2020-21, the National Housing Bank levied a penalty of INR 25,000 plus applicable tax for contravention of the provisions of paragraph 27A of the NHB Directions, pursuant to inspection conducted with reference to the financial position of the Company as at March 31, 2019.

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

Adequate notices were given to all Directors to schedule the Board / Committee Meetings, agenda and detailed notes on agenda were sent in compliance with the provisions of the Act and Rules made thereunder and Secretarial Standards on Board Meetings, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

During the period under review, decisions were carried out through unanimous approval and no dissenting views were observed while reviewing the minutes.

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

We further report that during the audit period the Company has undertaken following event / action having a major bearing on the Company's affairs in pursuance of the above referred laws, acts, rules, regulations, circulars, notifications, directions, guidelines, standards:

(i) On September 8, 2020, the members at the Annual General Meeting *inter-alia* approved the following:

a. Appointment of Deloitte Haskins & Sells LLP, Chartered Accountants, as the Statutory Auditors of the Company to hold office for a period of five years from the conclusion of the ensuing annual general meeting of the Company.
b. Issue of Non - Convertible Debentures under private placement such that the aggregate principal amount of such NCDs does not exceed INR 500,00,00,000 (Rupees Five Hundred crore only) during a period of 1 (one) year from the date of passing Special Resolution.
c. Appointment of Ms. Benaifer Palsetia, Mr. Vibhor Kumar Talreja and Mr. Aditya Joshi, as Non-Executive Non- Independent Directors of the Company.
d. Adoption of restated Articles of Association of the Company.

H Choudhary & Associates
(Practicing Company Secretaries)

Harnatharam N Choudhary Digitally signed by Harnatharam N Choudhary Date: 2021.09.17 15:52:04 +05'30'

CS Harnatharam Choudhary
Proprietor
Membership No: F8274
C P No.: 9369
UDIN-F008274C000461518

Place: Mumbai
Date: 14 June 2021

INDOSTAR HOME FINANCE

REPORT ON CORPORATE GOVERNANCE

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

At IndoStar we believe that sound corporate governance practices are the bedrock for the functioning of the Company and creation of value for its stakeholders on a sustainable and long-term basis. This philosophy guides us in defining and maintaining an ethical framework within which we operate.

BOARD COMPOSITION

The Board of Directors provides direction and exercises appropriate controls over the business and operations of the Company to achieve its objectives. As on March 31, 2021, the Board of your Company comprised 5 Directors of which 4 were Non-Executive Non-Independent Directors and 1 was Executive Director. The composition of the Board of your Company is governed by and is in compliance with the requirements of the Companies Act, 2013 read with Rules framed there under ("Act"), the circulars / directions / notifications issued by the National Housing Bank / Reserve Bank of India ("NHB / RBI Directions") and the Articles of Association of the Company. Brief profile of the Directors is available on the Company's website. None of the Directors of your Company are related to each other.

BOARD AND COMMITTEE MEETINGS

The Board of Directors/ Committee members strive to ensure maximum participation at Board/Committee meetings. The agenda along with detailed notes are circulated to the Director / Members well in advance and all material information is incorporated in the agenda for facilitating meaningful and focused discussions at meetings of the Board and Committees. Directors are given an option of attending Board / Committee meetings through video conference or other audio-visual means in order to ensure effective decision making through increased participation. The agenda along with detailed notes are circulated to the Directors / Members well in advance and all material information is incorporated in the agenda for facilitating meaningful and focused discussions at meetings of the Board and Committees. With a view to leverage technology and to contribute to environment conservation, your Company has uses an electronic Board / Committee Meetings application where the agenda and all supporting documents are hosted online.

BOARD

During the year under review, 7 (seven) meetings of the Board of Directors were convened and held on June 17, 2020, July 03, 2020, July 10, 2020, August 12, 2020, October 07, 2020, November 04, 2020 and February 03, 2021. The intervening gap between the Board Meetings was within the period prescribed under the Act. The required quorum was present at all the above-mentioned meetings. Due to business exigencies, certain decisions were taken by the Board by way of resolutions passed through circulation, from time to time.

Attendance of Directors at Board Meetings of the Company held during financial year ended March 31, 2021 is given below:

Name of Director(s)	No. of meetings attended (No. of meetings held during tenure of Directorship)
Mr. Pankaj Thapar	7(7)
*Mr. Prashant Joshi	4(4)
Ms. Benaifer Gev Palsetia	7(7)
Mr. Shreejit Menon	7(7)
#Mr. Aditya Joshi	5(5)
#Mr. Vibhor Kumar Talreja	5(5)

**Ceased to be a Director from August 12, 2020.*
#Appointed as Director from July 10, 2020.

BOARD COMMITTEES

In terms of the NHB / RBI Directions, the applicable provisions of the Act and the Company's internal corporate governance standards, the Board of Directors has constituted various Committees mentioned herein below and the role of each Committee has been defined by the Board of Directors for effective business operations and governance of the Company.

Minutes of the meetings of all the Committees constituted by the Board of Directors are placed before the Board of Directors for discussion and noting.

AUDIT COMMITTEE

Composition, Meetings and Attendance

The Audit Committee comprises Mr. Pankaj Thapar, Mr. Shreejit Menon, Mr. Aditya Joshi and Mr. Vibhor Kumar Talreja.

During the year under review, 4 (four) meetings of the Audit Committee were convened and held, on June 17, 2020, August 12, 2020, November 04, 2020 and February 03, 2021. The required quorum was present at all the above meetings. The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company held on September 08, 2020.

Composition of the Committee and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Status	No. of Meetings attended (No. of meetings held during tenure)
Mr. Pankaj Thapar	Chairman	4(4)
*Mr. Prashant Joshi	Member	2(2)
Mr. Shreejit Menon	Member	4(4)
#Mr. Aditya Joshi	Member	3(3)
#Mr. Vibhor Kumar Talreja	Member	3(3)

**Ceased to be a Member with effect from August 12, 2020.*
#Appointed as Members with effect from July 10, 2020.

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Subsequent to the year under review, the Audit Committee was reconstituted by appointment of Mr. Munish Dayal as Member of the Committee and cessation of Mr. Pankaj Thapar and Mr. Aditya Joshi as Members of the Committee.

Terms of reference

The terms of reference of the Audit Committee *inter-alia* includes: review and ensure correctness, sufficiency and credibility of the quarterly and annual financial statements of the Company, review with the management financial condition and results of operation, scrutiny of inter-corporate loans and investments, recommend appointment / re-appointment / removal of Statutory and Internal Auditors, review, approve and monitor transactions with related parties, review and monitor any frauds perpetrated against the Company, review, approve and monitor transactions with related parties, reviewing, monitoring and evaluating the internal control system including internal financial controls and risk management system, review and monitor, with the management, the functioning and compliance of relevant policies adopted by the Company and ensure that Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company.

The Board of Directors has accepted and implemented the recommendations made by the Audit Committee during the year under review.

NOMINATION & REMUNERATION COMMITTEE

Composition, Meetings and Attendance

The Nomination & Remuneration Committee comprises Mr. Pankaj Thapar, Mr. Aditya Joshi and Mr. Vibhor Kumar Talreja.

During the year under review, the Committee met on July 10, 2020.

Composition of the Committee and the details of attendance by the Members at the meeting held during the year under review are as under:

Name of the Members	Status	No. of Meetings attended (No. of meetings held during tenure)
Mr. Pankaj Thapar	Member	1(1)
*Mr. Prashant Joshi	Member	1(1)
#Mr. Aditya Joshi	Member	0(0)
#Mr. Vibhor Kumar Talreja	Member	0(0)

**Ceased to be a Member with effect from August 12, 2020.*
#Appointed as Members with effect from July 10, 2020.

Subsequent to the year under review, the Nomination & Remuneration Committee was reconstituted by appointment of Mr. Munish Dayal as Member of the Committee and cessation of Mr. Pankaj Thapar and Mr. Aditya Joshi, as Members of the Committee.

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Terms of reference

The terms of reference of the Nomination & Remuneration Committee *inter-alia* includes: identifying personnel qualified to be appointed as Directors or in the Senior Management of the Company, formulating criteria for determining qualification, positive attributes, 'fit and proper' person status of Directors, deciding on specific remuneration packages and recommending policy on remuneration of the Executive Directors, the Non-Executive Directors (including the Independent Directors) and senior level employees, formulate criteria for evaluation of Directors, the Board and its Committee(s) and ensure that there is no conflict of interest in appointment of Directors and their independence is not subject to potential threats.

RISK MANAGEMENT COMMITTEE

Composition, Meetings and Attendance

The Risk Management Committee comprises Mr. Pankaj Thapar, Mr. Shreejit Menon, Mr. Aditya Joshi, Mr. Vibhor Kumar Talreja and Mr. Amol Joshi.

During the year under review, 2 (two) meetings of the Risk Management Committee were convened and held, on June 17, 2020 and November 04, 2020. The required quorum was present at the above meetings.

Composition of the Committee and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Status	No. of Meetings attended (No. of meetings held during tenure)
Mr. Pankaj Thapar	Member	2(2)
*Mr. Prashant Joshi	Member	1(1)
Mr. Shreejit Menon	Member	2(2)
Mr. Amol Joshi	Member	2(2)
#Mr. Aditya Joshi	Member	1(1)
#Mr. Vibhor Kumar Talreja	Member	1(1)

** Ceased to be a Member with effect from August 12, 2020.*
 # Appointed as Member with effect from July 10, 2020.

Subsequent to the year under review, the Risk Management Committee was reconstituted by appointment of Mr. Munish Dayal as Member of the Committee and cessation of Mr. Pankaj Thapar and Mr. Aditya Joshi, as Members of the Committee.

Terms of reference

The terms of reference of the Risk Management Committee *inter-alia* includes: identifying, monitoring and managing risks that affect / may affect the Company, deciding on the appropriateness of the size and nature of transactions undertaken by the Company, setting up and reviewing risk management policies of the Company, from time to time, overseeing execution/implementation of risk management practices, reviewing the minutes or

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document referred to it by Asset Liability Management Committee for opinion/directions for risk management on an integrated basis.

ASSET-LIABILITY MANAGEMENT COMMITTEE

Composition, Meetings and Attendance

The Asset Liability Management Committee comprises Mr. Shreejit Menon, Mr. Pankaj Thapar, Mr. Amol Joshi, Mr. Prashant Shetty, Mr. Jayant Gunjal, Mr. Aditya Joshi and Mr. Vibhor Kumar Talreja.

During the year under review, 2 (two) meetings of the Asset-Liability Management Committee held, on June 17, 2020 and November 04, 2020. The required quorum was present at all the above meetings. Due to business exigencies, certain decisions were taken by the Committee by way of resolutions passed through circulation, from time to time.

Composition of the Committee and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Status	No. of Meetings attended (No. of meetings held during tenure)
Mr. Shreejit Menon	Member	2(2)
Mr. Pankaj Thapar	Member	2(2)
Mr. Amol Joshi	Member	2(2)
Mr. Prashant Shetty	Member	2(2)
Mr. Jayant Gunjal	Member	1(2)
*Mr. Aditya Joshi	Member	1(1)
*Mr. Vibhor Kumar Talreja	Member	1(1)

**Appointed as Member from July 10, 2020.*

Subsequent to the year under review, the Risk Management Committee was reconstituted by appointment of Mr. Munish Dayal as Member of the Committee and cessation of Mr. Pankaj Thapar and Mr. Aditya Joshi, as Members of the Committee.

Terms of reference

The terms of reference of the Asset Liability Management Committee *inter-alia* includes: monitoring the asset liability composition of the Company's business, determining actions to mitigate risks associated with the asset liability mismatches, determining and reviewing the current interest rate model of the Company, approve proposals and detailed terms and conditions of borrowings from banks and reviewing the borrowing programme of the Company.

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CORPORATE SOCIAL RESPONSIBILITY ("CSR") COMMITTEE

Composition

During the year under review the Board of Directors constituted the Corporate Social Responsibility Committee ('CSR Committee') comprising Ms. Benaifer Palsetia, Mr. Aditya Joshi and Mr. Vibhor Kumar Talreja.

During the year under review, no meeting of the CSR Committee was held.

Subsequent to the year under review, the CSR Committee was reconstituted by appointment of Mr. Munish Dayal as Member of the Committee and cessation of Mr. Aditya Joshi as Member of the Committee.

Terms of reference

The terms of reference of the CSR Committee *inter-alia* includes: formulating and monitoring the CSR Policy, recommending to the Board the amount and area of CSR expenditure, implementation and monitoring the CSR Projects.

GRIEVANCE REDRESSAL COMMITTEE

Composition and Meetings

The Grievances Redressal Committee comprises Ms. Jaya Janardanan (Grievance Redressal Officer) and Mr. Shreejit Menon.

During the year under review, the Grievances Redressal Committee was re-constituted by appointment of Ms. Jaya Janardanan as member of the Committee and cessation of Mr. Prashant Joshi as Member of the Committee.

During the year under review, the Committee met on August 12, 2020 and Mr. Prashant Joshi and Mr. Shreejit Menon were present at the meeting.

Terms of reference

The terms of reference of the Grievances Redressal Committee *inter-alia* includes: addressing complaints of borrowers or customers of the Company, including but not limited to, applications for loans and their processing, loan appraisal and its terms/conditions, disbursement of loans, change in terms and conditions and any other grievances that a borrower or customer may have against the Company.

The status of customer complaints pending at the beginning of the year, received during the year, redressed during the year and pending at the end of the year, forms part of notes to the audited financial statements of the Company for the financial year ended March 31, 2021.

Indostar Home Finance Private Limited

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In addition, for the purpose of effective implementation of the Fair Practices Code, the Committee has also adopted a Grievance Redressal Mechanism which *inter-alia* assists in communicating to the customers the modes available to them for getting their grievances addressed fairly to their satisfaction.

INTERNAL COMPLAINTS COMMITTEE

Composition and Meetings

In terms of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, the Board of Directors constituted an Internal Complaints Committee. Further, considering geographic diversification throughout the country and increase in number of employees, the Board of Directors also constituted Regional Internal Complaints Committees for the North, West and South regions.

The Internal Complaint Committee comprises Ms. Benaifer Palsetia (Presiding Officer), Mr. Shreejit Menon, Mr. Jitendra Bhati, Ms. Jaya Janardanan and Ms. Srividya Sriram (External Member from an association committed to the cause of women).

No complaints related to sexual harassment were received by the Committee(s) during the year under review.

Terms of Reference

The terms of reference of the Internal Complaints Committee *inter-alia* includes: conducting an inquiry into complaints made by any aggrieved woman at the workplace and arrive at a conclusion as to whether the allegation for which the complaint has been filed is proved or not and take necessary action to resolve the complaints, preparing annual report for each calendar year and submitting of the same to the Board of Directors, the District Officer and such other officer as may be prescribed, and monitoring and implementing the Company's Care and Dignity Policy.

INDENTIFICATION AND REVIEW COMMITTEE

Composition

The Identification and Review Committee comprises Mr. Shreejit Menon, Mr. Shripad Desai and Mr. Mohit Mairal.

Terms of reference

The terms of reference of the Identification and Review Committee *inter-alia* includes examining of evidence of wilful default and analyzing whether a borrower, its promoter / whole-time director should be categorized as a wilful defaulter.

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MANAGEMENT COMMITTEE

Composition:

The Management Committee comprises Mr. Pankaj Thapar, Mr. Amol Joshi and Mr. Shreejit Menon.

During the year under review, the Management Committee was reconstituted by cessation of Mr. Prashant Joshi as Member of the Committee.

Subsequent to the year under review, the Management Committee was reconstituted by cessation of Mr. Pankaj Thapar as Member of the Committee.

Meetings: The Committee meets on multiple occasions as and when required.

Terms of Reference:

The Board of Directors constituted the Management Committee as the principal forum for taking operational decisions for the effective functioning of the Company in terms of authority / responsibility delegated by the Board of Directors / Committees from time to time.

CODES AND POLICIES

In terms of the NHB / RBI Directions, provisions of the Act, various other laws applicable to the Company and as a part of good corporate governance and also to ensure strong internal controls, the Board of Directors has adopted and amended from time to time, several codes / policies / guidelines which amongst others includes the following:

Internal Guidelines on Corporate Governance

In terms of the NHB / RBI Directions and in order to adopt best practices and facilitate greater transparency in operations, the Board of Directors adopted the 'Internal Guidelines on Corporate Governance'.

The Internal Guidelines on Corporate Governance covers areas related to corporate governance and compliance *inter-alia* with respect to the Board, the Committees constituted by the Board, auditors, conflict of interest and reference to other code(s), policy (ies), Article of Associations in connection with functioning of the Board / Committees and performance evaluation of Board and individual Directors of the Company. The Internal Guidelines on Corporate Governance is available on the website of the Company at https://www.indostarhfc.com/investors-corner#investor-services.

Fair Practices Code

In terms of the NHB / RBI Directions , the Board of Directors adopted a 'Fair Practices Code' which *inter-alia* deals with matters related to manner of application for loans, their processing, loan appraisal, terms / conditions and disbursement of loans and changes in

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terms and conditions of loans sanctioned, confidentiality of customer data and manner of collection of dues.

In terms of the Fair Practices Code, to provide best customer services and to ensure speedy redressal of customer grievances, the Grievances Redressal Committee adopted a 'Customer Grievance Redressal Mechanism' which includes the manner in which complaints can be registered by a customer and the manner of resolution of complaints by the Company. The Fair Practices Code and the Grievance Redressal Mechanism are available on the website of the Company at https://www.indostarhfc.com/investors-corner#investor-services.

Investment and Loan Policy

Pursuant to the requirements of the NHB / RBI Directions to have a documented policy for investment and demand / call loans granted by the Company, the Board of Directors has adopted an 'Investment and Loan Policy' which also includes specific provisions for demand / call loans.

The Investment and Loan Policy *inter-alia* covers, for investments - the criteria to classify the investments into current or long term investments, transfer of investments, norms for depreciation / appreciation, categorisation, valuation and manner of transacting in government securities; and for lending - specific provisions for demand / call loans, asset classification and provisioning requirements.

Policy on Single / Group Exposure Norms

In line with the requirements of the NHB / RBI Directions, the Board of Directors has adopted a 'Policy on Single / Group Exposure Norms'.

The Policy on Single / Group Exposure Norms *inter-alia* intends to align the loan / investment amounts of the Company to the repayment capacity / servicing ability of the borrower and spread exposures over a large number of borrowers / entities and to contain the impact of market, economic and other movements on the loan / investment portfolio of the Company and exposure limits, in line with the regulatory framework.

Policy on Know Your Customer ("KYC") Norms and Anti Money Laundering ("AML") Measures ("KYC & AML Policy")

In terms of the NHB / RBI Directions, the Prevention of Money Laundering Act, 2002 and rules made thereunder, the Board of Directors adopted a 'KYC & AML Policy' which *inter-alia* incorporates your Company's approach towards KYC norms, AML measures and combating of financing of terrorism ("CFT").

The KYC & AML Policy provides a comprehensive and dynamic framework and measures relating to KYC, AML and CFT to be considered while conducting business. The primary objective of the Policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.

Policy on Valuation of Property and Collateral

In order to ensure correct and realistic valuation of properties or fixed assets owned by housing finance companies and that accepted by them as security, NHB/RBI Directions requires housing finance companies to put in place a system / procedure for realistic valuation of properties / fixed assets and also for empanelment of valuers for the purpose. In terms of the said circular, the Board of Directors of the Company has adopted Policies on Valuation of Property.

The said Policy(ies) *inter-alia* outlines various aspects to be considered for collateral accepted for exposures, valuation of immovable properties, revaluation of fixed assets owned by the Company and procedure for empanelment of professional valuers.

Interest Rate Policy

The Company determines pricing of loans in a transparent manner. In terms of the requirement of NHB/RBI Directions, to have a policy document for interest rates being charged on loans disbursed by the Company and the Fair Practices Code of the Company, the Board of Directors adopted an 'Interest Rate Policy'.

The Interest Rate Policy of the Company *inter-alia* outlines the manner and factors to be considered while determining interest rate applicable to a particular loan and the approach of the Company for gradation of risk. The range of Annualised Rate of Interest that can be charged by the Company across its different business segments is mentioned in the Interest Rate Policy. Since the Company focuses on providing credit only to customers meeting its credit standards for varying tenors, the interest rate to be charged is assessed on a case-to-case basis, based on the evaluation of various factors and within the range prescribed in the Interest Rate Policy. The Interest Rate Policy is available on the website of the Company.

Asset Liability Management Policy ("ALCO Policy")

In terms of requirements of the NHB / RBI Directions, the Board of Directors adopted an Asset Liability Management Policy.

The Asset Liability Management Policy provides a comprehensive and dynamic framework for assessing, measuring, monitoring and managing ALM risks. The policy describes the process that should be followed by the ALCO to evaluate the effectiveness of the Company's internal control procedures with respect to managing ALM risks.

Fraud Risk Policy

In terms of NHB / RBI Directions to strengthen the reporting and monitoring system relating to fraudulent transactions reported by housing finance company(s), the Board of Directors adopted a 'Fraud Risk Policy'.

The Fraud Risk Policy *inter-alia* sets out the responsibility of employees and management in relation to reporting of fraud or suspected fraud within the Company. The Fraud Risk Policy applies to any irregularity or suspected irregularity, involving employees, borrowers and where appropriate consultants, vendors, contractors, outside agencies doing business with the Company or employees of such agencies, and / or any other parties having a business relationship with the Company.

Model Code of Conduct for Direct Selling Agents

In terms of NHB / RBI Directions, the Board of Directors has adopted a Model Code of Conduct for Direct Selling Agents ("Code") for adoption and implementation by DSAs while operating as agents to market the financial products of the Company. The Code provides guidance with respect to their conduct while dealing with customers/prospective customers on behalf of the Company.

Information Technology related Policies and Processes

In terms of the NHB / RBI Directions, the Board of Directors adopted various polices for Information Technology (IT) risk management, resource management and performance management, of IndoStar Capital Finance Limited, the holding Company of the Company, which *inter-alia* include the 'IT Policy', 'Information Security Policy', 'Cyber Security Policy', 'IS Audit Policy', 'Logical Access Management Policy', 'Change Management Policy', 'Backup Management & Restoration Policy', 'Asset Management Policy', 'Capacity Management Policy' and 'IT Outsourcing Policy'.

Mechanism for Identification of Wilful Defaulters

In terms of the NHB / RBI Directions, the Board of Directors adopted a Mechanism for Identification of Wilful Defaulters which *inter-alia* outline the process to be followed for identification and reporting of willful default, so that the penal provisions are not misused and the scope of discretionary powers were kept to the barest minimum.

Risk Management Policy

In terms of the NHB / RBI Directions and in order to integrate various elements of risk management embodied in the business and administrative aspects of the Company into a single enterprise-wide policy, the Board of Directors adopted a Risk Management Policy. The policy *inter-alia* covers Principles of Risk Management, Risk Governance, Risk Identification and Categorisation, Reporting, Assurance and Internal Audit.

COVID - 19 Moratorium Policy

In recognition of the fact that it was important to mitigate the burden of debt servicing brought by disruptions on account of the fall-out of the COVID-19 pandemic, in line with NHB / RBI Directions issued in this regard, the Board of Directors of the Company adopted a COVID-19 Moratorium Policy – I & II, to provide moratorium to eligible borrowers in payment of Principal and Interest *inter-alia* outlining the eligibility of borrowers, loan products covered, key features, asset classification guidelines and implementation plan for moratorium to be granted to eligible borrowers.

Policy for resolution framework for customers facing COVID-19 related stress

The RBI provided a window under its Prudential Framework for Resolution of Stressed Assets, to enable lenders to implement a resolution plan for borrowers who are undergoing stress on account of COVID-19. In line with aforesaid the Board of Directors of the Company adopted a 'Policy for resolution framework for customers facing COVID-19 related stress' *inter-alia* detailing the manner in which evaluation of eligible borrowers and viability of the resolution plan and the objective criteria that should be applied while considering the resolution plan in each case.

Expected Credit Loss Policy

In order to promote high quality and consistent implementation of Accounting Standards as well as to facilitate comparison and better supervision of the financial parameters of the Company and in line with the NHB / RBI Direction, the Board of Directors adopted the Expected Credit Loss Policy to outline sound methodologies that address policies, procedures and controls for assessing and measuring credit risk on all lending exposures commensurate with the size, complexity and risk profile specific to the Company for computation of Expected Credit Losses, the Board of Directors adopted the 'ECL Policy'.

Policy on Selection Criteria / "Fit & Proper" Person Criteria

In terms of provisions of the NHB / RBI Directions , the Board of Directors adopted a 'Policy on Selection Criteria / "Fit and Proper" Person Criteria' which lays down a framework relating to appointment of Director(s) and senior management personnel including key managerial personnel of the Company.

The Policy on Selection Criteria / "Fit and Proper" Person Criteria *inter-alia* includes:

- Manner / process for selection of Directors and senior management personnel including key managerial personnel;
- Criteria to be considered for appointment of Directors including qualifications, positive attributes, fit and proper person status;
- Criteria to be considered for appointment in senior management of the Company.

In terms of the Policy on Selection Criteria / "Fit and Proper" Person Criteria, the Nomination & Remuneration Committee is primarily responsible for:

- Guiding and recommending to the Board of Directors the appointment and removal of Director(s), senior management personnel and key managerial personnel;
- Ensuring "Fit and Proper" Person status of proposed / existing Director(s)

The Policy on Selection Criteria / "Fit & Proper" Person Criteria is available on the website of the Company at https://www.indostarhfc.com/investors-corner#investor-services.

Whistle Blower Policy / Vigil Mechanism

In terms of requirements of the provisions of the Act, the Board of Directors adopted a codified 'Whistle Blower Policy / Vigil Mechanism' *inter-alia* to provide a mechanism for Directors and employees of the Company to approach the Audit Committee and to report genuine concerns related to the Company and to provide for adequate safeguards against

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victimization of Director(s) or employee(s) who report genuine concerns under the mechanism.

The Vigil Mechanism provides a channel to report to the management concerns about unethical behavior, actual or suspected fraud or violation of various codes or policies of the Company and provides adequate safeguards against victimization of persons who use such mechanism. The mechanism provides for direct access to the Chairman of the Audit Committee in appropriate or exceptional cases. No person has been denied access to Audit Committee. The policy is uploaded on the website of the Company at https://www.indostarhfc.com/investors-corner#investor-services.

Related Party Transaction Policy

In terms of the provisions of the Act and NHB / RBI Directions, the Board of Directors adopted a 'Related Party Transaction Policy' to ensure proper approval and reporting of transactions between the Company and its related parties.

The Related Party Transaction Policy *inter-alia* sets out criteria for identifying material related party transactions and includes the process and manner of approval of transactions with related parties, identification of related parties and identification of potential related party transactions. In terms of the Related Party Transaction Policy of the Company, any transaction with any related parties shall be considered to be appropriate only if it is in the best interests of the Company and its shareholders. The Related Party Transaction Policy is available on the website of the Company at https://www.indostarhfc.com/investors-corner#investor-services.

Code of Conduct for Directors & Employees

As an initiative towards setting out a good corporate governance structure within the organization, the Board of Directors adopted a comprehensive 'Code of Conduct for Directors and Employees' which is applicable to all the Directors and employees of the Company to the extent of their role and responsibilities in the Company. The code provides guidance to the Directors and employees to conduct their business affairs ethically and in full compliance with applicable laws, rules and regulations.

Board Performance Evaluation Policy

In terms of the provisions of the Act, the Board of Directors adopted a 'Board Performance Evaluation Policy' to set out a formal mechanism for evaluating performance of the Board, that of its Committee(s) and individual Directors. Additionally, in order to outline detailed process and criteria for performance evaluation, the Nomination & Remuneration Committee has put in place the 'Performance Evaluation Process – Board, Committees and Directors', which forms an integral part of the Board Performance Evaluation Policy.

The manner in which formal annual evaluation of the performance of the Board, its Committees and individual Directors is conducted is given below:

- A structured questionnaire prepared in accordance with the Board Performance Evaluation Policy and Performance Evaluation Process, *inter-alia* setting out criteria for evaluation of performance of the Executive and Non-Executive Directors, the Board as a collectively entity and of Committees, is circulated to each member of the Board.
- Based on feedback of each member of the Board and in light of the criteria prescribed in the Performance Evaluation Process, the Board analyses its own performance, that of its Committees and each Director.

Loan policy for Non-Housing loans to Corporates

In order to enable the Company to grant loans to corporate borrowers (public or private limited and limited liability partnerships, but not trusts) including by way of subscription to non-convertible and / or other debt securities, which are not meant to be used for the purpose of home finance, construction finance or loan against property i.e. Corporate Loans, the Company adopted the 'Loan policy for Non-Housing loans to Corporates'. The said policy prescribes broad parameters for non-housing loans viz. limits, reporting, commercial terms, and asset classification & provisioning requirements.

Anti-Corruption Policy

To further affirm Company's zero-tolerance approach towards corruption, to act professionally with integrity in all its business dealings and relationships wherever it operates and to conduct its business in an honest and ethical manner by preventing / countering corruption within the organisation, the Board of Directors adopted an 'Anti-Corruption Policy'.

The Anti-Corruption Policy *inter-alia* aims to prohibit the Company's personnel, and any other entity or person acting for or on behalf of the Company from offering, providing or receiving prohibited gratuities, bribes, gifts, entertainment, facilitating payments, or anything of value to or for the benefit of a government official or any other person contrary to anti-corruption laws or engaging in activities or transactions with sanctioned or blacklisted countries or individual parties contrary to applicable laws or engaging in any corrupt, fraudulent, coercive or collusive practice.

In order to digitize the process of registering complaints *inter-alia* under the Anti-Corruption Policy and to maintain a complete record of complaints raised till closure, the Company has availed an online platform and telephonic hotline no. Further, employees have been made aware of this mode of raising complaints.

Care and Dignity Policy

Consistent with our core values, the Company is committed to create an environment in which all individuals are treated with respect and dignity and promote a gender sensitive safe work environment. The Company has zero tolerance to any form of sexual discrimination and / or harassment and hence has adopted a 'Care and Dignity Policy' to ensure that its employees are not subjected to any form of discrimination and / or sexual harassment.

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Record Retention Policy

In order to facilitate operations by promoting efficiency in record keeping, eliminating accidental destruction of valuable records and in compliance with various laws applicable in this regard, the Board of Directors adopted a 'Record Retention Policy'.

The Record Retention Policy provides for the systematic review, retention, and destruction of records and documents received or created by the Company.

Resource Planning Policy

In terms of the requirement of the NHB / RBI Directions, to have a documented policy with respect to resource planning for every year, the Board of Directors adopted a 'Resource Planning Policy' for the year under review. The Resource Planning Policy of the Company *inter-alia* promotes discipline in resource planning and raising of funds *inter-alia* through private placement of non–convertible debentures, bank borrowings, loan assignment and issuance of commercial paper, etc. and also covers the planning horizon and the periodicity of fund raising by the Company.

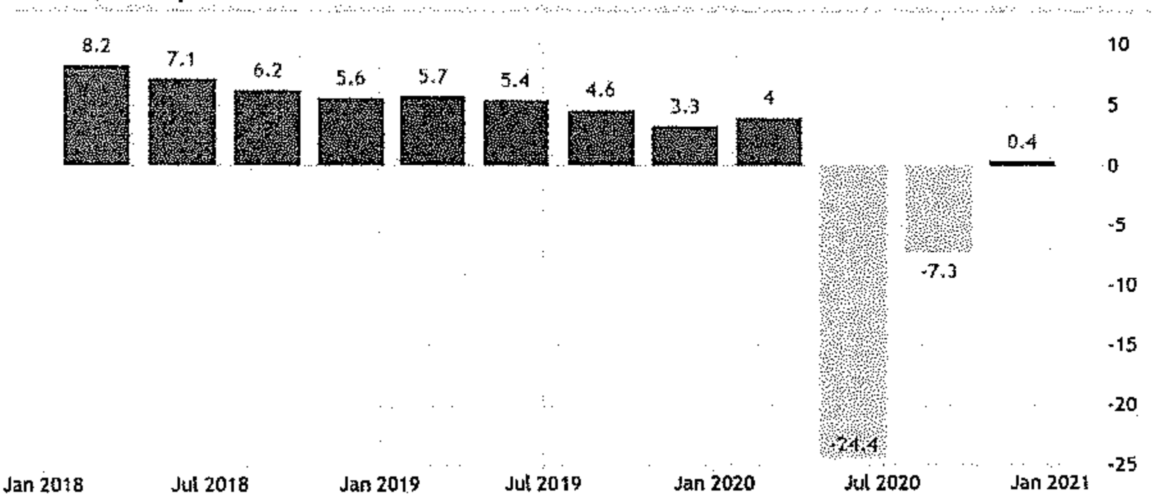
Management Discussion and Analysis

Indian Economy

The Financial Year (FY) 2020-21 began on a difficult note with lockdowns and other constraints on business activity and individual mobility, due to the outbreak of the Corona Virus pandemic. Beyond essential services, economic activity came to a standstill in the early months and this caused great economic hardship to individuals and enterprises. After the Indian economy faced its worst contraction in FY 2019-20 at 8% due to the Covid-19 shock, economic activity rebounded in the fiscal year FY2020-21 at 11%, due to continued economic recovery boosted by increased public investment, vaccine roll-out, and an uptick in domestic demand.

The Indian economy posted negative growth of 24.4% and 7.3% in the first and second quarter of the fiscal year. However, once the lockdowns were lifted, the economy witnessed a turnaround. In the third quarter of the financial year, growth turned positive, clocking a marginal 0.4%. The government's boost to public investment through its infrastructure push, incentives for manufacturing and continued support to boost rural incomes supported India's accelerated recovery.

India's Quarterly GDP Growth



SOURCE: TRADINGECONOMICS.COM | MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION (MOSPI)

Sectors that contributed to GDP growth in the second half of FY 2020-21 were Agriculture, Forestry & Fishing, which expanded by 3.9%. In addition, Manufacturing, Electricity, Gas, Water Supply and Other Utility Services, Construction and Financial, Real Estate & Professional Services also demonstrated growth in various magnitudes between September and December, 2020. The Nikkei Manufacturing Purchasing Manager's Index (PMI) reached its highest mark since January 2012, supported by accelerated increases in new orders and production. Further, after six months of continuous fall, India's goods exports have posted a 5.27% YoY growth in September 2020, with some crucial sectors, such as readymade garments, engineering goods, petroleum products, pharmaceuticals and carpets on an upswing. Most importantly, data on the primary sector, agricultural sector and rural segments reflected strength. The demand for durable goods, agriculture equipment, tractors and vehicles increased during the year.

Outlook

However, an uncertain pandemic trajectory with a prolonged second wave, despite the vaccination push, could affect India's economic normalization. There are concerns that it will derail what has been a promising recovery in the economy, profits and credit metrics. However, a faster vaccine roll-out is expected to boost urban demand for services, while rural demand will be boosted by robust agriculture growth and continued government support to farmers. Forecast of a normal monsoon and bumper harvest of summer crops will further boost the agriculture sector.

Until the renewed outbreak, the Economic Survey had forecast India's GDP to bounce back to 11% during FY2022, on the lower base of the previous year's overall negative growth. However, in the light of the second wave forcing many states to announce lockdowns and night curfews, which are expected to delay a strong recovery in domestic economic activity, Standard and Poor's cautioned that India's growth could be 1.2-2.8 percentage points lower than its 11% GDP growth estimate for 2021-22. The Finance Ministry has also moderated its growth estimate to within the 9.5-10% range.

Government's Stimulus Packages

First Package

In response to the trying times, the Government of India had announced a series of stimulus packages during the year to protect the most vulnerable sections of the society and to support enterprises that were most affected. The AtmaNirbhar Bharat Abhiyaan announced in May, 2020, included a special economic package of Rs 20 lakh crore (equivalent to 10% of India's GDP) in five tranches between 13th May to 15th May, 2020. The aim behind this initiative was to make India independent against the tough competition in the global supply chain, and to protect and empower the poor and the migrant labourers who were most adversely affected by the COVID outbreak.

Amongst the plethora of schemes and policies initiated, it aimed at boosting liquidity in the financial sector by announcing a Rs 450 billion partial credit guarantee scheme for NBFCs, and a Rs 300 billion special liquidity scheme for NBFCs, housing finance companies (HFCs) and MFIs.

To facilitate the housing sector and trigger all the backward and forward linkages that it supported, the Credit Linked Subsidy Scheme for Middle Income Group (MIG), i.e., those with an annual income between Rs 6 lakh and Rs 18 lakh was extended up to March 2021. The government estimated that this would lead to an investment of over Rs 70,000 crore in the housing sector. Further, to support the real estate sector, COVID-19 was to be treated as an event of "Force Majeure" under Real Estate Regulatory Authority (RERA) by states/union territories and their Regulatory Authorities. An extension of six months was given on registration and completion dates of all registered projects expiring on or after March 25, 2020, without individual applications. It was decided to further increased this by three more months at the discretion of the regulatory authorities. Partial bank guarantees would also be released by government agencies to ease the cash flows.

Second package

In mid-October, 2020, the government announced a second stimulus package of ₹ 46,675 crore, primarily aimed at boosting demand. It encouraged government employees to spend through leave travel concession vouchers and pre-paid special festival advances. It also prompted capital investment by states via 50-year interest-free loans from the Centre, and capital spending on infrastructure projects by the Centre during the year 2020-21. The Finance Minister estimated these measures to create additional demand to the extent of around USD 10 billion.

Third package

In November 2020, the Government announced AtmaNirbhar 3.0, a stimulus package with 12 measures rolled out to boost employment in the formal and informal economy of India. This was aimed at facilitating housing infrastructure and enhancing the ease of doing business, among other things. It also announced new production-linked incentives (PLIs) under another Rs 2 trillion PLI scheme for 10 major manufacturing sectors.

Union Budget 2021-22

The macro-economic policies announced in the Union Budget focused on stabilising growth, boosting public infrastructure and capital expenditure. It contained significant increases on health and capital expenditure and proposed far-reaching reforms. The proposals centered on six key pillars – health and well-being; physical and financial capital, and infrastructure; inclusive development for aspirational India; reinvigorating human capital; innovation and R&D; and 'Minimum Government, Maximum Governance'. Despite indicating substantial government spending over the next five years, the Budget announced no major new taxes or levies.

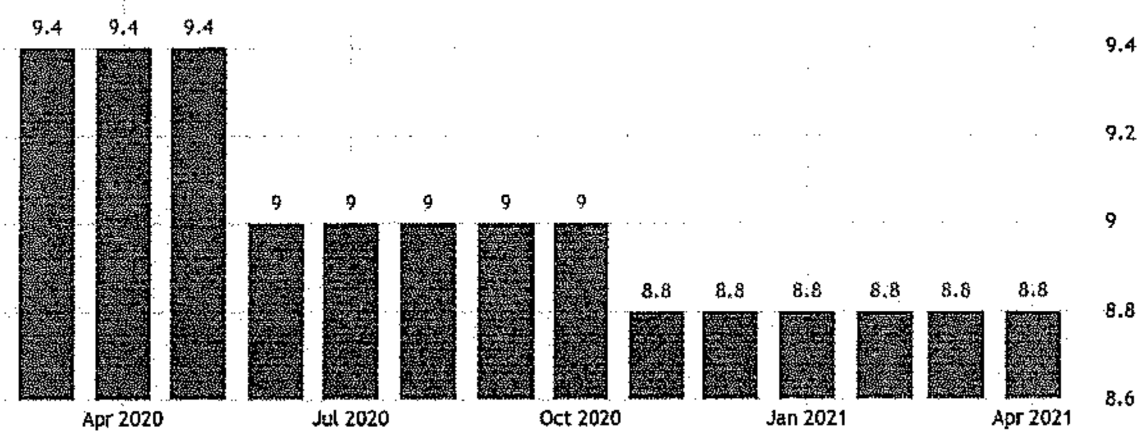
To boost demand in the sluggish real estate sector, the Budget proposed to extended an additional tax deduction of Rs 1.5 lakh (over and above Rs 2 lakh introduced in Budget 2019) on interest paid on housing loans for the purchase of affordable homes by one more year to March 31, 2022. The finance minister also affirmed that the government considered 'Housing for All' and affordable housing as priority areas. Accordingly, she proposed a tax exemption for notified Affordable Rental Housing Projects.

Central bank initiatives

The Reserve Bank of India (RBI) steered the monetary environment to become more accommodative during the year. It reduced the Cash Reserve Ratio (CRR) and increased the marginal standing facility (MSF), amongst other measures, to boost liquidity in the economy. Further, special refinance facilities worth Rs 50,000 crore were announced for National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and National Housing Bank (NHB) at policy repo rate. Most importantly, a moratorium was announced on payment of installments and interest on working capital facilities for all types of loans.

On the interest rate front, in 2020, RBI cut the repo rates. That drove home loan interest to a record-low of 7%. In order to make homebuying more lucrative, many banks reduced their interest on home loans, as this category of loans is the safest among all. Amid a general slowdown in retail credit growth, banks were targeting growth in home loans.

As a result of various measures, since April 2020, the Prime Lending Rate (the average rate of interest charged on loans by five major banks) has been on a downward trend.



SOURCE: TRADINGECONOMICS.COM | RESERVE BANK OF INDIA

The cumulative CPI inflation for the year increased to 6.16% for April-March FY2021 from 4.77% in April-March FY2020, while headline inflation for the year remained within the tolerance band at 5%. On account of various factors which could text the tolerance band, the RBI raised its projection of CPI for FY 2021-22 to 5.2% for Q1, 5.2% for Q2, 4.4% for Q3 and 5.1% for Q4, with risks broadly balanced. These factors included the south-west monsoon in its 2021 season and its impact on food inflation, some respite from the incidence of domestic taxes on petroleum products a combination of high international commodity prices and logistics costs may push up input price pressures across manufacturing and services.

The central bank, in its April 2021 MPC meet, assured that it would continue to do whatever it takes to preserve financial stability and to insulate domestic financial markets from global spill-overs and the consequent volatility. It also urged market participants to take heed of its actions, communication and signals in a balanced manner so that the monetary and financial system could together overcome the challenges and lay the foundations for a durable recovery beyond the pandemic.

Industry Overview

Housing Sector

Even as India's housing finance sector is riding a multi-year growth story on account of a growing population, increased aspirations, government incentives and stable real estate prices, there was a setback for the most of 2020-21 on account of the COVID-19 pandemic. There was a decline in non-bank credit growth, which commenced in the second half of fiscal 2019, continuing through fiscal 2020, accentuated first by the ongoing economic slowdown and thereafter by the pandemic. Last few years saw a slowdown in housing demand due to several disruptions including demonetisation, implementation of Goods & Services Tax, implementation of the Real Estate (Regulation and Development) Act, and most recently, outbreak of the Covid-19 pandemic and the resultant nationwide lockdowns.

India continues to face a grave housing shortage. According to a report by an RBI-appointed Committee (September 2019), the housing shortage in India is estimated to increase to 100 million units by 2022. Of this, 95% is expected to be in housing for the Lower Income Group (LIG) and economically weaker sections (EWS) of the society, while the remaining 5% of the shortage accounted for housing for the Middle-Income Group (MIG) or above. According to the Committee Report, the total incremental housing loans demand required to address the shortage is in the region of Rs 50 trillion to Rs 60 trillion. India's home loan market is segmented into the salaried and self-employed segments, on count of customer type. According to ICRA, the salaried segment accounted for ~88% market share in 2020. By tenure, the market was segmented up to 5 years, 6-10 years, 11-24 years, and 25-30 years, with the 11-24 year segment accounting for the highest share (preferred tenure being 20 years).

Affordable Housing

The affordable housing finance segment is the largest – and also the most challenging - within India's housing finance sector. India's typical affordable HFC customer lives in Tier-2, Tier-3 and Tier-4 cities. Most of these customers are new to the concept of credit, earns a low informal income, may not possess income documents and are usually self-employed. These factors lead us to use of specialized expertise in addition to what has been used in conventional lending. According to ICRA, this segment is expected to continue growing at a faster pace than the overall industry.

There is a huge gap in demand and supply of housing both in the urban and rural areas. This gap is especially prominent in the Lower income group (LIG) and Economic weaker section (EWS) of society. According to an RBI-appointed Committee on the Development of housing finance securitisation market (September 2019), the housing shortage in India is expected to increase to 100 million units by 2022. More pertinently, 95% of this shortage is in the LIG and EWS segments, while the remaining 5% fall in the middle-income group or above.

Acknowledging the importance of providing affordable housing to these sections, the Government has initiated various measures. As far back as 2007, the National Urban Housing and Habitat Policy (NUHHP)was set up with the objective of Affordable Housing for All as its key focus.

Later, the Government set 2022 as the target year to realize the objective of Housing for All. It introduced the Pradhan Mantri Awas Yojana – the PMAY (Urban) and PMAY (Rural) were launched to achieve this mission.

PMAY (Urban): affordable housing for the urban poor

For the urban poor, the government target is to construct 20 million houses by March 31, 2022 under Pradhan Mantri Awas Yojana-Urban, that was launched in June 2015.
The scheme gives financial assistance to States/Union Territories (UTs) in to support housing requirements of three identified income categories: Economically Weaker Sections (EWS), Lower Income Group (LIG) and Middle-Income Group (MIG) in urban areas.

According to the Ministry of Ministry of Housing and Urban Affairs, as on January 2021, a total of 11 million houses sanctioned so far under this scheme (https://www.livemint.com/news/india/govt-approves-construction-of-over-1-68-lakh-houses-under-pmayurban-11611225209992.html).

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PMAY (Rural) -affordable housing for the rural poor
The PMAY – Gramin was launched in 2016 to construct affordable houses in rural areas and complete it by 2022 (date extended). Between FY 2018 and FY 2021 (till February 2021), 12.84 million houses were constructed under the scheme. (https://www.statista.com/statistics/1202409/india-houses-completed-under-pmay-g-scheme/)

Moratorium offered
During the ongoing pandemic-led crisis of FY 2020-21, collections in the housing finance segment slipped to ~70-75% in April due to the nationwide lockdown, necessitated to contain the spread of Covid19. To offer some financial relief to borrowers, the RBI announced a moratorium for home loan borrowers for three months, between March 1, 2020 and May 31, 2020. This was extended by another three months, to August 31, 2020. As on August 31, 2020, the RBI revealed in a publication that customers accounting for 40.43% of outstanding loans in the financial system availed of the benefit of moratorium for borrowers affected by the Covid19 pandemic.

However, collection in the housing sector rebounded to 85-90% by July and August, once the government lifted the lockdowns and relaxed restrictions gradually. Fewer individual borrowers availed the moratorium extension during the second phase, indicating a positive outlook for the sector. By October and November 2020, collection efficiency rose further to 90-95%, as per CRISIL Research estimates.

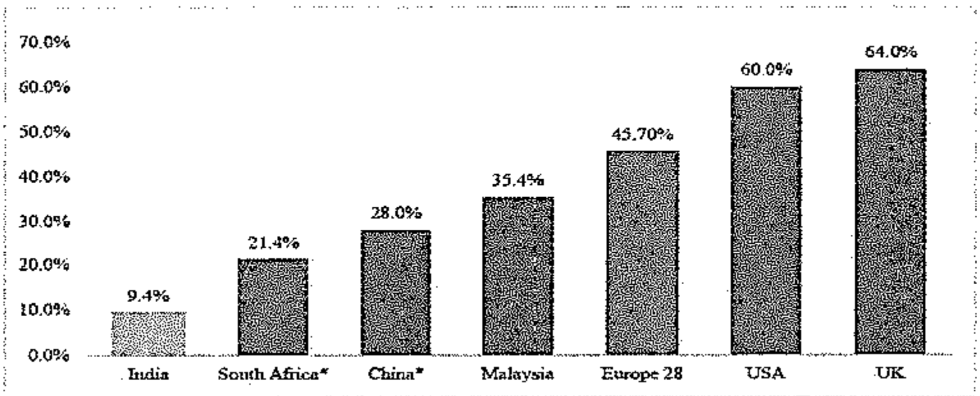
Post-Covid demand
The pandemic has triggered changes in the mindsets of home buyers who now seek a healthy lifestyle. With work from home becoming more prevalent, demand metrics are likely to change. There has been a shift in buying sentiment towards investing in the mid and affordable residential segment as people have realized the significance of owning a home. This has led to an upsurge in the demand for affordable housing, in the post covid era. Sales for new homes in the Mumbai region spiked in October 2020 compared to January 2020, when the Maharashtra Government reduced the stamp duty from 5% to 2% till December 2020. Other state governments and the RBI also encouraged home buying during the year. For instance, the Delhi Government announced a 20% reduction in the circle rate for all types of properties in February 2021. Further, the RBI also rationalized the risk weights and linked them to loan-to-value (LTV) ratios for all new home loans sanctioned up to March 31, 2022. This makes home-buying even more attractive for borrowers as well as lenders.

Rising demand for housing
According to Jones Lang Lasalle, when uncertainties around the economy and jobs started stabilising in the last quarter of calendar 2020, the pace of recovery in residential real estate picked up. New launches and sales across the seven key markets under review witnessed a significant jump. Sales picked up on the back of historically low home loan interest rates, stagnant residential prices, lucrative payment plans & freebies from developers coupled with government incentives such as the reduction of stamp duty in some states like Maharashtra & Karnataka (for affordable housing). The easing of lockdown restrictions and the ongoing festive season further aided in bringing buyers back to the market. On an annual basis, sales in 2020 recovered to more than 50% of the pre-COVID volumes witnessed in 2019.

The spurt in housing sale was attributed to the pent-up post first wave of Covid19 in the first half of FY2021 and festive demand. The demand for housing also benefited immensely from the moderation in interest rates and correction in property prices during the year. The relaxation of stamp duty in states like Maharashtra also triggered latent demand in the third and fourth quarters of FY 2020-21. Data analytic firm, PropEquity believed that as India embarks on its COVID vaccination drive, recoveries in the sector will get strengthened further. However, according to Ind-Ra, incrementally, with the withdrawal of stamp duty benefit and slight tightening in housing loan lending rates, demand sustenance for FY 2021-22 could be tested.

Housing Finance Sector
According to a Report of the committee on the development of Housing Finance Securitisation Market (September 2019), India's penetration in terms of housing finance is very low, compared to other nations. This demonstrates the vast potential for Indian housing finance companies to expand in India.

Mortgage-to-GDP ratio in India compared with other countries (CY18)



Note: (*)—As of CY17. Source: HOFINET, European Mortgage Federation, NHB, CRISIL Research. Europe 28 includes the 28 European Union Member states as on December 2018.

Category	Shortage (mn)	Value of units (INR tn)	Aggregate Loan demand (INR tn)
EWS	45	34	5
LIG	50	75	30
MIG and above	5	40	22
Total	*100*	*149*	*58*

Source: RBI – Report of the committee on the development of Housing Finance Securitisation Market – September 2019, CRISIL Research

However, the housing finance market faces supply constraints from Banks and NBFCs, particularly for lower income group as they are perceived as risky, on account of their lack of credit history. This opens up a vast opportunity for Affordable Housing Finance Companies.

India's low mortgage to GDP ratio
There are various factors that impact the mortgage-to-GDP ratio. Rapid growth in urbanization, India's predominantly young demographic, greater affordability than in the past, alongside increasing disposable incomes, and last but not the least, various government and policy initiatives, such as 'Housing for all', NHB refinance schemes have been triggering an increase in the ratio. On the flip side, the relatively low per-capita GDP, high housing prices, lack of credit histories due to dependence on the informal financial sector, insufficient long-term capital and inadequate legal infrastructure have been a drag on the mortgage-to-GDP ratio.

Nevertheless, the Indian housing finance market (growth in loan outstanding) increased at a CAGR of ~13% between FY2018 and FY2020 on account of some of the above-mentioned factors and the rising demand for houses in smaller cities, attractive interest rates and government impetus on promoting housing.

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Housing Finance Companies in India

As of March 2020, Housing Finance Companies (HFCs) accounted for a 36% share of the total amount of home loan outstanding of Rs 20.4 trillion.

Within this category, public sector banks have seen a strong competition from HFCs. Together, these

> **Government Initiatives to boost Affordable Housing Finance**
>
> ***PMAY-U:*** addresses both the supply and demand in the housing sector. On supply side, it provides incentives for beneficiary-led housing, public private partnership (PPP) in building homes for EWS and low-income group by offering incentives such as allowing higher floor space index and announcing grants and subsidies for slum redevelopment. On the demand side, PMAY provides credit-linked subsidies to stimulate demand
>
> ***PMAY-G:*** is targeted at rural residents who do not have their own houses. It provides financial assistance to such home buyers and interest rate subsidy.
>
> ***Special financing window:*** This window is expected to help revive stalled housing projects which require a last mile funding to reach completion.
>
> ***Relaxation of ECB guidelines:*** is aimed at offering easier access to overseas funds to the sector.
>
> ***Tax incentives:*** to home loan borrowers in various forms.
>
> ***RERA:*** was introduced to make bring in greater transparency in the real estate sector.
>
> ***GST:*** Reduction in GST rates for affordable housing projects makes them more accessible.
>
> ***EPF withdrawals:*** Permission to withdraw 90% of EPFO enables prospective home buyers to make the down payment and pay their home loan EMIs.

two segments in the financial sector account for ~76% in FY2020, while private sector banks accounted for disbursement of only 15% of the lower ticket size housing loans.

Yet when it comes to asset quality, home loans have the lowest annual credit losses across major asset segments, largely on account of the collateral and the secured nature of the funding.

Average credit costs as a % of average total assets for NBFCs/HFCs across major asset classes during FY18-FY20

Asset Class	FY18-20E average
Housing Finance	0.7%
Auto Finance	1.2%
Consumer durable finance	1.7%
Micro Finance	1.4%
MSME Finance (LAP)	1.1%
MSME (unsecured loans)	~3-4%

Source: Company Reports, CRISIL Research Estimates

Affordable Housing Finance

CRISIL defines affordable housing loans as those with a ticket size of less than Rs 15 lakhs. Based on this categorization, the size of the affordable housing finance market in India was around Rs 4 trillion as of March 2020, constituting a little less than 20% of the overall housing finance industry. This segment of the housing finance market is increasing rapidly as home buyers from the EWS segment are moving away from unauthorized or rental homes to buy their small but affordable living units, often with the help of affordable finance. While this market grew at 15.4% between March 2015 to March 2018, it has grown at a moderate CAGR of ~4.2% between March 2018 and March 2020. CRISIL expects the growth rate to pick up to a robust 9-10% between March 2020 and March 2025 once the economy rebounds from Covid19.

This will be driven by various factors, such as the Government's focus on housing and sops, increased supply of affordable homes, rising demand for affordable homes as consumers increasingly work out of Tier 2/3/4 cities in a post-Covid world, preference for owning homes seems

Indostar Home Finance Private Limited

to be on the rise in the post-Covid world and home loan interest rates continuing to be at attractive levels.

HFCs catering to the home finance needs of LIG and EWS typically face higher costs of serving this category of customers, due to their uncertain risk profiles. This has culminated in most financiers adopting innovative models to source business. They also offer products that are more tailor-made to meet the needs of this segment. More often than not, the customers of affordable housing finance opt for self-construction of their houses in tier-2 and 3 cities, for which they need smaller quantum of credit.
They tend to follow a hub and spoke model where retail branches of the HFC operate as 'hubs' in urban areas. Simultaneously, they spread awareness about their products and source customers through less formal touch-pints (spokes) nearer the target customers.

Government Initiatives to boost Affordable Housing Finance
PMAY-U: addresses both the supply and demand in the housing sector. On supply side, it provides incentives for beneficiary-led housing, public private partnership (PPP) in building homes for EWS and low-income group by offering incentives such as allowing higher floor space index and announcing grants and subsidies for slum redevelopment. On the demand side, PMAY provides credit-linked subsidies to stimulate demand

PMAY-G: is targeted at rural residents who do not have their own houses. It provides financial assistance to such home buyers and interest rate subsidy.
Special financing window: This window is expected to help revive stalled housing projects which require a last mile funding to reach completion.

Relaxation of ECB guidelines: is aimed at offering easier access to overseas funds to the sector.
Tax incentives: to home loan borrowers in various forms.

RERA: was introduced to make bring in greater transparency in the real estate sector.

GST: Reduction in GST rates for affordable housing projects makes them more accessible.

EPF withdrawals: Permission to withdraw 90% of EPFO enables prospective home buyers to make the down payment and pay their home loan EMIs.

Digitisation in HFCs
In general, ~70% of the overall business of affordable housing finance companies is sourced through direct sales teams. This makes 'human-touch' very crucial to close deals and offer accurate customer assessment, as this segment typically lacks formal credit history.

However, HFCs are acknowledging the role of having digital technology in-house to support critical functions like origination, verification and credit appraisal. This is helping them service customers' requirements more efficiently, improving TAT and making decisions regarding credit-worthiness of customers more data-driven and accurate.

Outlook
The outlook of India's housing finance sector continues to be robust across the long-term for a fundamental reason: more and more Indians want to buy houses for enhanced security and asset creation even though renting could be cheaper in the short-term. As the Indian economy matures, the mortgage-to-GDP ratio of less than 10% (which is significantly lower than other countries) could

move towards the mid-teens and make the housing finance a USD 750 billion market over five years, creating a sweet spot for specialized affordable HFCs.

The second wave of Covid19 in India is impacting the housing finance sector, which had begun to show signs of recovery in the second half of FY2021. The rapid rise in infection rates and intermittent local lockdowns have taken a toll on self-employed borrowers and individuals in the informal salaried segment more than those in the formal salaried segment.

Most banks and NBFCs expect credit growth to pick up in FY22E. However, disruptions to income generation on account of ongoing pandemic could impact the asset quality of some HFCs in FY2020-21 and FY2021-22. Companies that have the right blend of customer connect and digital support, along with adequate capital adequacy and access to sources of funding will be better placed to ride it out in the market.

Notwithstanding, the long-term housing story in India remains intact and attractive and the Affordable Housing Finance industry is bound to see strong grow.

Company Overview

Incorporated in 2018, IndoStar Home Finance Private Limited is a 100% subsidiary and the home finance division of IndoStar Capital Finance Limited, an NBFC registered with RBI. The Company's domain knowledge, expertise and vast industry experience provide it with the requisite strength to build a high-quality portfolio.

The Company caters to the home loan needs of customers from the low-income category. These customers typically purchase or construct a house for the first time (and perhaps the only time) in their lives, with the purpose of staying in it. The target consumers are salaried and self-employed individuals with monthly household incomes of up to Rs. 50,000 and typically reside in Tier 2, 3 & 4 cities, and in the outskirts of urban areas.

Approximately 40% of our customers are new to formal credit, reflecting the Company's commitment to providing access to the under-served segments of the society and promoting financial inclusion.

Pedigree Parentage

IndoStar Home Finance enjoys the robust backing of its promoter IndoStar Capital Finance Limited (ICF), an NBFC registered with the RBI as a systemically important non-deposit taking company. It is institutionally owned, with extensive industry experience. It has established a reputation in providing innovative and value-based financial solutions in the areas of Commercial Vehicle Finance, Affordable Housing Finance, Small and Medium Enterprises (SME) Finance and Corporate Lending.

Brookfield Capital Infusion

During the year, Brookfield Business Partners of Canada, a global leader in alternative asset management, infused capital of Rs 1,225 crore into the promoter company ICF. This is its first private equity deal in India and also the first in the listed NBFC space. ICF has infused Rs. 510 crores of the capital into the housing finance subsidiary. Infusion of capital has made its balance sheet strong, improved liquidity position and capital adequacy ratio, and resulted in low leverage vis-à-vis other HFCs. Both Brookfield and Everstone Group (erstwhile promoter of ICF) have nominated directors on the Company's board, further strengthening its corporate governance.

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Impact of Covid19 on Operations

Transition to work from home
When the lockdown was first announced as a measure to prevent the spread of the virus, the Company had to rapidly developed incident management plans, specific to the crisis. It ensured the safety and security of its employees by implementing a Work from Home (WFH) policy and provided them with all the necessary infrastructure and Internet connectivity. It discontinued biometric attendance and all staff travel and operated with minimal staff by adopting rotation-base workings, even before the lockdown. It also proactively initiated Covid19 related awareness among the employees through regular emails and SMS. It seamlessly transitioned into a WFH culture, while undertaking all the necessary and adequate data security measures.

Customer-centric approach
On the financial front, since the start of the first quarter, the Company implemented steps to ring-fence the balance sheet against possible risks associated with the pandemic during the year.

Taking a customer-centric approach, the Company offered moratorium to all its customers and 85% availed of the first round, i.e., March 2020 to May 2020. During the second phase of the moratorium, between June 2020 to August 2020, the company witnessed merely 30% of its customers opting for the facility, while the balance 70% continued paying their EMI from their savings. At the same time, the company continued to service its commitments to its lenders, leveraging the strength of its capital base.

The Company also facilitated its customers by enabling them to pay their EMI digitally through gateways like GPAY and PayTM.

Employee-centric approach
There were no pay cuts or lay-offs on account of the economic exigencies triggered by the pandemic. While the employees worked from home, they were suitably equipped with technology and engagement initiatives were rolled out to track their well-being and ensure that they stayed connected.
The Company also utilized the lean time to accelerate its digital transformation, introducing customer-centric electronic payment gateways and other facilities that would make processes faster and more efficient. It also put in place multi-lingual bots to support customer interaction. Simultaneously, the Company continued to focus on extending its humane touch though door-step delivery, while never distinguishing between different categories of borrowers based on the quantum of business they represented.

While Business Continuity strategies were already in place before the ongoing crisis began, constant efforts were taken to ensure that these strategies were reviewed and upgraded to deliver relevant and adequate support in the event of any further disruption.

The Company focussed on cost control, asset quality and liquidity, without any compromise to the safety and security of its workforce. It utilized the lockdown period to future-proof the business from potential stress arising out of the tough business environment and build a scalable and sustainable future.

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Product Portfolio

The Company caters to housing finance requirements of customers belonging to EWS and LIG categories, with a portfolio that comprises Home Loans, Balance Transfer/ Top-Up and Loan Against Property.

a. **Home Loans**

The Company offers housing loans at attractive interest rates to first-time property purchasers from developers or government institutions, such as MHADA and DDA, for under-construction or completed projects. Additionally, it also provides customised loans for self-constructed properties, including the purchase of plots for constructing the house. Loans up to Rs. 30 lakh are provided.

b. **Balance Transfer (BT)/Top-Up**

The Company offers balance transfer on current home loans from other financial institutions. It also provides top-up loans on existing home loans to facilitate additional financial assistance to customers for home renovation, extension and other emergency financial needs.

c. **Loan Against Property**

Apart from home loans and top-up loans, the Company also provides loans against existing property to small entrepreneurs operating in the MSME sector to meet their business requirements.

A Well-Diversified Business Model

a. **Customer profile**

The Company caters to the housing demands of the underserved EWS and LIG segments by providing housing loans for purchase or construction of a first house and improvement of existing homes. Its customers typically borrow from the informal financial sector and often have little or no credit history.

Customer Profile

Customer segment	AUM (In Rs. Crore)	Loan Book (In Rs. Crore)
Salaried	516.4	432.5
Self Employed	479.9	413.3
Total	996.3	845.8

b. **Average ticket size:** 9.59 Lac (new onboarded customers in FY20-21)

c. **Growth through distribution**

Leveraging the distribution of its parent company, it has established a network of 46 branches, co-located with ICF's commercial vehicles (CV) finance branches, thus achieving superior growth without undertaking additional credit risk.

Strategically located in southern India

In line with the parent's CV finance distribution network, IndoStar Home Finance has a presence in the southern and western states of India. It has the highest number of branches in Tamil Nadu, Telangana, Maharashtra, Gujarat, Rajasthan and Delhi. Of these states, Tamil Nadu, Andhra Pradesh and Telangana cumulatively contributed ~50% to the total loan book, as on March 31, 2021.

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Region-wise branch distribution

Region	Number of Branches	Branch distribution in %
South	33	71%
West	10	22%
North	3	7%
Total	46	100%

Focusing on relevant customer base

The southern region of India continues to be the Company's focus area, with more than half of its 10,430 customers residing in these states. While a significant customer base in these areas offers improved growth opportunities, the Company's deeper understanding of these regions, backed by extensive experience, enables it to calibrate credit risk inherent in the segments that it caters to.

While focusing on cementing its presence in the south, it is also expanding its operations in the western states of Maharashtra, Gujarat and Rajasthan. The Company also seeks to eventually build a franchisee in North India.

Region-wise customer base

Region	Customer Base	% Distribution
South	6342	61%
West	3305	32%
North	783	8%
Total	10430	100%

d. **Prudent customer sourcing**

While continuing with its strategy to grow by strengthening its distribution capabilities, the Company has also developed a strong and dedicated team of Direct Selling Agents (DSA) that operate through its network of 47 "brick and mortar" branches. While its dedicated sales force generates business through various marketing activities and on-ground customer connect, it has onboarded over 1,000 active connectors and partners who generate loan-origination leads through physical and digital channels. It organizes seminars and campaigns at frequent intervals in Tier-II and Tier-III cities for developers and contractors operating in the affordable housing segment to increase product awareness and recruit DSAs.

e. **Strong credit assessment**

Over the years, the Company has identified and developed expertise in over 30 different trades and professions, to whom it can comfortably lend. These include grocery shops, barbershops, tailoring shops, auto drivers, and fruit & vegetable vendors, among others. The Company's credit policy clearly articulates various credit underwriting programs catering to different customer segments, with detailed notes on credit assessment methods. These include standardised template and comprehensive questionnaire/checklist for each trade, which assists credit underwriters in accurately assessing the creditworthiness of the borrower. The Company has also aligned its sales team objectives around these policies to achieve business generation with low credit risk.

f. **Robust collection mechanism**
By entrusting sale and the credit team at the branch level to conduct collection function, the Company ensures optimum utilization of resources at all levels. It follows an extensive and prompt reminder system through which borrowers are called each month ahead of the EMI due date for a period of six months from the date of their on-boarding. With this, the branch team greatly assists in minimising non-payments and cutting down on delinquency rates.

g. **Supporting Government's 'Housing for all' mission**
Catering to the credit needs of EWS and LIG segments through its housing loan services, the Company has been promoting financial inclusion at a fundamental level. Being a registered lender under the Pradhan Mantri Awas Yojana - Credit Linked Subsidy Scheme (PMAY - CLSS), the Company facilitates eligible borrowers to get a government subsidy on their home loans up to Rs. 2.67 lakh, depending on the category they fall under. By aligning itself to the PMAY scheme, it contributes to the government's aspiration of providing housing to all by 2022 and enabling their inclusive development. With 23% of its customer base being eligible for subsidy under PMAY-U, the Company extended a subsidy benefit of Rs. 25.84 crore to them during FY 2020-21.

a. **Operational Highlights: FY 2019-20**
- Loan book growth:
- AUM growth:
- Disbursement:
- Credit performance:
- Profit before Tax and Net Profit

b. **Asset Liability Management (ALM)**

c. **Long-Term and Short-Term Credit Ratings**

d. **Credit Operations**
The Company has instituted a robust credit policy and well-defined processes and credit delegation authority matrix. It emphasises on strong due diligence of self-employed non-professing (SENP) customers and engages credit managers who personally visit customers and thoroughly understand their underlying business to assess sufficiency and stability of income levels and consequently their creditworthiness. Additionally, the amount of down payment, existing financial obligations, and quality of the underlying asset are critically considered while making credit decisions.

At least two experienced credit officers are involved in the loan sanctioning process to minimize discrepancies and credit losses. As an additional measure, the Company also restricts exposure to a few specific profiles which have been historically proved to be highly risky in certain geographies.

The Company is further strengthening its credit operations by establishing end-to-end credit processing based on a business rule engine and backed by score-based underwriting. This will greatly assist in achieving superior control on the loan processing, lower turnaround time (TAT) and better portfolio quality.

e. **Collection**
In light of moderate delinquencies, the collection function is executed jointly by sales and credit verticals at branch level. To further strengthen the Company's collection capabilities, the Company has framed an early-alert mechanism based on product and program which is drilled down to the

region, cluster, and branch and closely monitor these important parameters every month during the business review.

Moving forward, the Company plans to augment its collection capabilities by establishing a full-fledged collection vertical based on the number of accounts, delinquency volume, and cheque bounce rates. It is further planning to digitize the entire collection process to increase its efficiency, transparency, and accuracy.

Risk Management

A robust and comprehensive risk containment unit undertakes screening and verification of every transaction under process and ensures the authenticity of documents to avoid customer frauds. The Company has also established a post-disbursement concurrent audit process to verify all the files to ensure data quality, stringent adherence to various policies and compliance to all processes. The audit reports are shared with the relevant teams who are responsible to take preventive/corrective actions based on the observations from the conducted audits.

To strengthen the risk containment unit, and identify and prevent frauds, the Company is streamlining its processes by integrating the 'Hunter Database', various APIs linked to Know Your Customer (KYC), and other verifications. It is planning to embark on a building a comprehensive 'Data Analytics Framework' which will cut through various operations including credit assessment, profile verification, customer identification, collection, etc., and provide with an advance alert mechanism to strengthen the risk management further.

The Company regularly reviews various risks such as interest rate risk, credit risk, delinquency risk, liquidity risk, collateral risk, litigation risk etc. and take preventive/corrective measures as required.

a. **Collateral risk:**

Any defects in the underlying collateral may pose legal, operational, or financial loss to the Company.

Mitigation strategy:

The Company has developed a collateral policy for every state where it undertakes lending operations by considering guiding principles of the legality of ownership title and ability to enforce a mortgage in the event of default. To achieve superior assessment of the risk of the underlying collateral, collateral policies have been aligned with the city and state-specific requirements and have been vetted by the empanelled local lawyers and technical values.

Technology

Technology and digitization have brought about a transformative change in business and operational landscape. The Company is proactively undertaking a digital lending project through which it is digitizing existing and incremental data on identified trade segments to deepen its expertise and improve its competitive strength in the marketplace. Having a robust data-base on various social and behavioural aspects of home loan applicants, beyond demographic and geographic insights, will enable the Company to target prospects more effectively and offer more suitable products. Towards enhancing customer connect and bringing in greater automation, multi-lingual bots have been introduced.

It has successfully digitized the back-end architecture by developing a top-notch and robust 'Loan Originating Platform and 'Loan Management Platform'. An electronic NACH-based collection for

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nearly all of the Company's borrowers has been estimated which will help in achieving superior and cost-effective collection. The Company also undertakes CERSAI check for each property with the government database to ensure the quality of underlying assets.

Augmenting data analytics

The Company intends to augment and deploy its data-analytics capabilities beyond credit analysis in the next few years and to conduct predictive analysis. This will help it in segregating and prioritizing customer segments based on the potential opportunities and risks, at any given point in time. This, in turn, will guide the superior and accurate engagement of the sales force, resulting in higher business generation, and will also assist the collection team in maintaining and improving loan book quality. In this backdrop, the Company has identified three key business aspects where its digitization efforts will be directed. These are:

A. **Mobility solutions:** Making the entire loan originating process paperless to facilitate onboarding of the customers either by themselves or through an assisted model.

B. **Business Rule Engine for underwriting:** Creating a 'dynamic rule engine' to auto-capture deviations and auto-configure credit rules which will develop automated loan-application and credit scorecard.

C. **Collection Analytics**: Leveraging data-analytics to strengthen both the collection process as well as accurate delinquencies prediction to deploy targeted collection strategies.

Outlook

The Affordable Housing Finance segment has proved to be the most resilient segment of borrowers, when facilitated with suitable phyigital support. IndoStar Home Finance remains committed to supporting the country's mission to promote financial inclusion. It continues to focus on the home loan needs of LIG and EWS segments, especially those aspiring for self-construction homes.

Over the next few years, on the back of the gaping housing shortage and the rising propensity of this segment to purchase homes with the help of credit, an exponential growth is expected in this space. The Company looks forward to harnessing this opportunity by serving its customer universe with the right products, appropriately priced, through suitable distribution channels, using an optimal blend of human-touch and digital technology.

Human Resources

Leader Connect: Our Vice-Chairman and MD individually connected with all critical functions, providing much needed assurance, appreciation, guidance and concern redressal.

Employee Connect: Through weekly communication from the CHRO's desk, we shared a situation analysis and the road ahead. One-on-one HR intervention provided necessary support during the transition to remote working.

The strength of character displayed by our people in these challenging times bears a testament to the IndoStar spirit. While 90% of them began operating remotely almost overnight, we knew that they would take some time to grapple with the new normal. At our end, we ensured that they were kept informed, engaged and enabled.

The company reassured employees that in case of any hospitalisation, quarantine or treatment, the Group medical insurance policy provides adequate coverage to them and their dependent family members. The company also increased the engagement levels and engaged teams virtually via talent shows, jam sessions, quiz challenges and other celebrations.

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Regular communication emails are being sent to employees to increase their awareness on the importance of maintaining good hygiene and wearing masks at all times. IndoStar also shared the guidelines from National Housing Bank on precautions to be taken to ensure safety from the virus on all its social media platforms.

Some other ongoing initiatives are:

- Employees testing positive for COVID are provided assistance through provision of bed at a hospital empanelled under the company's medical insurance policy. The expenses incurred on their hospitalization are covered through the Mediclaim. The Human Resources (HR) team and senior leadership members engage with the employee that tests positive for COVID, and his or her family, to provide mental and emotional support.
- Regular employee connect calls are being conducted proactively by the HR team with employees to understand the magnitude of Covid-19 infected cases in their families and in their localities.
- Every branch is working with minimal strength and on rotational basis, any notification pertaining to new rules of lockdown for any State are dealt with immediate action to ensure all employees are aware and abide by the new rules imposed in their respective State.
- Weekly engagement initiatives are conducted to keep the employees motivated and engaged. For instance, the company had a virtual Holi Celebration; in another instance, it has a platform where employees narrate a story from which they draw inspiration or which has had a major influence on their lives.
- In order to make employees better equipped, emphasis is given to employee upskilling with regular Product & Behavioural trainings being conducted for employees from all verticals.
- Currently, IndoStar is looking forward to extending its support to build a makeshift health care facility, provide aid in the form of oxygen concentrators at several government hospitals scattered across India through its CSR partnerships with a non-profit organization. Attempts are also being made to secure vaccination for all its employees and citizens at large by liaising with local government bodies.

Corporate Social Responsibility

As a part of its initiatives under Corporate Social Responsibility (CSR), the company under its Affordable Home Finance business has undertaken a project on the theme of Education. The company has partnered with NGO Password to support its Unique Feature program which promotes reading and overall personality development of students studying in rural schools of Maharashtra. The association will benefit nearly 3000 students in the age group of 10 – 15 years from the schools of Pune, Ahmednagar and Aurangabad. Apart from the association with Password, the company has also partnered with Avasara an NGO based out in Pune. Avasara promotes development of women leaders by providing educational scholarship and training to enhance leadership skills of girls identified from marginalized communities. This partnership will benefit the lives of 50 adolescent girls identified for the project from across India. Before the entering into an association, the company does the necessary due diligence and completes the entire evaluation of the project to be supported. Furthermore, the projects are monitored on a quarterly, half yearly, annual basis and an assessment of impact produced by the project is prepared to understand the achievement of outcomes outlined as a part of the project.

Internal Controls

The Company has developed and implemented adequate internal control systems by keeping the cognisance of the size of its operations and underlying nature and requirements of the industry within which it operates. The internal control framework is designed to ensure correct, reliable, and

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timely financial reporting, safeguarding company assets, efficient business operations, and good corporate governance. The internal audit team periodically scrutinises critical audit areas and communicates key observations which are reviewed and approved by the Audit Committee and the Management Committee. Basis the findings, corrective action plans are suggested by the management committee which is executed by the process owner at the relevant business unit or functional areas.

The effectiveness and adequacy of internal financial controls are verified by an independent audit firm. The external audit reviews the control systems and covers key aspects related to control activities including risk management, information, communication, and the monitoring framework, among others. It suggests preventive or corrective measures in the control procedures and financial controls and ensures the effectiveness of new processes.

Cautionary Statement

This document of Management Discussion and Analysis contains statements about expected future events, financial and operating results, which are forward-looking by nature. Forward-looking statements are based on the Company assumptions and are subject to inherent risks and uncertainties. There is a high possibility that the assumptions, predictions and other forward-looking statements will not be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as several factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements.

Deloitte
Haskins & Sells LLP

Chartered Accountants
One International Center
Tower 3, 27th -32nd Floor
Senapati Bapat Marg
Elphinstone Road (West)
Mumbai - 400 013
Maharashtra, India

Tele:+91 22 6185 4000
Fax: +91 22 6185 4001

INDEPENDENT AUDITOR'S REPORT

To The Members of IndoStar Home Finance Private Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of IndoStar Home Finance Private Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2021, and 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 31 March 2021, and its profit, its 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 30(G) of the financial statements, in which the Company describes the continuing uncertainties arising from the COVID 19 pandemic. 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 Board's report but does not include the financial statements and our auditor's report thereon. The management discussion and analysis and Board's report and its annexures are expected to be made available to us after the date of this auditor's report.

- Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

- In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

- When we read management discussion and analysis and Board's report and its annexures, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the financial statements.

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.

Other Matter

The comparative financial information of the Company as of and for the year ended March 31, 2020 prepared in accordance with Ind AS included in this financial statement have been audited by the predecessor auditor. The report of the predecessor auditor on these comparative financial information dated June 17, 2020 expressed an unmodified opinion.

Our opinion on the financial statements and our report on Other Legal and Regulatory Requirements below is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

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

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

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

   d. In our opinion, the aforesaid 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 31 March, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2021 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 Company being a private company, section 197 of the Act related to the managerial remuneration is not applicable.

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 has disclosed the impact of pending litigations on its financial position in its financial statements;

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

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

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)

Neville M. Daruwalla
(Partner)
(Membership No. 118784)
(UDIN: 21118784AAAADB6162)

Place: Mumbai
Date: 14 June 2021

Deloitte
Haskins & Sells LLP

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 IndoStar Home Finance Private Limited ("the Company") as of March 31, 2021 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, 2021, 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)

Neville M. Daruwalla
(Partner)
(Membership No. 118784)
(UDIN: 21118784AAAADB6162)

Place: Mumbai
Date: 14 June 2021

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 fixed assets.

(i)(b)The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(i)(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 the 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 Companies Act, 2013.

(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans to director, investments made and guarantees provided. The Company has not provided any security to the parties covered under Section 185 and 186 of the Act.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) Having regard to the nature of the Company's business, reporting under clause (vi) of CARO 2016 is not applicable.

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

(vii)(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax, cess and other material statutory dues applicable to it to the appropriate authorities. The provisions relating to Sales tax, Custom Duty, Excise Duty, Value Added Tax and corresponding cess is not applicable to the Company.

(vii)(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax, cess and other material statutory dues in arrears as at March 31, 2021 for a period of more than six months from the date they became payable. The provisions relating to Sales Tax, Custom Duty, Excise Duty, Value Added Tax and corresponding cess is not applicable to the Company.

(vii)(c) There are no dues of Income-tax and Goods and Service Tax as on March 31, 2021 on account of disputes. The provisions relating to Sales Tax, Custom Duty, Excise Duty and Value Added Tax is not applicable to the Company.

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks and Government. The Company has not issued any debentures.

(ix) In our opinion and according to the information and explanations given to us, money raised by way of term loans have been applied by the Company during the year for the purposes for which they were raised, other than temporary deployment pending application of proceeds. The Company has not raised any moneys by way of initial public offer / further public offer (including debt instruments).

(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) The Company is a private company and hence the provisions of section 197 of the Companies Act, 2013 do not apply to the Company.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order 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 or subsidiary company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 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)

Neville M. Daruwalla
(Partner)
(Membership No. 118784)
(UDIN: 21118784AAAADB6162)

Place: Mumbai
Date: 14 June 2021

IndoStar Home Finance Private Limited
(CIN: U65990MH2016PTC271587)
Balance Sheet as at 31 March 2021
(Currency : Indian Rupees in lakhs)

Particulars	Note	As at 31 March 2021	As at 31 March 2020
I. ASSETS			
Financial assets			
Cash and cash equivalents	3	565.29	1,659.96
Bank balances other than cash and cash equivalents	4	260.28	-
Loans	5	83,822.39	74,642.51
Investments	6	500.02	-
Other financial assets	7	2,684.48	847.66
		87,832.46	**77,150.13**
Non-financial assets			
Current tax assets (net)	8	223.50	219.78
Deferred tax assets (net)	9	-	466.07
Property, plant and equipment	10	171.77	177.93
Assets held for sale	11	477.49	1,172.76
Intangible assets	12	103.99	78.84
Other non-financial assets	13	225.33	85.00
		1,202.08	**2,200.38**
TOTAL ASSETS		**89,034.54**	**79,350.51**
II. LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Trade payables	14		
(i) total outstanding to micro enterprises and small enterprises		0.32	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		495.58	608.93
Debt securities		-	-
Borrowings	15	63,984.46	58,354.33
Other financial liabilities	16	2,536.49	1,576.85
		67,016.85	**60,540.11**
Non-financial liabilities			
Provisions	17	60.12	56.15
Deferred tax liabilities (net)	9	225.72	-
Other non-financial liabilities	18	202.55	107.92
		488.39	**164.07**
TOTAL LIABILITIES		**67,505.24**	**60,704.18**
Equity			
Equity share capital	19	20,000.00	20,000.00
Other equity	20	1,529.30	(1,353.67)
TOTAL EQUITY		**21,529.30**	**18,646.33**
TOTAL LIABILITIES AND EQUITY		**89,034.54**	**79,350.51**

See accompanying notes forming part of the financial statements 1 to 46

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

Neville M. Daruwalla
Partner

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

Place: Mumbai
Date: June 14, 2021

For and on behalf of the Board of Directors of IndoStar Home Finance Private Limited

Shreejit Menon
Director
DIN: 08089220

Benaifer Palsetia
Director
DIN: 08678348

Prashant Shetty
Chief Financial Officer

Priyal Shah
Company Secretary

Place: Mumbai
Date: June 14, 2021

IndoStar Home Finance Private Limited

IndoStar Home Finance Private Limited
(CIN: U65990MH2016PTC271587)
Statement of profit and loss for the year ended 31 March 2021
(Currency : Indian Rupees in lakhs)

Particulars	Note	For the year ended 31 March 2021	For the year ended 31 March 2020
Revenue from operations	21		
Interest income		10,846.17	8,674.16
Fees and commission income		123.28	157.59
Net gain on fair value changes		92.09	112.31
Gain on derecognition of financial instruments measured at amortised cost category		2,156.28	623.67
Total revenue from operations		**13,217.82**	**9,567.73**
Other income	22	188.93	146.17
Total income		**13,406.75**	**9,713.90**
Expenses			
Finance costs	23	5,658.05	4,612.59
Impairment on financial instruments	24	955.10	497.88
Employee benefit expenses	25	1,808.40	2,365.58
Depreciation and amortisation expenses	26	200.82	186.55
Other expenses	27	917.15	1,099.68
Total expenses		**9,539.52**	**8,762.28**
Profit before tax		**3,867.23**	**951.62**
Tax expense:			
1. Current tax	28	380.50	-
2. Deferred tax expense /(income)	9	691.60	(468.11)
Total tax expenses		**1,072.10**	**(468.11)**
Profit after tax		**2,795.13**	**1,419.73**
Other comprehensive income			
Items that will not be reclassified to profit and loss			
- Remeasurements of the defined benefit plans		3.07	8.10
- Income tax relating to items that will not be reclassified to profit or loss		(0.19)	(2.04)
		2.88	6.06
Other comprehensive income for the period, net of tax		**2.88**	**6.06**
Total comprehensive income for the period		**2,798.01**	**1,425.79**
Earnings per equity share	29		
Basic earnings per share (Rs.)		1.40	0.71
Diluted earnings per share (Rs.)		1.40	0.71
(Equity Share of face value of Rs.10 each)			

See accompanying notes forming part of the financial statements 1 to 46

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

Neville M. Daruwalla
Partner

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

Place: Mumbai
Date: June 14, 2021

For and on behalf of the Board of Directors of IndoStar Home Finance Private Limited

Shreejit Menon
Director
DIN: 08089220

Benaifer Palsetia
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DIN: 08678348

Prashant Shetty
Chief Financial Officer

Priyal Shah
Company Secretary

Place: Mumbai
Date: June 14, 2021

IndoStar Home Finance Private Limited

IndoStar Home Finance Private Limited
(CIN: U65990MH2016PTC271587)
Statement of Cash flows for the year ended 31 March 2021
(Currency : Indian Rupees in lakhs)

	Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
A	**Cash Flow from Operating Activities**		
	Profit before tax	3,867.23	951.62
	Adjustments for :		
	Interest income on financial assets	(10,846.17)	(8,674.16)
	Finance costs	5,658.05	4,612.59
	Depreciation and amortisation expense	200.82	186.55
	Provisions for expected credit loss	955.10	493.64
	Provision for gratuity and leave encashment	(0.88)	31.32
	Employee share based payment expense	84.96	54.66
	Loss on sale of property plant and equipment	8.98	-
	Gain on sale/revaluation of investments	(92.09)	(112.31)
		(164.00)	**(2,456.09)**
	Interest income realised on financial assets	10,713.95	8,327.86
	Finance costs paid	(6,313.00)	(4,612.59)
	Cash generated from operating activities before working capital changes	**4,236.95**	**1,259.18**
	Adjustments:		
	(Increase)/Decrease in loans and advances	(9,932.36)	(21,983.86)
	(Increase)/Decrease in other financial assets	(1,216.19)	(828.43)
	(Increase)/Decrease in other non-financial assets	(140.33)	(954.05)
	Increase/(Decrease) in trade payable	(113.03)	193.38
	Increase/(Decrease) in other financial liabilities	962.71	805.31
	Increase/(Decrease) in other non-financial liabilities	1.56	(101.06)
	Increase/(Decrease) in provisions	-	(9.39)
	Cash (used in)/generated from operating activities	**(6,200.69)**	**(21,618.92)**
	Taxes paid	(384.21)	(212.22)
	Net cash (used in)/generated from operating activities (A)	**(6,584.90)**	**(21,831.14)**
B	**Cash flows from investing activities**		
	Purchase of property, plant and equipment	(0.65)	(59.31)
	Purchase of intangible assets	(102.68)	(42.68)
	Sale of property, plant and equipment	0.30	-
	Proceeds/(Investment) in bank deposits of maturity greater than 3 months (net)	(260.28)	-
	(Acquisition)/Redemption of FVTPL investments (net)	(407.93)	112.31
	Net cash (used in)/generated from investing activities (B)	**(771.24)**	**10.32**
C	**Cash flows from financing activities**		
	Proceeds from borrowings	40,660.00	22,290.93
	Repayments towards borrowings	(34,374.92)	(1,930.56)
	Payment of lease liabilities	(23.60)	(22.94)
	Net cash (used in)/generated from financing activities (C)	**6,261.48**	**20,337.43**
	Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C)	**(1,094.66)**	**(1,483.39)**
	Cash and Cash Equivalents at the beginning of the year	1,659.96	3,143.37
	Cash and Cash Equivalents at the end of the year	565.29	1,659.96
	Reconciliation of cash and cash equivalents with the balance sheet		
	Cash on hand	1.01	4.10
	Balances with banks		
	- in current accounts	564.28	1,655.86
	Deposits with original maturity of less than 3 months	-	-
	Total	**565.29**	**1,659.96**

See accompanying notes forming part of the financial statements 1 to 46

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

Neville M. Daruwalla
Partner

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

Place: Mumbai
Date: June 14, 2021

For and on behalf of the Board of Directors of IndoStar Home Finance Private Limited

Shreejit Menon
Director
DIN: 08089220

Benaifer Palsetia
Director
DIN: 08678348

Prashant Shetty
Chief Financial Officer

Priyal Shah
Company Secretary

Place: Mumbai
Date: June 14, 2021

Home Finance Private Limited

IndoStar Home Finance Private Limited
(CIN: U65990MH2016PTC271587)
Statement of Changes in Equity (SOCIE) for the year ended 31 March 2021
(Currency : Indian Rupees in lakhs)

(a) Equity share capital of face value of Rs. 10/- each	Note	Amount
Balance as at 1 April 2019		20,000.00
Shares issued during the year		-
Balance as at 31 March 2020	19	**20,000.00**
Balance as at 1 April 2020		20,000.00
Shares issued during the year		-
Balance as at 31 March 2021	19	**20,000.00**

(b) Other equity

Particulars	Reserves and surplus		Capital contribution from Holding Company	Total
	Statutory Reserves u/s 29C	Retained earnings		
Balance at 1 April 2019	8.53	(2,914.94)	72.29	(2,834.12)
Profit for the year	-	1,419.73	-	1,419.73
Transfer from Retained Earnings	283.95	(283.95)	-	-
Gain/loss on re-measurement of defined benefit plans	-	6.06	-	6.06
Share based payment expense	-	-	54.66	54.66
Balance at 31 March 2020	**292.48**	**(1,773.10)**	**126.95**	**(1,353.67)**
Balance at 1 April 2020	292.48	(1,773.10)	126.95	(1,353.67)
Profit for the year	-	2,795.13	-	2,795.13
Transfer from Retained Earnings	559.03	(559.03)	-	-
Gain/loss on re-measurement of defined benefit plans	-	2.88	-	2.88
Share based payment expense	-	-	84.96	84.96
Balance at 31 March 2021	**851.51**	**465.88**	**211.91**	**1,529.30**

In terms of our report attached
For Deloitte Haskins & Sells LLP
Chartered Accountants

Neville M. Daruwalla
Partner

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS

Place: Mumbai
Date: June 14, 2021

For and on behalf of the Board of Directors of
IndoStar Home Finance Private Limited

Shreejit Menon
Director
DIN: 08089220

Benaifer Palsetia
Director
DIN: 08678348

Prashant Shetty
Chief Financial Officer

Priyal Shah
Company Secretary

Place: Mumbai
Date: June 14, 2021

IndoStar Home Finance Private Limited

IndoStar Home Finance Private Limited
(CIN: U65990MH2016PTC271587)
Notes to the financial statements for the year ended 31 March 2021
(Currency : Indian Rupees in lakhs)

1 Corporate Information

IndoStar Home Finance Private Limited ('the Company') was incorporated on January 01, 2016 and is domiciled in India. The Company is wholly owned subsidiary of IndoStar Capital Finance Limited. The Company is engaged in housing finance business and registered with National Housing Bank ('NHB') as housing finance Company (HFC) not accepting public deposits, as defined under section 29A of the National Housing Bank Act, 1987.

2 Basis of Preparation and Significant accounting policies

2.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Indian Accounting Standards ('Ind AS') as notified by Ministry of Corporate Affairs pursuant to Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time. The financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements required or allowed by relevant accounting standards. Accounting policies have been consistently applied to all periods presented, unless otherwise stated.

The financial statements are prepared on a going concern basis, as the management is satisfied that the Company shall be able to continue its business for the foreseeable future and no material uncertainty exists that may cast significant doubt on the going concern assumption. In making this assessment, the management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. The outbreak of COVID-19 has not affected the going concern assumption of the Company.

2.2 Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Division III to Schedule III to the Act applicable for Non Banking Finance Companies ("NBFC"). The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 "Statement of Cash Flows". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule III to the Act, are presented by way of notes forming part of the financial statements along with the other notes required to be disclosed under the notified accounting Standards.

An analysis regarding recovery or settlement of assets and liabilities of the Company as on balance sheet dates, within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current).

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- the normal course of business
- the event of default
- the event of insolvency of bankruptcy of the Company or its counterparties

2.3 Significant Accounting Policies

a) Financial Instruments

Financial assets and financial liabilities can be termed as financial instruments.
Financial instruments are recognised when the Company becomes a party to the contractual terms of the instruments.

(i) Classification of Financial Instruments

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

1. Financial assets to be measured at amortised cost
2. Financial assets to be measured at fair value through other comprehensive income
3. Financial assets to be measured at fair value through profit or loss account

The classification depends on the contractual terms of the financial assets' cash flows and the Company's business model for managing financial assets.

The Company classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through the profit and loss account or is required to measure liabilities at fair value through profit or loss (FVTPL) such as derivative liabilities. Financial liabilities, other than loan commitments and financial guarantees, are measured at FVTPL when they are derivative instruments or the fair value designation is applied.

Transaction costs directly pertaining to the acquisition or issue of financial instruments are added to or deducted from the initial measurement amount of the instrument except where the instrument is initially measured as fair value through profit or loss.

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IndoStar Home Finance Private Limited

(ii) Assessment of business model and contractual cash flow characteristics for financial assets

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model determines whether the cash flows will be generated by collecting contractual cash flows, selling financial assets or by both.

The Company's business model is assessed at portfolio level and not at instrument level, and is based on observable factors such as:

(i) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;

(ii) The risks that affect the performance of the business model and, in particular, the way those risks are managed;

(iii) The expected frequency, value and timing of sales are also important aspects of the Company's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Solely payment of principal and interest (SPPI) test

Subsequent to the assessment to the relevant business model of the financial assets, the Company assesses the contractual terms of 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

(iii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value.

(iv) Classification of Financial Instruments as per business model and SPPI test

(a) Loans and Debt instruments at amortised cost

A 'loan or debt instrument' is measured at the amortized cost if both the following conditions are met:

i) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

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

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the profit or loss. The losses arising from impairment are recognized in the profit or loss.

(b) Financial assets at fair value through other comprehensive income (FVTOCI)

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows that give rise on specified dates to sole payments of principal and interest on the principal amount outstanding and by selling financial assets.

(c) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are those that are either held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under Ind AS 109. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met (such designation is determined on an instrument-by-instrument basis):

The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

Financial assets at FVTPL are recorded in the balance sheet at fair value. Changes in fair value are recorded in profit and loss.

(d) Debt securities and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

(e) Financial guarantees

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium/deemed premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of (i) the amount initially recognised less cumulative amortisation recognised in the Statement of Profit and Loss and (ii) the amount of loss allowance. The premium/deemed premium is recognised in the Statement of Profit and Loss on a straight line basis over the life of the guarantee.

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

IndoStar Home Finance Private Limited

(f) Undrawn loan commitments

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Undrawn loan commitments are in the scope of the ECL requirements.

(v) Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

(vi) Derecognition of financial assets in the following circumstances

(a) Derecognition of financial assets due to substantial modification of terms and conditions

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit-impaired at the origination date.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

(b) Derecognition of financial assets other than due to substantial modification

Financial assets

A financial asset or a part of financial asset is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:
- The Company has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows.

A transfer only qualifies for derecognition if either:
- The Company has transferred substantially all the risks and rewards of the asset; or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset. but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.
When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(vii) Derecognition of Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Write off

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

b) Fair Value Measurement

On initial recognition, all the financial instruments are measured at fair value. For subsequent measurement, the Company measures certain categories of financial instruments at fair value on each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i. In the principal market for the asset or liability, or
ii. In the absence of a principal market, in the most advantageous market for the asset or liability

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.
Level 1: quoted prices 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 or indirectly.
Level 3: inputs for the asset or liability that are not based on observable market data.

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 categorized 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, if any.

c) **Property plant and equipment**

Recognition and measurement

Property, Plant and Equipment (PPE) is recognised when it is probable that the future economic benefits associated with it will flow to the company and the cost can be measured reliably
Property, Plant and Equipment (PPE) are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the year till such assets are ready to be put to use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Gains or losses arising from derecognition of such assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is derecognized.

Subsequent expenditure

Subsequent costs are included in the assets carrying amount or recognized as a separate asset, as appropriate only if it is probable that the future economic benefits associated with the item will flow to the Company and that the cost of the item can be reliably measured. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repair and maintenance are charged to the Statement of Profit and Loss during the reporting period in which they are incurred.

Depreciation

Depreciation is provided on Straight Line Method ('SLM'), which reflects the management's estimate of the useful life of the respective assets. The estimated useful life used to provide depreciation are as follows:

Particulars	Estimated useful life by the Company	Useful life as prescribed by Schedule II of the Companies Act 2013
Computers	3 years	3 years
Office Equipment	5 years	5 years
Furniture and fixtures	5 years	10 years
Servers and networks	5 years	6 years

Property, plant and equipment items individually costing less than Rs. 5,000 are depreciated fully in the year of purchase.
Leasehold improvement is amortised on Straight Line Method over the lease term, subject to a maximum of 60 months.
Useful life of assets different from prescribed in Schedule II of the Act has been estimated by management and supported by technical assessment.
Depreciation on assets acquired/sold during the year is recognised on a pro-rata basis to the Statement of Profit and Loss till the date of sale.

The useful lives and the method of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

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d) Intangible assets

Recognition and measurement

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition

Amortisation

Intangible assets are amortised using the straight line method over a period of 3 years, which is the management's estimate of its useful life. The amortisation period and the amortisation method are reviewed at least as at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

e) Impairment

(i) Financial Assets

(a) Expected Credit Loss (ECL) principles

The Company records allowance for expected credit losses for all loans, debt financial assets not held at FVTPL, together with undrawn loan commitments, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under Ind AS 109.

For the computation of ECL on the financial instruments, the Company categories its financial instruments as mentioned below:

Stage 1: All exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date and that are not credit impaired upon origination are classified under this stage. The Company classifies all advances upto 30 days overdue under this category. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: All exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired are classified under this stage. Exposures are classified as Stage 2 when the amount is due for more than 30 days but do not exceed 90 days.

Stage 3: All exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Exposures where the amount remains due for 90 days or more are considered as to be stage 3 assets.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Company undertakes the classification of exposures within the aforesaid stages at borrower level.

(b) Calculation of ECL:

ECL is a probability weighted credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial instruments. Cash shortfalls are the difference between the cash flows that the entity is entitled to receive on account of contract and the cash flows that the entity expects to receive

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Exposure-At-Default (EAD) : The Exposure at Default is the amount the Company is entitled to receive as on reporting date including repayments due for principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities.

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Probability of Default (PD) : The Probability of Default is an estimate of the likelihood of default of the exposure over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

Loss Given Default (LGD) : The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

The ECL allowance is applied on the financial instruments depending upon the classification of the financial instruments as per the credit risk involved. ECL allowance is computed on the below mentioned basis:

12-month ECL: 12-month ECL is the portion of Lifetime ECL that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. 12-month ECL is applied on stage 1 assets.

Lifetime ECL: Lifetime ECL for credit losses expected to arise over the life of the asset in cases of credit impaired loans and in case of financial instruments where there has been significant increase in credit risk since origination. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument. Lifetime ECL is applied on stage 2 and stage 3 assets.

The Company computes the ECL allowance either on individual basis or on collective basis, depending on the nature of the underlying portfolio of financial instruments.

Significant increase in Credit Risk

The Company monitors all financial assets and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the Probability of Default will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when loan asset not being a loans becomes 30 days past due, the Company considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL in respect of all retail assets.

For the purpose of counting of day past due for the assessment of significant increase in credit risk, the special dispensations to any class of assets in accordance with COVID19 Regulatory Package notified by the Reserve Bank of India (RBI) has been applied by the company.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction of a new covenants or adjustment of existing covenants of an existing loan may constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Company renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants

When a financial asset is modified the Company assesses whether this modification results in derecognition. In accordance with the Company's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Company considers the following:

• Qualitative factors, such as contractual cash flows after modification are no longer SPPI,
• Change in currency or change of counterparty,
• The extent of change in interest rates, maturity, covenants.

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If this do not clearly indicate a substantial modification, then:

(a) In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Company monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

(b) When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Company determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

• the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with

• the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified, where modification did not result in derecognition, the estimate of PD reflects the Company's ability to collect the modified cash flows taking into account the Company's previous experience of similar forbearance action, as well as various behavioural indicators. including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Company calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Company measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

Presentation of ECL allowance in the Balance Sheet

For financial assets measured at amortised cost, loss allowance for ECL is presented as a deduction from the gross carrying amount of the assets.

(ii) Non-financial assets

Intangible assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised when the carrying amount of an individual asset exceeds its recoverable amount. The recoverable amount is the higher of fair value of the asset less cost of its disposal and value in use.

f) Recognition of income

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

The Company recognises revenue from contracts with customers based on a five step model as set out in Ind 115:

Step 1: Identify contract(s) with a customer

Step 2: Identify performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation

(a) Recognition of interest income

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR for the amortised cost asset is calculated by taking into account any discount or premium on acquisition, origination fees and transaction costs that are an integral part of the EIR.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest income in the statement of profit and loss.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company recognised the interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial status of the financial asset improves and it no longer remains to be a credit-impaired, the Company revises the application of interest income on such financial asset to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised as interest income in the statement of profit or loss.

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(b) Origination fees

Origination fees, which the Company has received/recovered at time of granting of a loan, is considered as a component for computation of the effective rate of interest (EIR) for the purpose of computing interest income.

(c) Assignment income

In accordance with Ind AS 109, in case of assignment transactions with complete transfer of risks and rewards, gain arising on such assignment transactions is recorded upfront in the Statement of Profit and Loss and the corresponding asset is derecognised from the Balance Sheet immediately upon execution of such transactions. Further the transfer of financial assets qualifies for derecognition in its entirety, the whole of the interest spread at its present value (discounted over the life of the asset) is recognised on the date of derecognition itself as excess interest spread and correspondingly recognised as profit on derecognition of financial asset.

(d) Securitisation transactions :

In accordance with Ind AS 109, in case of securitisation transactions, the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(e) Net gain/(loss) on Fair value changes

Any differences between the fair values of financial assets classified as fair value through the profit or loss, held by the Company on the balance sheet date is recognised as an unrealised gain or loss as a gain or expense respectively.

Similarly, any realised gain or loss on sale of financial instruments measured at FVTPL and debt instruments measured at FVOCI is recognised in net gain / loss on fair value changes.

g) Finance Costs

The Company recognises interest expense on the borrowings as per EIR methodology which is calculated by considering any ancillary costs incurred and any premium payable on its maturity.

h) Retirement and other employee benefits

(i) Defined Contribution Plan

Provident Fund

All the employees of the Company are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both the employee and the Company contribute monthly at a stipulated rate. The Company has no liability for future Provident Fund benefits other than its annual contribution and recognises such contributions as an expense, when an employee renders the related service.

(ii) Defined Benefit schemes

(a) Gratuity

The Company provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated year mentioned under 'The Payment of Gratuity Act, 1972'. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date.

Net interest recognized in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognized as part of re-measurement of net defined liability or asset through other comprehensive income. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through Other comprehensive income ('OCI') in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

(b) Compensated absences

Compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related services are provided for based on estimates. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method as at the reporting date. Actuarial gains/losses are immediately taken to Statement of profit and loss account and are not deferred.

i) Share based employee payments

Equity settled share based payments

The stock options granted to employees are measured at the fair value of the options at the grant date. The fair value of the options is treated as discount and accounted as employee compensation cost over the vesting period on a straight line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the general reserve within equity.

Such rights have been provided to the employees on the equity shares of the Indostar Capital Finance Limited, which is holding Company. Such contribution is credited directly as capital contribution of the Company.

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j) **Leases**

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are treated as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term, unless the increase is in line with expected general inflation, in which case lease payments are recognised based on contractual terms. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

Critical accounting estimate and judgement

1. 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.

2. Discount Rate

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

k) **Foreign currency translation**

Functional and presentational currency

The financial statements are presented in INR which is also functional currency of the Company and the currency of the primary economic environment in which the Company operates.

l) **Provisions**

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

m) **Taxes**

(i) Current tax

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 in the countries where the Company operates and generates taxable income.

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.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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n) Earnings Per Share

The Company reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net 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. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

o) Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

p) Segment reporting

The Company is primarily engaged in the business of housing finance and accordingly there are no separate reportable segments as per Ind AS 108 dealing with Operating segment.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires that the management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates include useful lives of property, plant and equipment & intangible assets, allowance for expected credit losses, fair value measurement etc. Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

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IndoStar Home Finance Private Limited

IndoStar Home Finance Private Limited
(CIN: U65990MH2016PTC271587)
Notes to the financial statements for the year ended 31 March 2021
(Currency : Indian Rupees in lakhs)

Particulars	As at 31 March 2021	As at 31 March 2020
Note 3		
Cash and cash equivalents		
Cash on hand	1.01	4.10
Balances with banks		
- in current accounts	564.28	1,655.86
	565.29	**1,659.96**
Note 4		
Bank balances other than cash and cash equivalents		
Deposits with original maturity of more than three months	260.28	-
	260.28	**-**
Note 5		
Loans		
At amortized cost		
Term Loans	85,355.75	75,291.19
Total - Gross	85,355.75	75,291.19
Less: Impairment allowance	(1,533.36)	(648.68)
Total - Net	**83,822.39**	**74,642.51**
Secured by tangible assets	85,355.75	75,291.19
Total - Gross	85,355.75	**75,291.19**
Less: Impairment allowance	(1,533.36)	(648.68)
Total - Net	**83,822.39**	**74,642.51**
Loans in India		
(a) Public sector	-	-
(b) Others	85,355.75	75,291.19
Total - Gross	85,355.75	75,291.19
Less: Impairment allowance	(1,533.36)	(648.68)
Total - Net	**83,822.39**	**74,642.51**
Loans outside India (b)	-	-
Less: Impairment allowance	-	
Total - Net (b)	-	
Total - Net (a)+(b)	**83,822.39**	**74,642.51**

Notes :

1. The Company does not have any financing activities against collateral of gold jewellery. Hence percentage of outstanding loans granted against collateral of gold jewellery to total assets at 31 March 2021 is NIL (31 March 2020: Nil).

2. Detailed analysis on year end stage classification of loans and impairment allowance is disclosed in Note 30.

Particulars	As at 31 March 2021	As at 31 March 2020
Note 6		
Investments (at fair value through profit or loss)		
Investments in Mutual Fund	500.02	-
	500.02	**-**

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Particulars	As at 31 March 2021	As at 31 March 2020
Note 7		
Other financial assets		
Security deposit	18.90	12.71
Assignment receivables	2,699.77	765.65
Other receivables	37.11	75.05
	2,755.79	853.41
Less: ECL on assignment receivable	(71.31)	(5.74)
	2,684.48	**847.66**
Note 8		
Current tax assets (net)		
Advance tax (net of provision)	223.50	219.78
	223.50	**219.78**
Note 9		
Deferred tax assets		
Carried forward book losses	-	454.62
Provision for gratuity	10.48	6.59
Provision for leave encashment	3.43	3.33
Provision on assets held for sale	32.80	32.89
Provision for expected credit loss	366.00	79.31
Income amortisation	53.51	38.79
Depreciation on PPE and intangible assets	24.33	19.38
Lease liabilities	1.05	-
Deferred tax liabilities		
Assignment income amortisation	(679.48)	(130.64)
Borrowing cost amortisation	(37.84)	(32.43)
Lease liabilities	-	(5.77)
Deferred tax asset/(liabilities) (net)	**(225.72)**	**466.07**

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Note 9
Income Taxes

(a) Movement in deferred tax balances

	31 March 2021			
	Net balance 1 April 2020	**Recognised in profit or loss**	**Recognised in OCI**	**Net deferred tax asset/liability**
Deferred Tax Assets				
Carry forward losses	454.62	(454.62)	-	-
Provision for gratuity	6.59	4.08	(0.19)	10.48
Impairment allowance on assets held for sale	32.89	(0.10)	-	32.80
Provision for leave encashment	3.33	0.10	-	3.43
Impairment allowance on loans	79.31	286.69	-	366.00
Income amortisation	38.79	14.73	-	53.51
Deferred tax liability				
Depreciation on PPE and intangible assets	19.38	4.95	-	24.33
Assignment income amortisation	(130.64)	(548.84)	-	(679.48)
Borrowing cost amortisation	(32.43)	(5.41)	-	(37.84)
Lease liabilities	(5.77)	6.83	-	1.05
Deferred tax assets / (liabilities)	**466.07**	**(691.60)**	**(0.19)**	**(225.72)**
Net tax assets	**466.07**	**(691.60)**	**(0.19)**	**(225.72)**

(b) Movement in deferred tax balances

	31 March 2020			
	Net balance 1 April 2019	**Recognised in profit or loss**	**Recognised in OCI**	**Net deferred tax asset/liability**
Deferred Tax Assets				
Carry forward losses	-	454.62	-	454.62
Provision for gratuity	-	8.63	(2.04)	6.59
Impairment allowance on assets held for sale	-	32.89	-	32.89
Provision for leave encashment	-	3.33	-	3.33
Impairment allowance on loans	-	79.31	-	79.31
Income amortisation	-	81.36	-	81.36
Deferred tax liability				
Depreciation on PPE and intangible assets	-	19.38	-	19.38
Assignment income amortisation	-	(130.64)	-	(130.64)
Borrowing cost amortisation	-	(32.43)	-	(32.43)
Loan acquistion cost amortisation	-	(42.57)	-	(42.57)
Lease liabilities	-	(5.77)	-	(5.77)
Deferred tax assets / (liabilities)	**-**	**468.11**	**(2.04)**	**466.07**
Net tax assets	**-**	**468.11**	**(2.04)**	**466.07**

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Note 10
Property, plant and equipment

DESCRIPTION	Leasehold Improvement	Building	Office equipment	Computers	Furniture and fixtures	Right-of-Use Assets	Total
Cost as at 1 April 2019	103.27	-	17.81	245.14	0.39	-	366.61
Additions	4.96	-	2.13	9.28	-	42.94	59.31
Disposals	-		-	-	-	-	-
Cost as at 31 March 2020	108.23	-	19.94	254.42	0.39	42.94	425.92
Additions	-	-	-	0.04	0.62	116.67	117.33
Disposals	-	-	(0.30)	-	-	(34.72)	(35.02)
Cost as at 31 March 2021 (A)	108.23	-	19.64	254.46	1.01	124.89	508.23
Accumulated depreciation as at 1 April 2019	22.31	-	3.32	90.25	0.06	-	115.94
Depreciation charged during the period	22.54	-	3.77	81.06	0.08	24.60	132.05
Disposals	-		-	-	-	-	-
Accumulated depreciation as at 31 March 2020	44.85	-	7.09	171.31	0.14	24.60	247.99
Depreciation charged during the period	22.30	-	4.49	69.50	0.87	26.13	123.29
Disposals	-	-	(0.11)	-	-	(34.72)	(34.82)
Accumulated depreciation as at 31 March 2021 (B)	67.15	-	11.47	240.81	1.01	16.01	336.46
Net carrying amount as at 31 March 2021 (A) - (B)	41.08	-	8.17	13.65	(0.01)	108.88	171.77
Net carrying amount as at 31 March 2020	63.38	-	12.85	83.11	0.25	18.34	177.93

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Note 11
Assets held for sale

Particulars	As at 31 March 2021	As at 31 March 2020
Assets held for sale	607.80	1,303.07
Provision on Assets held for sale	(130.31)	(130.31)
	477.49	**1,172.76**

Note 12
Intangible assets

Particulars	Computer Software	Total
Cost as at 1 April 2019	**147.97**	**147.97**
Additions	42.67	42.67
Disposals	-	-
Cost as at 31 March 2020	**190.64**	**190.64**
Additions	102.68	102.68
Disposals	-	-
Cost as at 31 March 2021 (A)	**293.32**	**293.32**
Accumulated amortisation as at 1 April 2019	**57.30**	**57.30**
Amortisation recognised for the period	54.50	54.50
Disposals	-	-
Accumulated amortisation as at 31 March 2020	**111.80**	**112**
Amortisation recognised for the period	77.53	77.53
Disposals	-	-
Accumulated amortisation as at 31 March 2021 (B)	189.33	189.33
Net carrying amount as at 31 March 2021 (A)- (B)	**103.99**	**103.99**
Net carrying amount as at 31 March 2020	**78.84**	**78.84**

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Particulars	As at 31 March 2021	As at 31 March 2020
Note 13		
Other non-financial assets		
Prepaid expenses	8.93	14.45
Advances recoverable in cash or in kind or for value to be received (refer footnote below)	216.40	70.55
	225.33	**85.00**

Footnote: Advances recoverable in cash or in kind or for value to be received includes Rs. 161.30 lakhs (Previous year Nil) as claim receivable towards ex-gratia under GOI Scheme.

Particulars	As at 31 March 2021	As at 31 March 2020
Note 14		
Trade payables		
Dues to Micro, small and medium enterprises	0.32	-
Dues to Others	495.58	608.93
	495.90	608.93
Note 15		
Borrowings		
At amortised cost		
Term loans		
Term loans from banks (Refer note (a) below)	24,692.82	5,440.59
Loan from related parties		
Loan from holding company	39,291.64	52,913.74
Total	**63,984.46**	**58,354.33**
Borrowings in India	63,984.46	58,354.33
Borrowings outside India	-	-
Total	**63,984.46**	**58,354.33**
Secured borrowings	24,692.82	5,440.59
Unsecured borrowings	39,291.64	52,913.74
Total	**63,984.46**	**58,354.33**

(a) Term loan from banks (TL):

Redeemable within	As at 31 March 2021	As at 31 March 2020
	Rate of interest	Rate of interest
	> 5.25% < 9.10%	> 9.10% < 9.65%
	Amount	Amount
Above 60 Months	3,015.63	122.11
48-60 Months	2,170.96	244.22
36-48 Months	3,764.07	488.43
24-36 Months	4,219.62	1,221.08
12-24 Months	4,965.08	1,492.43
0-12 Months	6,557.46	1,872.32
Total	**24,692.82**	**5,440.59**

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IndoStar Home Finance Private Limited

(b) Term loan from holding company :

Redeemable within	As at 31 March 2021	As at 31 March 2020
	Rate of interest	Rate of interest
	10%	10%
	Amount	Amount
Above 60 Months	-	-
48-60 Months	18,000.00	20,000.00
36-48 Months	20,000.00	31,000.00
24-36 Months	-	-
12-24 Months	-	-
0-12 Months	1,291.64	1,913.74
Total	**39,291.64**	**52,913.74**

Note :

The term loan from holding company includes a optionally convertible loan into equity share of the company of Rs. 10,000.00 lakhs as on 31st March 2021 (Previous year Rs 10,000.00 lakhs). IndoStar Capital Finance Limited has the right to convert whole or part of the outstanding of the said loan amount into fully paid equity shares of the Company at a price which is higher of (i) the fair market value of the equity shares of the company as determined by an independent Category II Merchant Banker registered with the Securities and Exchange Board of India or by an independent Chartered Accountant, as on a date not preceding 6 months from the date on which the right to convert loan amount is exercised by IndoStar Capital Finance Limited; or (ii) face value of equity shares of the Company. The portion of the loan so converted shall cease to carry interest and the outstanding loan amount shall stand correspondingly reduced.

Note 16
Other financial liabilities

Book overdraft	207.21	1.22
Employee benefits payable	86.69	31.55
Others	2,242.59	1,544.08
	2,536.49	**1,576.85**

Note 17
Provisions

Provision for employee benefits:		
- Gratuity	41.65	27.21
- Compensated absences	13.61	28.94
Others :		
- Expected credit loss on undrawn loan commitments	4.86	-
	60.12	**56.15**

Note 18
Non-financial liabilities

Statutory dues payable	89.48	87.92
Unamortised lease liabilities	113.07	20.00
	202.55	**107.92**

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IndoStar Home Finance Private Limited

(Currency : Indian Rupees in lakhs)

Note 19

Equity share capital

a. Details of authorised, issued and subscribed share capital

	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Authorised capital				
Equity shares of Rs.10/- each	20,00,00,000	20,000	20,00,00,000	20,000
Issued, subscribed and fully paid up				
Equity shares of Rs.10/- each fully paid up	20,00,00,000	20,000	20,00,00,000	20,000
Total	**20,00,00,000**	**20,000**	**20,00,00,000**	**20,000**

b. Reconciliation of number of shares at the beginning and at the end of the year

	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	20,00,00,000	20,000	20,00,00,000	20,000
Add: Issued during the year (fully paid Rs. 10 each)	-	-	-	-
Add: Receipt of final call money during the year on partly paid up shares	-	-	-	-
Less: Shares bought back during the year	-	-	-	-
Shares outstanding at the end of the year	**20,00,00,000**	**20,000**	**20,00,00,000**	**20,000**

c. Particulars of shares held by holding Company

		As at 31 March 2021		As at 31 March 2020	
Name of shareholder	**Relationship**	**No of equity shares held**	**Percentage**	**No of equity shares held**	**Percentage**
Indostar Capital Finance Limited	Holding Company	20,00,00,000	100%	20,00,00,000	100%

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

d. Particulars of shareholders holding more than 5% of shares held

		As at 31 March 2021		As at 31 March 2020	
Name of shareholder	**Relationship**	**No of equity shares held**	**Percentage**	**No of equity shares held**	**Percentage**
IndoStar Capital Finance Limited*	Holding Company	20,00,00,000	100%	20,00,00,000	100%

* 1 equity share each is held by six individuals jointly with IndoStar Capital Finance Limited, further beneficial interest of the same is with IndoStar Capital Finance Limited.

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

e. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to proportionate vote on basis of his contribution to fully paid up share capital.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the proportionate amount of contribution made by the equity shareholder to the total equity share capital.

(Currency : Indian Rupees in lakhs)

Particulars	As at 31 March 2021	As at 31 March 2020
Note 20		
Other equity		
Statutory reserves u/s 29C of the National Housing Bank Act, 1987	851.51	292.48
Capital contribution from Holding Company	211.91	126.95
Retained earnings	465.88	(1,773.10)
	1,529.30	**(1,353.67)**
20.1 Other equity movement		
Statutory reserves u/s 29C of the National Housing Bank Act, 1987		
Opening Balance	292.48	8.53
Add : Transferred from surplus	559.03	283.95
Closing Balance	**851.51**	**292.48**
Capital contribution from holding Company		
Opening Balance	126.95	72.29
Movement during the year	84.96	54.66
Closing Balance	**211.91**	**126.95**
Retained earnings		
Opening Balance	(1,773.10)	(2,914.94)
Add: Transferred from the statement of profit and loss	2,795.13	1,419.73
Less: 'Transfer to statutory reserve as per Section 29C of the National Housing Bank Act, 1987	(559.03)	(283.95)
Add: Re-measurement of defined benefit obligations	2.88	6.06
Closing Balance	**465.88**	**(1,773.10)**

20.2 Nature and purpose of reserves

Statutory reserves u/s 29C of the National Housing Bank Act, 1987

Statutory reserves fund is required to be created by Housing Finance Company as per Section 29C of the National Housing Bank of India Act, 1987. The Company is not allowed to use the reserve fund except with authorisation of National Housing Bank.

Capital contribution from holding company

Capital contribution reserve represents the proportionate amount of fair value of options charged to the Company on account of issuance of employee stock options to the employees of the Company by its Parent Company (i.e. Indostar Capital Finance Limited) on its own shares.

Retained earnings

Retained earnings represents surplus/(deficit) of accumulated earnings of the Company.

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Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Note 21		
Revenue from operations		
Interest income on financial assets measured at amortised cost:		
Interest on loans		
- Loan portfolio	10,835.88	8,674.16
Interest on deposits		
- Deposits with banks	10.29	-
	10,846.17	8,674.16
Fees and commission income		
- Fees	123.28	157.59
	123.28	**157.59**
Net gain on fair value changes		
Net gain/(loss) on financial instruments at fair value through profit or loss		
- Investments	92.09	112.31
Total fair value changes	**92.09**	**112.31**
Fair value changes:		
- Realised	92.05	112.31
- Unrealised	0.04	-
Total fair value changes	**92.09**	**112.31**
Gain on derecognition of financial instruments measured at amortised cost category		
- Assignment Income	2,156.28	623.67
	2,156.28	**623.67**
Total	**13,217.82**	**9,567.73**

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Note 22		
Other Income		
Miscellaneous income	187.74	146.17
Interest on income tax refund	1.19	-
	188.93	**146.17**

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Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Note 23		
Finance cost		
Interest expense on financial liabilities measured at amortised cost:		
Interest expense on borrowings		
Loans from banks	1,443.47	552.14
Other borrowings (including Inter Corporate Deposits)	4,021.26	4,009.12
Interest expense on debt securities		
Commercial paper	165.14	-
Other interest expense		
Bank charges & other related costs	28.18	51.33
	5,658.05	**4,612.59**
Note 24		
Impairment on financial instruments		
Impairment on loans measured at amortised cost		
Provision for expected credit loss	884.68	493.64
Impairment on others		
Undrawn loan commitments	4.86	-
Others	65.56	4.24
	955.10	**497.88**
Note 25		
Employee Benefits Expenses		
Salaries, other allowances and bonus	1,581.58	2,090.61
Gratuity expenses	17.51	18.09
Compensated absences	(12.01)	13.23
Contribution to provident and other funds	71.28	86.78
Staff welfare expenses	7.00	13.47
Share based payment expense	84.96	54.66
Employee shared service costs	58.08	88.74
	1,808.40	**2,365.58**
Note 26		
Depreciation and amortisation expenses		
Depreciation of property, plant and equipment (PPE)	123.29	132.05
Amortisation of intangible assets	77.53	54.50
	200.82	**186.55**

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Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Note 27		
Other Expenses		
Rent	29.68	33.15
Rates & taxes	10.18	2.48
Printing and stationery	8.77	8.17
Travelling & conveyance	68.01	111.39
Advertisement	-	68.29
Commission & brokerage	0.57	30.15
Office expenses	116.04	128.57
Communication expenses	17.54	22.26
Payment to auditors (note below)	20.67	24.23
Legal & professional charges	230.53	201.31
Loss on sale of property plant and equipment	8.98	-
Other shared service costs	399.85	339.37
Provision on employee advance	6.33	-
Impairment allowance on assets held for sale	-	130.31
	917.15	**1,099.68**

Payment to auditor includes:		
a) Statutory Audit (refer footnote)	10.71	8.72
b) Tax Audit	1.50	1.36
c) Certifications	6.75	13.08
d) Other Services	1.71	1.07
Total	**20.67**	**24.23**

Footnote:
Including payment to erstwhile auditors Rs. 2.21 lakhs.

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Note 28
Income taxes

Tax expense
(a) Amounts recognised in statement of profit and loss

	For the year ended 31 March 2021	For the year ended 31 March 2020
Current tax expense		
Current year	380.50	-
	380.50	-
Deferred tax expense		
Origination and reversal of temporary differences	691.60	(468.11)
	691.60	(468.11)
Tax expense for the year	1,072.10	(468.11)

(b) Amounts recognised in other comprehensive income

	For the year ended			For the year ended		
	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						
Remeasurements of the defined benefit liability (asset)	3.07	(0.19)	2.88	8.10	(2.04)	6.06
	3.07	**(0.19)**	**2.88**	**8.10**	**(2.04)**	**6.06**

(c) Reconciliation of effective tax rate

	For the year ended 31 March 2021	For the year ended 31 March 2020
Profit before tax	**3,867.23**	**951.62**
Statutory income tax rate	25.17%	25.17%
Expected income tax expense	973.30	239.50
Tax effect of:		
Carried forward tax losses of previous years	-	(707.61)
Others	98.79	-
Total tax expense	**1,072.09**	**(468.11)**
Current tax	380.50	-
Deferred tax	691.60	(468.11)
	1,072.10	(468.11)

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Note 29
Earnings per share (EPS)

Basic EPS calculated by dividing the net profit for the year attributable to equity holders 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 (after adjusting profit impact of dilutive potential equity shares, if any) by the aggregate of weighted average number of equity shares outstanding during the year and the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

Particulars	For the Yesr ended 31 March 2021	For the year ended 31 March 2020
i. Profit attributable to equity holders (A)		
Profit attributable to equity holders for basic and diluted EPS	2,795.13	1,419.73
ii. Weighted average number of equity shares for calculating Basic EPS (B)	20,00,00,000	20,00,00,000
iii. Weighted average number of equity shares for calculating Diluted EPS (C)	20,00,00,000	20,00,00.000
iv. Basic earnings per share (Rs.)	1.40	0.71
v. Diluted earnings per share (Rs.)	1.40	0.71

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Note 30
Financial instruments – Fair values and Risk management

A. Accounting classification and fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions , regardless of whether that price is directly observable or estimated using a valuation technique.

The management has assessed that the carrying amounts of cash and cash equivalents, loans carried at amortised cost, other financial assets, trade payables, borrowings, bank/book overdrafts and other current liabilities are a reasonable approximation to their fair value.

B. Risk Management Framework:

Company's risk management framework is based on

(a) Clear understanding and identification of various risks
(b) Disciplined risk assessment by evaluating the probability and impact of each risk
(c) Measurement and monitoring of risks by establishing key risk indicators with thresholds for all critical risks and
(d) Adequate review mechanism to monitor and control risks.

Company's risk management division works as a value centre by constantly engaging with the business providing reports based on key analysis and insights. The key risks faced by the company are credit risk, liquidity risk, interest rate risk, operational risk, reputational and regulatory risk, which are broadly classified as credit risk, market risk and operational risk. The company has a well established risk reporting and monitoring framework. The company identifies and monitors risks periodically. This process enables the company to reassess the all critical risks in a changing environment that need to be focused on.

C. Risk governance structure:

Company's risk governance structure operates with a robust Board and Risk Management Committee ('RMC') with a clearly laid down charter and roles and responsibilities. The Board oversees the risk management process and monitors the risk profile of the company directly as well as through a Board constituted Risk Management Committee. The Committee reviews the risk management policy, implementation of risk management framework, monitoring of critical risks, and review of various other initiatives. The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate limits and controls and to monitor risks and adherence to limits. The RMC reviews the risk management policies regularly to reflect the changes in market conditions and Company's activities.

The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of risk management framework in relation to the risk faced by the Company.

The risk management division has established a comprehensive risk management framework across the business and provides appropriate reports on risk exposures and analysis in its pursuit of creating awareness across the Company about risk management.

D. Fair value hierarchy
Ind AS 107, 'Financial Instrument - Disclosure' requires classification of the valuation method of financial instruments measured at fair value in the Balance Sheet, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurements). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to un-observable inputs (Level 3 measurements). The three levels of the fair-value-hierarchy under Ind AS 107 are described below:
Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and place limited reliance on entity specific estimates. 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 on observable market data, the instrument is included in level 3.

The following table shows the carrying amounts and fair values of financial assets including their levels in the fair value hierarchy:

Particulars	As at 31 March 2021							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total
Investments covered under Ind AS 109								
(a) Investments	500.02	-	-	500.02	500.02	-	-	500.02
(b) Loans	-	-	83,822.39	83,822.39	-	-	83,822.39	83,822.39
Total	500.02	-	83,822.39	84,322.41	500.02	-	83,822.39	84,322.41

Particulars	As at 31 March 2020							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs	Total
Investments covered under Ind AS 109								
(a) Investments	-	-	-	-	-	-	-	-
(b) Loans	-	-	74,642.51	74,642.51	-	-	74,642.51	74,642.51
Total	-	-	74,642.51	74,642.51	-	-	74,642.51	74,642.51

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E. Liquidity risk

Liquidity is the Company's capacity to fund increase in assets and meet both the expected and unexpected obligations without incurring unacceptable losses. Liquidity risk is the inability to meet such obligations as they become due without adversely affecting the company's financial conditions. The Asset Liability Management Policy of the Company stipulates a broad framework for Liquidity risk management to ensure that the Company can meet its liquidity obligations. The Asset Liability Management Committee ('ALCO') monitors composition, characteristics and diversification of funding sources to ensure there is no over reliance on single source of funding. The Company tracks the cash flow mismatches for measuring and managing net funding requirement through Maturity Ladder approach and reviews short-term liquidity profiles based on business projections and other commitments for planning purposes through Dynamic Liquidity analysis. The ALCO also reviews the individual mismatch in each time bucket and cumulative mismatch and ensures the bucket wise limits are not generally breached.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The liquidity position of the company is assessed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and risk specifics to the Company. Basis the liquidity position assessed under various stress scenarios; the Company reviews the following to effectively handle any liquidity crisis:

- Adequacy of contingency funding plan in terms of depth of various funding sources, time to activate, cost of borrowing, etc
- Availability of unencumbered eligible assets

Maturity profile of undiscounted cash flows for financial liabilites as on balance sheet date have been provided below:

As on 31 March 2021

Particulars	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial Liabilities					
Trade payables	495.90	-	-	-	495.90
Borrowings (other than debt securities)	3,878.78	3,970.32	53,119.74	3,015.62	63,984.46
Other financial liabilities	2,536.49	-	-	-	2,536.49
Total	**6,911.17**	**3,970.32**	**53,119.74**	**3,015.62**	**67,016.85**

As on 31 March 2020

Particulars	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial Liabilities					
Trade payables	608.93	-	-	-	608.93
Borrowings (other than debt securities)	407.03	2,618.33	55,206.87	122.11	58,354.33
Other financial liabilities	1,576.85	-	-	-	1,576.85
Total	**2,592.81**	**2,618.33**	**55,206.87**	**122.11**	**60,540.11**

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Note 30
Financial Instruments – Fair values and Risk management (continued)

F. Credit risk
Credit risk arises when a borrower is unable to meet his contractual obligations to the lender. The effective management of credit risk requires the establishment of appropriate credit risk policies and processes. The Company has comprehensive and well defined credit policies across various businesses, products and segments, which encompass credit approval process for all businesses along with guidelines for mitigating the risks associated with them. The appraisal process includes detailed risk assessment of the borrowers, physical verifications and field visits. The company has a robust post sanction monitoring process to identify portfolio-wise credit risk trends and early warning signals. This enables it to implement necessary changes to the credit policy, whenever the need arises to prevent any further slippage in the credit quality.

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. The loans where the renegotiated terms are not substantially different and involve repayment terms to be extended including interest or the EMI amount readjusted over the tenure are classified as Stage 2. Additionally, accounts identified and reviewed by the credit committee for labelling as breaching pre-defined critical credit risk parameters will also be classified as Stage 2. Accordingly, the financial assets shall be classified as Stage 2, based on the quantitative as well as qualitative factors.

Write off policy
Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. Any subsequent recoveries are credited to impairment on financial instrument in statement of profit and loss.

Restructured financial assets
A loan where repayment terms are renegotiated on substantially different terms as compared to the original contracted terms due to significant increase in credit risk of the borrower are classified as stage 2. Such loans continue to be in stage 2 until they exhibit regular payment of renegotiated principal and interest over a minimum observation period typically 12 months-post renegotiation, and there are no other indicators of impairment. Having satisfied the conditions of timely payment over the observation period these loans could be transferred to stage 1 and a fresh assessment of the risk of default is done.

Overview of the Expected Credit Loss principles
The Company records allowance for expected credit losses for all loans, debt financial assets not held at FVTPL, undrawn loan commitments (referred to as 'financial instruments').
Based on the above process, the Company categorises its loans into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2/ Stage 3. Loans that are standard with days past due (DPD) not exceeding 30 days as on reporting period are categorized under Stage 1

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3. Loans that are standard with days past due (DPD) in the range of 31-90 days as on reporting period are categorized under Stage 2.

Stage 3: Loans considered credit impaired and crossed 90 DPD as on reporting period. The company records an allowance for the LTECL.

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. Accordingly, the financial assets shall be classified as Stage 3, if on the reporting date, it has been 90 days past due. Non-payment on another obligation of the same customer is also considered as a Stage 3.

The calculation of ECL
The Company calculates ECL to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.
The key elements of the ECL are summarised below:

PD: The probability of default ('PD') is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD: The Exposure at Default is the amount the Company is entitled to receive as on reporting date including repayments due for principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities.

LGD. LGD is the magnitude of the likely loss if there is a default. The company estimates LGD parameters based on the history of recovery rates against defaulted counterparties. The LGD models consider the cash flow received, assets received in lieu of settlement of loan and collateral available for subsequent recovery that is integral to the financial asset.

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Note 30

Financial instruments – Fair values and Risk management (continued)

Forward looking information

The company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. Such statistical models are selected considering the availability of information related to the probability of default for each product. This analysis includes the identification and calibration of relationships between changes in GNPA as proxy for default rates and changes in key macro-economic factors. Key economic indicators considered for forward looking includes:

- GDP growth
- WPI (Wholesale price index)

For the purpose of determination of impact of forward looking information, the company applies macro economic (ME) variables as stated above to each product and assess the trend of the historical probability of defaults as compared to the forecasted probability of default. Based on the directional trend of output, management applies an overlay if required. Overtime, new ME variable may emerge to have a better correlation and may replace ME being used now.

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

Particulars	31 March 2021			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost				
Loans	80,587.30	3,217.55	1,550.91	85,355.75
Total	80,587.30	3,217.55	1,550.91	85,355.75

Particulars	31 March 2020			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost				
Loans	74,325.74	331.46	633.99	75,291.19
Total	74,325.74	331.46	633.99	75,291.19

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances is, as follows:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	74,325.74	331.46	633.99	75,291	52,760.17	129.41	71.42	52,961.00
New assets originated or purchased	26,718.71	75.49	127.13	26,921	33,418.77	14.17	-	33,432.94
Assets derecognised or repaid (excluding write offs)	(16,616.82)	(156.89)	(83.06)	(16,857)	(11,075.80)	(13.53)	(13.42)	(11,102.75)
Transfers to stage 1	34.12	(34.12)	-	-	-	-	-	-
Transfers to stage 2	(3,084.34)	3,124.90	(40.56)	-	(293.32)	293.32	-	-
Transfers to stage 3	(790.11)	(123.29)	913.41	-	(484.08)	(91.91)	575.99	-
Amounts written off	-	-	-	-				-
Gross carrying amount closing balance	80,587.30	3,217.55	1,550.91	85,355.75	74,325.74	331.46	633.99	75,291.19

Reconciliation of ECL balance is given below:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balance	517.81	1.36	129.51	648.68	131.44	0.78	22.82	155.04
New assets originated or purchased	379.79	415.27	-	795.06	342.85	0.40	-	343.25
Assets derecognised or repaid (excluding write offs)	(48.17)	(0.65)	(9.21)	(58.03)	(27.69)	(0.03)	(2.68)	(30.41)
Changes to models and inputs used for ECL calculations				-	-	-	(5.80)	(5.80)
Transfers to stage 1	0.09	(0.09)	-	-	-	-	-	-
Transfers to stage 2	(18.67)	26.78	(8.11)	-	(0.73)	0.73	-	-
Transfers to stage 3	(8.63)	(1.88)	10.51	-	(1.21)	(0.23)	1.44	-
Impact on year end ECL on exposures transferred between stages during the year	(226.91)	146.57	227.99	147.65	73.15	(0.29)	113.73	186.59
ECL allowance - closing balance	595.31	587.36	350.69	1,533.36	517.81	1.36	129.51	648.68

G. Risk Management amidst COVID-19 :

Estimation uncertainty relating to COVID-19 global health pandemic:

In assessing the recoverability of loans, receivables and investments, the Company has considered internal and external sources of information, economic forecasts and industry reports upto the date of approval of these financial results. The Company has performed stress testing on the assumptions used and based on current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets. The Company has developed estimates and applied management overlays for the purpose of determination of the provision for impairment of financial assets.

The full extent of impact of the pandemic (Wave 2) on the Company's operations and financial performance (including impairment allowances for financial asset) will depend on future developments including governmental and regulatory measures and the Company's responses thereto, which are highly uncertain at this time.

Further, in view of the matters mentioned above, the Company is regularly assessing and monitoring the impact of the Novel Coronavirus (COVID-19) pandemic on its liquidity and ability to repay its obligations as and when they are due. Based on the foregoing and necessary stress tests considering various scenarios, management believes that the Company will be able to pay its obligations as and when these become due in the foreseeable future.

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Note 30
Financial instruments – Fair values and risk management (continued)

H. Market risk
Market Risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates and other asset prices. The Company's exposure to market risk is a function of asset liability management and interest rate sensitivity assessment. The company is exposed to interest rate risk and liquidity risk, if the same is not managed properly. The company continuously monitors these risks and manages them through appropriate risk limits. The Asset Liability Management Committee ('ALCO') reviews market related trends and risks and adopts various strategies related to assets and liabilities, in line with the Company's risk management framework.

I. Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The operational risks of the Company are managed through comprehensive internal control systems and procedures. Failure of managing operational risk might lead to legal / regulatory implications due to non-compliance and lead to financial loss due to control failures. While it is not practical to eliminate all the operational risk, the Company has put in place adequate control framework by way of segregation of duties, well defined process, staff training, maker and checker process, authorisation and clear reporting structure. The effectiveness of control framework is assessed by internal audit on a periodic basis.

To manage fraud risk effectively, the Company has Independent Risk Containment Unit ('RCU') which is responsible for implementing fraud risk management framework and ensure compliance. The RCU undertakes various activities such as pre-sanction loan applicant verification, pre-sanction and post disbursement documents verification, vendor verification, etc to prevent and manage frauds.

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Note 30
Financial instruments – Fair values and risk management (continued)

J. Capital Disclosure
The Company maintains adequate capital to cover risks inherent in the business and is meeting the capital adequacy requirements of our regulator, National Housing Board (NHB). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by NHB/RBI.

Company has complied in full with all its externally imposed capital requirements over the reported period.

The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company maintains its capital structure in line with economic conditions and the risk characteristics of its activities.

Particulars	As at 31 March 2021	As at 31 March 2020
Tier I capital ratio	48.0%	45.6%
Tier II capital ratio	1.2%	1.2%
Total capital adequacy ratio	**49.2%**	**46.8%**

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Note 31
Related Party disclosures, as required by Indian Accounting Standard 24 (Ind AS 24) are given below:

a) Relationships
Ultimate Holding Company
Brookfield Asset Management Inc. (from 9 July 2020)

Holding Company
BCP V Multiple Holdings Pte. Ltd. (from 9 July 2020)
IndoStar Capital Finance Limited

Fellow Subsidiary
IndoStar Asset Advisory Private Limited

Names of other related parties with whom the Company had transactions during the year:
Key Managerial Personnel
Shreejit Menon -Whole Time Director

b) Transactions with Key Management Personnel :

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
1) Short-term employee benefits	74.17	73.17
2) Reimbursement of expenses	6.19	1.16

Compensation of the Company's key managerial personnel includes salaries, non-cash benefits and contributions to post-employment defined benefit plan.

c) Transactions other than those with key management personnel :

Particulars		Holding Company
1) Reimbursement of expenses	2021	495.16
	2020	517.84
2) Interest on loan from holding company	2021	4,021.26
	2020	4,009.12
3) Loan taken from holding company (net)	2021	13,000.00
	2020	17,500.00

d) The related party balances outstanding at year end are as follows:

Particulars		Holding Company	Key Management Personnel
1) Reimbursement of expenses	2021	493.17	-
	2020	456.13	-
2) Loan from holding company (including accrued interest)	2021	39,291.64	-
	2020	52,913.74	-

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Note 32
Set out below is the disaggregation of the revenue from contracts with customers

Particulars	For the year ended 31 March 2021	For the year ended 31 March 2020
Type of Services or service		
Fees	123.28	157.59
Total revenue from contracts with customers	**123.28**	**157.59**
Geographical markets		
India	123.28	157.59
Outside India	-	-
Total revenue from contracts with customers	**123.28**	**157.59**
Timing of revenue recognition		
Services transferred at a point in time	123.28	157.59
Services transferred over time	-	-
Total revenue from contracts with customers	**123.28**	**157.59**

Note 33
Contingent liabilities and Commitments

Particulars	As at 31 March 2021	As at 31 March 2020
Contingent liabilities:	-	-
Capital commitments:		
Estimated amount of contracts remaining to be executed on capital account	-	-
Other commitments:		
Loans sanctioned not yet disbursed	3,870.16	3,020.68

Note 34
Disclosures as required by Ind AS 116 'Leases'

(A) Lease liability movement

Particulars	As at 31 March 2021	As at 31 March 2020
Opening Balance/Transition Adjustment	20.00	42.94
Add : Additions during the year	116.67	-
Add : Interest on lease liability	4.66	3.10
Less : Lease rental payments	(28.27)	(26.04)
	113.06	**20.00**

(B) Future lease cashflow for all leased assets

Particulars	As at 31 March 2021	As at 31 March 2020
Not later than one year	24.89	19.48
Later than one year but not later than five years	96.43	1.42
Later than five years	33.64	-
	154.96	**20.90**

(C) Maturity analysis of lease liability

Particulars	As at 31 March 2021	As at 31 March 2020
Lease liability		
Less than 12 months	14.56	18.60
More than 12 months	98.51	1.40
	113.06	**20.00**

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Note 35
Dues to Micro, Small and Medium enterprises as per MSMED Act, 2006
The following disclosure is made as per the requirement under The Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED Act') on the basis of confirmations sought from suppliers on registration with the specified authorities under MSMED :

Particulars	As at 31 March 2021	As at 31 March 2020
a. Principal and interest amount remaining unpaid	0.32	-
b. Interest due thereon remaining unpaid	-	-
c. Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day	-	-
d. Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act,2006)	-	-
e. Interest accrued and remaining unpaid	-	-
f. Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

The aforementioned is based on the responses received by the Company to its inquiries with suppliers with regard to applicability under the said Act. This has been relied upon by the auditors.
No interest has been paid/is payable by the Company during the year to the suppliers registered under this Act.

Note 36
Gratuity and other post-employment benefit plans:

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

Based on Ind AS 19 'Employee Benefits' notified under Section 133 of the Companies Act 2013 and the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time, the following disclosures have been made as required by the standard:

	As at 31 March 2021	As at 31 March 2020
A. Amount recognised in the balance sheet		
Present value of the obligation as at the end of the year	41.65	27.21
Fair value of plan assets as at the end of the year	-	-
Net asset / (liability) to be recognized in the balance sheet	**41.65**	**27.21**

B. Change in projected benefit obligation

	As at 31 March 2021	As at 31 March 2020
Projected benefit of obligation at the beginning of the year	27.21	17.22
Current service cost	15.65	16.78
Interest cost	1.86	1.31
Actuarial (gain) / loss on obligation	(3.07)	(8.10)
Projected benefit obligation at the end of the year	41.65	**27.21**

C. Change in plan assets		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Actuarial gain/(loss)	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	-	-

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D. Amount recognised in the statement of profit and loss

Current service cost	15.65	16.78
Net interest cost	1.86	1.31
Expenses recognised in the statement of profit and loss	**17.51**	**18.09**

E. Amount recognised in other comprehensive income

Actuarial (gains) / loss		
- change in financial assumption	2.16	2.18
- change in demographic assumption	-	(0.01)
- experience variation	(5.23)	(10.28)
Expenses recognised in other comprehensive income	**(3.07)**	**(8.10)**

F. Assumptions used	**As at 31 March 2021**	**As at 31 March 2020**
Discount rate	6.35%	6.85%
Salary growth rate	6.00%	6.00%
Withdrawal rates	10% at younger ages reducing to 6% at older ages	10% at younger ages reducing to 6% at older ages

G. 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 31 March 2021		As at 31 March 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	39.49	44.00	25.72	28.82
Salary growth rate (0.5% movement)	43.99	39.58	28.74	25.78
Withdrawal rate (10% movement)	41.03	42.27	26.65	27.76

H. Other information :

1. The expected contribution for the next year is Rs. 8,553/-.
2. The average outstanding term of the obligations as at valuation date is 10.28 years.

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Note 37 - Maturity pattern of Assets and Liabilities

Financial statements of the Company are disclosed in the format or order of liquidity. An analysis of its assets and liabilities according to their timing of recoverability and settlement has been presented below in a tabulated format.

Particulars	Note	As on 31 March 2021			As on 31 March 2020		
		Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
ASSETS							
Financial assets							
Cash and cash equivalents	3	565.29	-	565.29	1,659.96	-	1,659.96
Bank balances other than cash and cash equivalents	4	260.28	-	260.28	-	-	-
Loans	5	10,340.95	73,481.44	83,822.39	8,774.91	65,867.60	74,642.51
Investments	6	500.02	-	500.02	-	-	-
Other financial assets	7	37.11	2,647.37	2,684.48	82.76	764.90	847.66
Non-financial assets							
Current tax assets (net)	8	-	223.50	223.50	-	219.78	219.78
Deferred tax assets (net)	9	-	-	-	-	466.07	466.07
Property, plant and equipment	10	-	171.77	171.77	-	177.93	177.93
Assets held for sale	11	477.49	-	477.49	1,172.76	-	1,172.76
Intangible assets	12	-	103.99	103.99	-	78.84	78.84
Other non-financial assets	13	225.33	-	225.33	85.00	-	85.00
TOTAL ASSETS		12,406.47	76,628.07	89,034.54	11,775.39	67,575.12	79,350.51

Particulars	Note	As on 31 March 2021			As on 31 March 2020		
		Within 12 months	More than 12 months	Total	Within 12 months	More than 12 months	Total
LIABILITIES							
Financial liabilities							
Trade payables	14	495.90	-	495.90	608.93	-	608.93
Borrowings (other than debt securities)	15	7,849.10	56,135.36	63,984.46	3,025.35	55,328.97	58,354.33
Other financial liabilities	16	2,536.49	-	2,536.49	1,576.85	-	1,576.85
Non-financial liabilities							
Provisions	17	18.55	41.57	60.12	2.78	53.37	56.15
Deferred Tax Liability	9		225.72	225.72			-
Other non-financial liabilities	18	104.04	98.51	202.55	89.32	18.60	107.92
TOTAL LIABILITIES		11,004.08	56,501.16	67,505.24	5,303.23	55,400.94	60,704.18

Note: Classification of assets and liabilities under the different maturity buckets is based on certain estimates and assumptions as used by the company, which has been relied upon by the auditors.

Note 38 - Disclosure pursuant to Ind AS 108 'Operating Segments'
The Company operates mainly in business segment of housing finance. Further all activities are carried out in India. As such there are no reportable segments as per IND AS 108 on Operating Segments.

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Note 39 - Disclosure as required by Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021

I. Capital

Particulars	As at 31 March 2021	As at 31 March 2020
(i) CRAR (%)	49.2%	46.8%
(ii) CRAR – Tier I Capital (%)	48.0%	45.6%
(iii) CRAR – Tier II Capital (%)	1.2%	1.2%
(iv) Amount of subordinated debt raised as Tier- II Capital	-	-
(v) Amount raised by issue of Perpetual Debt Instruments	-	-

II. Reserve Fund u/s 29C of NHB Act, 1987

Particulars	As at 31 March 2021	As at 31 March 2020
Balance at the beginning of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	292.48	8.53
b) Amount of special reserve u/s 36(1)(viii)of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	-	-
c) Total	292.48	8.53
Addition / Appropriation / Withdrawal during the year		
Add:		
a) Amount transferred u/s 29C of the NHB Act, 1987	559.03	283.95
b) Amount of special reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	-	-
Less:		
a) Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987	-	-
b) Amount withdrawn from the Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961 taken into account which has been taken into account for the purpose of provision u/s 29C of the NHB Act, 1987	-	-
Balance at the end of the year		
a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987	851.51	292.48
b) Amount of special reserve u/s 36(1)(viii)of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987	-	-
c) Total	851.51	292.48

III. Investments

Particulars	As at 31 March 2021	As at 31 March 2020
1. Value of Investments		
(i) Gross value of Investments		
(a) In India	500.02	-
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net value of Investments		
(a) In India	500.02	-
(b) Outside India	-	-
2. Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add: Provisions made during the year	-	-
(iii) Less: Write-off / Written-bank of excess provisions during the year	-	-
(iv) Closing balance	-	-

IV. Derivatives
1. Forward Rate Agreement (FRA) / Interest Rate Swap (IRS)

Particulars	As at 31 March 2021	As at 31 March 2020
(i) The notional principal of swap agreements	-	-
(ii) Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	-	-
(iii) Collateral required by the HFC upon entering into swaps	-	-
(iv) Concentration of credit risk arising from the swaps	-	-
(v) The fair value of the swap book	-	-

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2. Exchange Traded Interest Rate (IR) Derivative

Particulars	As at 31 March 2021	As at 31 March 2020
(i) Notional principal amount of exchange traded IR derivatives undertaken during the year	-	-
(ii) Notional principal amount of exchange traded IR derivatives outstanding as on 31st March 2018	-	-
(iii) Notional principal amount of exchange traded IR derivatives outstanding and not "highly effective"	-	-
(iv) Mark-to-market value of exchange traded IR derivatives outstanding and not "highly effective"	-	-

3. Disclosures on Risk Exposure in Derivatives

Particulars	As at 31 March 2021	As at 31 March 2020
A. Qualitative Disclosure HFCs shall describe their risk management policies pertaining to derivatives with particular reference to the extent to which derivatives are used, the associated risks and business purposes served. The discussion shall also include:		
a) the structure and organization for management of risk in derivatives trading,	-	-
b) the scope and nature of risk measurement, risk reporting and risk monitoring systems,	-	-
c) policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants, and	-	-
d) accounting policy for recording hedge and non-hedge transactions; recognition of income, premiums and discounts; valuation of outstanding contracts; provisioning, collateral and credit risk mitigation.	-	-

Quantitative Disclosure

Particulars	As on 31 March 2021		As on 31 March 2020	
	Currency Derivatives	Interest Rate Derivatives	Currency Derivatives	Interest Rate Derivatives
(i) Derivatives (Notional Principal Amount)	-	-	-	-
(ii) Marked to Market Positions				
(a) Assets (+)	-	-	-	-
(b) Liability (-)	-	-	-	-
(iii) Credit Exposure	-	-	-	-
(iv) Unhedged Exposures	-	-	-	-

V. Securitisation

1. Details of Securitisation

Particulars	As at 31 March 2021	As at 31 March 2020
1. No of SPVs sponsored by the HFC for securitisation transactions	-	-
2. Total amount of securitised assets as per books of the SPVs sponsored	-	-
3. Total amount of exposures retained by the HFC towards the MRR as on the date of balance sheet		
(I) Off-balance sheet exposures towards Credit Enhancements	-	-
(II) On-balance sheet exposures towards Credit Enhancements	-	-
Amount of exposures to securitisation transactions	-	-
4. other than MRR		
(I) Off-balance sheet exposures towards Credit Enhancements		
a) Exposure to own securitizations	-	-
b) Exposure to third party securitisations	-	-
(II) On-balance sheet exposures towards Credit Enhancements		
a) Exposure to own securitisations	-	-
b) Exposure to third party securitisations	-	-

2. Details of Financial Assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

Particulars	As at 31 March 2021	As at 31 March 2020
(i) No. of accounts	-	-
(ii) Aggregate value (net of provisions) of accounts sold to SC / RC	-	-
(iii) Aggregate consideration	-	-
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / loss over net book value	-	-

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Note 39 - Disclosure as required by Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021

3. Details of Assignment transactions

Particulars	As at 31 March 2021	As at 31 March 2020
(i) No. of accounts	1,134	1,440
(ii) Aggregate value (net of provisions) of accounts assigned	9,192.61	7,446.91
(iii) Aggregate consideration	9,192.61	7,446.91
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / loss over net book value	-	-

4. Details of non-performing financial assets purchased / sold

Particulars	As at 31 March 2021	As at 31 March 2020
A. Details of non-performing financial assets purchased:		
(a) Number of accounts purchased during the year	-	-
(b) Aggregate outstanding	-	-
(a) Of these, number of accounts restructured during the year	-	-
(b) Aggregate outstanding	-	-
B. Details of Non-performing Financial Assets sold:		
1. No. of accounts sold	-	-
2. Aggregate outstanding	-	-
3. Aggregate consideration received	-	-

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VI. Assets Liability Management (Maturity pattern of certain items of Assets and Liabilities)

Particulars	Up to 30/31 days (one month)	Over 1 month & up to 2 months	Over 2 months & up to 3 months	Over 3 months & up to 6 months	Over 6 month & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years & up to 7 years	Over 7 years & up to 10 years	Over 10 Years	Total
Liabilities											
Deposits	-	-	-	-	-	-	-	-	-	-	-
Borrowings from bank	72.41	2,699.11	303.71	1,206.76	2,275.47	9,184.71	5,935.03	3,015.63	-	-	24,692.82
Market borrowing	-	210.98	592.57	206.92	281.17	-	38,000.00	-	-	-	39,291.64
Foreign currency liabilities	-	-	-	-	-	-	-	-	-	-	-
Assets											
Advances	156.90	194.37	1,760.00	2,742.51	5,632.48	5,802.60	7,663.13	9,969.27	14,283.03	37,151.46	85,355.75
Investments	500.02	-	-	-	-	-	-	-	-	-	500.02
Foreign currency assets	-	-	-	-	-	-	-	-	-	-	-

In addition to the investments shown in the table above, the Company also has cash and cash equivalents as mentioned below and undrawn funding lines amounting to Rs.18,347.00 Lakhs.

Cash & Cash Equivalents (refer note 3)	565.30
Total	**565.30**

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VII. Exposure

1. Exposure to Real Estate Sector

Category	As at 31 March 2021	As at 31 March 2020
a) Direct Exposure		
(i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented. Individual housing loans up to 15 lakhs Rs. 54,535.35 lakhs. (Previous year Rs. 54,101.52 lakhs)	83,481.29	74,635.09
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	157.21	182.34
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a) Residential	-	-
b) Commercial Real Estate	-	-
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-	-

2. Exposure to Capital Market

Particulars	As at 31 March 2021	As at 31 March 2020
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
(ii) advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds 'does not fully cover the advances;	-	-
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi) loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows / issues;	-	-
(viii) All exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	-	-

3. Details of financing of parent Company products: None

4. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the HFC:
The Company has not exceeded the Single Borrower Limit (SBL) / Group Borrower Limit (GBL) during the financials year/period.

5. Unsecured Advances : None

6. Exposure to group companies engaged in real estate business

Description	Amount	% to Net Owned Funds
(i) Exposure to any single entity in a group engaged in real estate business	-	-
(ii) Exposure to all entities in a group engaged in real estate business	-	-

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VIII. Miscellaneous

1. Registration obtained from other financial sector regulators : None

2. Disclosure of Penalties imposed by NHB and other regulators : Rs. 0.30 Lakhs.

3. Related Party Transactions : Refer Note 31

4. Group structure: Refer Note 31

5. Rating assigned by Credit Rating Agencies and migration of rating during the year:

Instrument	Credit Rating Agency	As at 31 March 2021	As at 31 March 2020
Commercial Paper	CARE	A1+	A1+
	ICRA	A1+	A1+
	CRISIL	A1+	-
Term Loans/NCD's	India Ratings and Research Private Limited	AA-	AA-
	CRISIL	AA-	-

5. Remuneration of Directors (non executive) : None

IX. Additional Disclosures

1. Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account	As at 31 March 2021	As at 31 March 2020
1. Provisions for depreciation on Investment	-	-
2. Provision made towards Income tax	380.50	-
3. Provision towards NPA	221.18	106.70
4. Provision for Standard Assets (including provision on Teaser Loan Rs. NIL, CRE-RH for Rs. NIL & CRE for Rs.NIL (Previous Year Teaser Loan Rs. NIL, CRE-RH for Rs. NIL & CRE for Rs. NIL)*	663.50	386.94
5. Other Provision and Contingencies	70.42	4.24

*includes management overlay allowance of Rs. 646.69 lakh (Previous year Rs. 259.67 lakh).

	Housing		Non-Housing	
Break up of Loan & Advances and Provisions thereon	**As at 31 March 2021**	**As at 31 March 2020**	**As at 31 March 2021**	**As at 31 March 2020**
Standard Assets				
a) Total Outstanding Amount	72,578.22	63,272.51	11,226.63	11,384.68
b) Provisions made	1,092.14	473.63	90.54	45.54
Sub-Standard Assets				
a) Total Outstanding Amount	684.68	482.52	227.78	115.69
b) Provisions made	106.24	95.97	48.82	23.79
Doubtful Assets – Category-I				
a) Total Outstanding Amount	538.31	32.52	54.27	-
b) Provisions made	160.61	6.50	16.56	-
Doubtful Assets – Category-II				
a) Total Outstanding Amount	42.41	-	-	-
b) Provisions made	15.01	-	-	-
Doubtful Assets – Category-III				
a) Total Outstanding Amount	-	-	-	-
b) Provisions made	-	-	-	-
Loss Assets				
a) Total Outstanding Amount	-	-	3.45	3.25
b) Provisions made	-	-	3.45	3.25
TOTAL				
a) Total Outstanding Amount	73,843.62	63,787.55	11,512.13	11,503.62
b) Provisions made	1,373.99	576.10	159.37	72.58

2. Draw Down from Reserves : None

3. Concentration of Public Deposits, Advances, Exposures and NPAs

3a. Concentration of Public Deposits (for Public Deposit taking/holding HFCs)

Particulars	As at 31 March 2021	As at 31 March 2020
Total Deposits of twenty largest depositors	-	-
Percentage of Deposits of twenty largest depositors to Total Deposits of the HFC	-	-

3b. Concentration of Loans & Advances

Particulars	As at 31 March 2021	As at 31 March 2020
Total Loans & Advances to twenty largest borrowers	2,277.35	2,286.80
Percentage of Loans & Advances to twenty largest borrowers to Total Advances of the HFC	2.67%	3.04%

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3c. Concentration of all Exposure (Including off-balance sheet exposure)

Particulars	As at 31 March 2021	As at 31 March 2020
Total Exposure to twenty largest borrowers / customers	2,290.46	2,469.19
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the HFC on borrowers / customers	2.68%	3.15%

3d. Concentration of NPAs

Particulars	As at 31 March 2021	As at 31 March 2020
Total Exposure to top ten NPA accounts	530.08	443.30

3e. Sector-wise NPAs

Sector	As at 31 March 2021	As at 31 March 2020
	Percentage of NPAs to Total Advances in that sector	
A. Housing Loans:		
1. Individuals	1.71%	0.81%
2. Builders/Project Loans	-	-
3. Corporates	-	-
4. Others	-	-
B. Non-Housing Loans:		
1. Individuals	2.45%	1.03%
2. Builders/Project Loans	-	-
3. Corporates	-	-
4. Others	-	-

4. Movement of NPAs

Particulars	As at 31 March 2021	As at 31 March 2020
(I) Net NPAs to Net Advances (%)	1.41%	0.67%
(II) Movement of NPAs (Gross)		
a) Opening balance	633.99	71.43
b) Additions during the year	1,040.54	575.99
c) Reductions during the year	(123.62)	(13.42)
d) Closing balance	1,550.90	633.99
(III) Movement of Net NPAs		
a) Opening balance	504.47	48.60
b) Additions during the year	802.04	460.81
c) Reductions during the year	(106.29)	(4.94)
d) Closing balance	1,200.22	504.47
(IV) Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	129.51	22.82
b) Provisions made during the year	238.50	115.18
c) Write-off/write-back of excess provisions	(17.33)	(8.48)
d) Closing balance	350.69	129.51

5. Overseas Assets : None

6. Off-balance Sheet SPVs sponsored (which are required to be consolidated as per accounting Norms) : None

X. Customers Complaints

Particulars	As at 31 March 2021	As at 31 March 2020
a) No. of complaints pending at the beginning of the year	6	2
b) No. of complaints received during the year	146	94
c) No. of complaints redressed during the year	139	90
d) No. of complaints pending at the end of the year	13	6

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Note 40 - Disclosure as required by Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021

	Particulars	As at March 31, 2021	
	Liabilities side :		
(1)	**Loans and advances availed by the HFC inclusive of interest accrued thereon but not paid:**	**Amount outstanding**	**Amount overdue**
	(a) Debenture : Secured	-	-
	: Unsecured	-	-
	(b) Deferred Credits	-	-
	(c) Term Loans	24,692.82	-
	(d) Inter-corporate loans and borrowing	39,291.64	-
	(e) Commercial Paper	-	-
	(f) Public Deposits (Refer Note 1 below)	-	-
	(g) Other Loans	-	-
(2)	**Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid).**	**Amount outstanding**	**Amount overdue**
	(a) In the form of Unsecured debentures	-	-
	(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	-
	(c) Other public deposits	-	-
		-	-
	Assets side :		
(3)	**Break-up of Loans and Advances including bills receivables (other than those included in (4) below):**		**Amount outstanding**
	(a) Secured		85,355.75
	(b) Unsecured		-
(4)	**Break up of Leased Assets and stock on hire counting towards AFC activities**		**Amount outstanding**
	(i) Lease assets including lease rentals under sundry debtors :		
	(a) Financial lease		-
	(b) Operating lease		-
	(ii) Stock on Hire including hire charges under sundry debtors :		
	(a) Assets on hire		-
	(b) Repossessed Assets		-
	(iii) Other loans counting towards AFC Activities :		-
	(a) Loans where assets have been repossessed		-
	(b) Loans other than (a) above		-
(5)	**Break-up of Investments :**		**Amount outstanding**
	Current Investments :		
	1. Quoted :		
	(i) Shares : (a) Equity		-
	(b) Preference		-
	(ii) Debenture and Bonds		-
	(iii) Units of mutual funds		-
	(iv) Government Securities		-
	(v) Others (Please specify)		-
	2. Unquoted :		
	(i) Shares: (a) Equity		-
	(b) Preference		-
	(ii) Debentures and Bonds		-
	(iii) Units of mutual funds		500.02
	(iv) Government Securities		-
	(v) Others (Please specify)		-
	Long Term investments :		
	1. Quoted :		
	(i) Shares : (a) Equity		-
	(b) Preference		-
	(ii) Debentures and Bonds		-
	(iii) Units of mutual funds		-
	(iv) Government Securities		-
	(v) Others (Please specify)		-

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Particulars	As at March 31, 2021
2. Unquoted :	
(I) Shares: (a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others: Pass through certificates	-

(6) **Borrower group-wise classification of assets, financed as in (3) and (4) above :**

Category	Amount (Net of provisions)		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2. Other than related parties	85,355.75	-	85,355.75

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

Category	Market Value / Break up or fair value or NAV*	Book Value (Net of Provisions)
1. Related Parties		
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2. Other than related parties	500.02	500.02

(8) Other information

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	1,550.90
(ii) Net Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	1,200.22
(iii) Assets acquired in satisfaction of debt	-

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Note 41- Disclosures Pursuant to the Resolution Framework for COVID-19-related Stress

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	106	1,227.43	-	57.26	122.74
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	-	-	-	-	-
Total	**106**	**1,227.43**	-	57.26	122.74

*As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

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Note 42 - DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA CIRCULAR NO. RBI/2019-20/220 DOR.NO.BP. BC.63/21.04.048/2019-20:

Particulars	FY2021	FY2020
Respective amounts in SMA/overdue categories, where the moratorium/ deferment was extended, in terms of paragraph 2 and 3 of RBI Circular	-	1,767.41
Respective amount where asset classification benefits is extended	-	1,767.41
Provisions made in terms of paragraph 5 of RBI Circular *	-	176.74
Provisions adjusted during the respective accounting periods against slippages in terms of paragraph 6	(176.74)	-
The residual provisions in terms of paragraph 6 of RBI Circular	-	176.74

* the Company created provision @ 10% in Q4 FY2020.

Note 43 - DISCLOSURE PURSUANT TO RESERVE BANK OF INDIA CIRCULAR NO. RBI/2019-20/170 DOR (NBFC).CC.PD.NO.109/22.10.106/2019-20:

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5) = (3) - (4)	(6)	(7) = (4) - (6)
Performing Assets						
Standard	Stage 1	80,587.31	595.32	79,991.99	216.43	378.89
	Stage 2	3,217.54	587.35	2,630.18	138.49	448.87
Subtotal		83,804.85	1,182.67	82,622.17	354.92	827.76
Non-Performing Assets (NPA)						
Substandard	Stage 3	912.46	155.06	757.40	143.47	11.59
Doubtful - up to 1 year	Stage 3	592.58	177.17	415.41	148.15	29.02
1 to 3 years	Stage 3	42.41	15.01	27.40	16.96	-1.96
More than 3 years	Stage 3	-	-	-		-
Subtotal for doubtful		634.99	192.18	442.81	165.11	27.07
Loss	Stage 3	3.45	3.45	-	3.45	-
Subtotal for NPA		1,550.90	350.69	1,200.22	312.03	38.66
Total		85,355.75	1,533.36	83,822.39	666.95	866.42
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	-	4.86	-4.86	-	4.86
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		-	4.86	-4.86	-	4.86
Total	Stage 1	80,587.31	600.18	79,987.13	216.43	383.75
	Stage 2	3,217.54	587.35	2,630.18	138.49	448.87
	Stage 3	1,550.90	350.69	1,200.22	312.03	38.65
	Total	85,355.75	1,538.22	83,817.53	666.95	871.27

DELOITTE HASKINS & SELLS LLP CHARTERED ACCOUNTANTS

IndoStar Home Finance Private Limited

IndoStar Home Finance Private Limited
(CIN: U65990MH2016PTC271587)
Notes to the financial statements for the year ended 31 March 2021
(Currency : Indian Rupees in lakhs)

Note 44 - The Company does not have any unhedged foreign currency exposure for the year ended 31 March 2021.

Note 45 - The comparative financial information for the previous year prepared in accordance with Ind AS included have been audited by the predecessor auditors. The report of the predecessor auditor expressed an unmodified opinion.

Note 46 - Figures for the previous years have been regrouped and / or reclassified wherever considered necessary to conform to current year presentation.

For and on behalf of the Board of Directors of
IndoStar Home Finance Private Limited

Shreejit Menon
Director
DIN: 08089220

Benaifer Palsetia
Director
DIN: 08678348

Prashant Shetty
Chief Financial Officer

Priyal Shah
Company Secretary

IndoStar Home Finance Private Limited

Place: Mumbai
Date: June 14, 2021

DELOITTE HASKINS & SELLS LLP
CHARTERED ACCOUNTANTS