Utkarsh CoreInvest Limited
(Formerly Utkarsh Micro Finance Limited)

FY 2021-22

ANNUAL **REPORT**

CIN: **U65191UP1990PLC045609** | RBI NBFC - CIC - NDSI Certificate: **C.07.00781**

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CORPORATE INFORMATION

Corporate Identification No.
U65191UP1990PLC045609

Website
www.utkarshcoreinvest.com

E-mail
secretarial@utkarshcoreinvest.com

Statutory Auditors
M/s. DMKH & Co.
[Firm Registration No. 116886W / 066580]
Chartered Accountants
803-804, Ashok Heights, NICCO Circle, Near Bhuta School,
Old Nagardas Lane, Gundavali, Andheri (East),
Mumbai - 400069, Maharashtra, India
Tel: + 91-22-26824800 / 4900

Secretarial Auditors
M/s. S. N. Ananthasubramanian & Co.
10/25-26, 2nd Floor, Brindaban,
Thane (West) - 400601, Maharashtra, India
Tel: + 91-22-25345648, +91-22-25432704

Company Secretary
Mr. Neeraj Kumar Tiwari (FCS. No. 12101)

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

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

FROM THE DESK OF MD & CEO

Ashwani Kumar

Dear Members

I feel pleasure in sharing the 32nd Annual Report of Utkarsh CoreInvest Limited (UCL).

During this exciting journey of twelve (12) years, not only your company, has transformed itself from an NBFC-MFI to an NBFC-CIC, as a promoter and holding company of a Small Finance Bank by putting a strong foot in the banking arena, but also, is moving forward in alignment with the Corporate Actions towards listing of the banking subsidiary i.e. of Utkarsh Small Finance Bank Limited ('USFBL' or 'the Bank').

Further, to primarily align the proposed Corporate Actions, your company made a 100% disinvestment from the 78.49% equity stake, that it was holding at its another subsidiary company viz. Utkarsh Welfare Foundation ('UWF' or 'the Foundation', a Section 8 Company, engaged into welfare and development / CSR initiatives). Subsequent to this, the foundation is now an independent entity w.e.f. February 25, 2022 and now your company has only one subsidiary, which is USFBL, thereby keeping the Core Investment Company structure simple.

Your open handed and continued support has been the strength of Utkarsh journey and to stay at its own feet, even during the testing and turbulent times of the Covid pandemic.

The financial year began with severe ups & downs, posing unprecedented challenges on lives and livelihoods throughout the nation and worldwide due to resurfacing of Covid-19's second wave infection. This massive challenge on human life and momentum of country's economy now looks to be averted by a proper and speedy vaccination drive and country's agile response for bouncing back into the economic activities.

Non-Banking Financial Companies (NBFCs) witnessed a year of highs and lows but indeed it is a fact of great interest that they managed to revive and recover from cost escalation to liquidity stress during first and second waves of pandemic. As we see the dust of growing uncertainties owing to pandemic, sort of settling now; the regulatory measures initiated by Reserve Bank of India is now readying NBFCs in more robust ways through the introduction of Scale Based Regulation Framework for NBFCs, categorising into four layers in view of changing risk profile and systemic significance; Fourth Regulatory Sandbox Cohort, a FinTech ecosystem for fraud management; Integrated Ombudsman Scheme 2021; guidelines on Governance; stringent norms for disclosures in annual financial statements on exposures to real estate, capital norms, sectoral expenses, gross NPA and group Companies. Your company has been in preparedness and adherence to the applicable regulatory and statutory compliances.

The focus of our Banking Subsidiary i.e. Utkarsh Small Finance Bank Limited on delivering sustainable and responsible banking, especially with the retail focused approach offering last-mile services to the unserved and underserved segments in India's urban and semi-urban areas has paved the way for reaching to over 30 lakh active customer base with ₹10,631 crore of Assets Under Management and ₹10,074 crore of Deposits through 686 Banking Outlets and 525 ATMs pan India, spread over 224 Districts of 20 States and 2 Union Territories, delivered by over 12,000 employee base.

The Bank is committed to the mission of financial inclusion and to that of being a complete banking partner. The key focus is to engage with customers with a delight banking experience through the relevant products and services, as the technology is leveraged to penetrate deeper, including into the hinterlands.

According to the applicable accounting standard i.e. the Ind-AS based classification and categorizations, your Company has recorded total comprehensive income of ₹1.65 crore on a standalone basis and ₹42.21 crore at consolidated level. The consolidated level net advances were ₹9,943.41 crore and the total deposits were ₹10,392.48 crore as at the close of the financial year. The Company's Net-worth as on March 31, 2022 stood at ₹841.28 crore comprising of paid-up equity capital of ₹98.33 crore and Reserves of ₹742.95 crore (excluding Revaluation Reserve, Investment Reserve and Intangible Assets) on a standalone basis. Whereas, on a Consolidated basis, the Net-worth stood at ₹1,316.29 crore comprising of paid-up equity capital of ₹98.33 crore, Reserves of ₹1,217.96 crore and non-controlling interest of ₹228.34 crore.

As at the close of the FY 2021-22, the Bank posted (as per applicable IGAAP accounting rules) a Net Profit of ₹61.46 crore. The Gross Non-Performing Assets (GNPAs) stood at 6.10% and the Net Non-Performing Assets (NNPAs) were at 2.31%. With the beginning of the 1st quarter of the year to fag end of the 2nd quarter, the exponential Pandemic challenge impacted the business growth, asset quality, margins and productivity but as it stalled to logarithmic, the growth on all fronts moved on and reached to a considerable business level of ₹20,705 crore attaining a growth of 30% at the year's end along with not only the signs of improvement but of firm step for a way forward on all financial indicators.

I wish to express sincere gratitude, to our Partners, the Members / Shareholders for their remarkable support & patronage and providing strategic inputs through the challenging phase of pandemic.

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

Best Regards

Ashwani Kumar
Managing Director & CEO

Mr. G. S. Sundararajan
Independent Director & Chairperson of the Board

Mr. G. S. Sundararajan is presently serving on Boards of several reputed companies in the Banking and Financial Service Sector. He is also actively involved in the field of Social Entrepreneurship in advisory capacities.

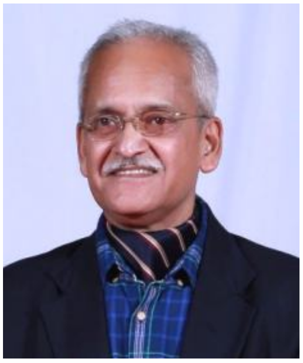
He was till recently the Group Director, Shriram Group. He joined Shriram Group as the Managing Director of Shriram Capital Ltd., the Holding Company of Shriram Group's financial services and insurance businesses across India and overseas. Sundararajan's experience in the Asian market and his understanding of these countries and the business opportunities therein made Sanlam Emerging Markets induct him into their Board in South Africa in August 2013. In his capacity as Group Director, Mr. Sundararajan was a Director on the Board of the Group's subsidiaries to provide oversight in critical areas of strategic growth opportunities for each of these companies. Specifically Mr. Sundararajan was responsible for the Retail and MSME business housed in Shriram City Union Finance and the life and non-life Insurance businesses, housed in the two Insurance ventures in collaboration with Sanlam, South Africa.

Prior to his Shriram stint, Mr. Sundararajan was the CEO & Managing Director of Fullerton India Credit Company Ltd., a registered Non-Banking Finance Company catering to the financial services needs of the retail and commercial mass markets. He was also the Managing Director of Fullerton Enterprises Private Limited, a KPO, which had formed a strategic alliance with the Centurion Bank of Punjab to jointly drive the SME business.

Mr. Sundararajan was nominated to the Boards of two Financial Services investments of Temasek in China, one in Nanjing for the SME Business and the other in Chengdu in their Village Bank franchise. He was an integral part of Temasek's vision for India in the Banking and Financial Services space that went on to become the fastest growing and largest networked Finance Company in the country.

Earlier to this, he was the Managing Director and Head of Citibank's SME and Asset Based Finance business in India. He had an exceptional stint at Citibank where he built the SME and ABF (Asset Based Finance) business of the bank across the country. He started his career in Sales with Eicher Mitsubishi and went on to head the captive finance arm of this company in India.

He holds a Bachelor of Engineering degree from Coimbatore and a Post Graduate Diploma in Management from the Indian Institute of Management (IIM), Ahmedabad.



Mr. Atul
Independent Director

Mr. Atul has over three (03) decades of Administrative Service experience with focus on Security, Vigilance and Anti-Corruption. Mr. Atul is an Indian Police Service (IPS) Officer of 1976 batch.

Mr. Atul had served as Director General of Police (DIG), Uttar Pradesh (UP), DIG CBI in charge of UP and has been in-charge Additional Director General of Police, Crime, Law and Order. Mr. Atul had stints with Personnel Wing of DGP Headquarters as in-charge of IPS and PPS officers at Uttar Pradesh.

Mr. Atul had been awarded Presidents Medal for distinguished service and has been President of IPS Association in Uttar Pradesh and President of Lucknow University Alumni Association.

He is an M.Sc. (Physics) and B.Sc. (Physics, Math & Statistics) from Lucknow University.

Mr. Aditya Deepak Parekh is the Co-founder of Faering Capital and has over 19 years of global and Indian experience in private equity and investment banking. Mr. Aditya serves on the Board of several Faering Capital portfolio companies including Utkarsh CoreInvest Limited, Finova Capital, WheelsEMI and FundsIndia.

Prior to founding Faering Capital, Mr. Aditya was Vice President at Old Lane India Opportunities Fund, a private equity fund, where he was responsible for leading investments in the Indian real estate sector and was involved in evaluating opportunities across the infrastructure and financial services sectors.

Earlier, Mr. Aditya had worked in the Media and Entertainment Investment Banking Group at Merrill Lynch, New York for five (05) years.

He holds an MBA from the Wharton School, University of Pennsylvania and holds a Bachelor degree in Economics from Cambridge University.

Mr. Aditya Deepak Parekh
Nominee Director

Mr. Gaurav Malhotra
Nominee Director

Mr. Gaurav Malhotra works for British International Investment (BII, formerly known as CDC Group plc), the UK government's Development Finance Institution. Mr. Gaurav is responsible for advising on Direct Equity and Debt investments in Financial Services for the South Asia region and Co-heads the Financial Services Equity product for BII.

Prior to BII, Mr. Gaurav had worked for an Indian family business and for the leading strategy consulting firm - BCG in India.

Mr. Gaurav has a wide range of consulting experience in guiding large corporates on business and portfolio strategy, distribution strategy, M&A, business transformation and operations and sales force effectiveness, across multiple sectors.

He holds an MBA from the Indian Institute of Management, Bangalore and Bachelor's degree in Engineering from Delhi College of Engineering.

Mr. Harjeet Toor*
(Nominee Director)

Mr. Harjeet Toor is having extensive experience as an entrepreneurial business leader with over twenty-seven (27) years in consumer banking across NBFCs and Banks spanning RBL Bank Limited, Fullerton India Credit Company Ltd. (FICCL), RBS, ABN AMRO and Bank of America.

Mr. Harjeet has been the Business Head – Retail, Inclusion and Rural business at RBL Bank Limited.

Prior to that Mr. Harjeet has been in various leadership roles across varied functions of Marketing, Product Management, Sales & Distribution, Branch Banking and Finance.

He is an Engineer and a Management Graduate from Faculty of Management Studies, Delhi.

*Director till June 23, 2022.

Mr. T. K. Ramesh Ramanathan is a Senior Vice President – Finance Controllership with RBL Bank Limited. He has twenty (20) years of experience in Capital Market & Banking and has been with RBL Bank Limited since 2015.

Earlier, Mr. Ramesh was part of the Investment Banking team at Standard Chartered in India.

Mr. Ramesh has also held previous roles in business and finance of Deutsche Bank and IBM India Limited.

He is a Chartered Accountant & is having Post Graduate Diploma in Management from IIM Indore.

Mr. T. K. Ramesh Ramanathan^
(Nominee Director)

^Appointed w.e.f. July 16, 2022.

Mr. Ashwani Kumar
(Managing Director & CEO)

Mr. Ashwani Kumar has over sixteen (16) years of industry experience especially in the Microfinance and Priority Sector segments of BFSI Industry. He has handled senior management roles in different control and support functions at Utkarsh ever since its NBFC-MFI format (Utkarsh Micro Finance Pvt. Ltd.), then Small Finance Bank (SFB) format (Utkarsh Small Finance Bank Ltd.) and now with NBFC-CIC (Utkarsh CoreInvest Limited since March 2019). He is also on the Board of Utkarsh Welfare Foundation (UWF), a Section 8 Company, as a Director.

Earlier, Mr. Ashwani had stints with NABARD Financial Services Limited (NABFINS), Canara Bank and Locus Research and Consultants Pvt. Ltd.

He is a Rural Management Graduate from Institute of Rural Management, Anand (IRMA); a Chartered Financial Analyst (CFA) from ICFAI (India) and a B.Com.(Hons.) Graduate from Delhi University. He is a Certified Associate of Indian Institute of Bankers (CAIIB) and has other Diplomas and Certifications from Indian Institute of Banking & Finance (IIBF). He is also UGC NET (Management) certified and is a lifetime member of CFA Council (CCFA, India) and IIBF (India).

COMMITTEES OF THE COMPANY

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

Sl.	Name of the Committee	Statutory Requirement	Composition of the Committee
1.	Audit Committee of the Board (ACB)	Required as per Companies Act, 2013	1. Mr. G. S. Sundararajan, Independent Director (Chairperson) 2. Mr. Atul, Independent Director 3. Mr. Harjeet Toor, Nominee Director* 4. Mr. T. K. Ramesh Ramanathan^, Nominee Director
2.	Corporate Social Responsibility (CSR) Committee		1. Mr. G. S. Sundararajan, Independent Director (Chairperson) 2. Mr. Aditya Deepak Parekh, Nominee Director 3. Mr. Ashwani Kumar, Managing Director & CEO
3.	Nomination & Remuneration Committee (NRC)		1. Mr. Atul, Independent Director (Chairperson) 2. Mr. G. S. Sundararajan, Independent Director 3. Mr. Gaurav Malhotra, Nominee Director
4.	Share Allotment Committee (SAC)		1. Mr. Aditya Deepak Parekh, Nominee Director 2. Mr. Harjeet Toor, Nominee Director* 3. Mr. T. K. Ramesh Ramanathan^, Nominee Director 4. Mr. Ashwani Kumar, Managing Director & CEO
5.	Group Risk Management Committee (GRMC)	Required as per RBI Directions	1. Mr. G. S. Sundararajan, Independent Director (Chairperson) 2. Mr. Atul, Independent Director 3. Mr. Aditya Deepak Parekh, Nominee Director 4. Mr. Harjeet Toor, Nominee Director* 5. Mr. T. K. Ramesh Ramanathan^, Nominee Director 6. Mr. Ashwani Kumar, Managing Director & CEO
6.	Promoter Dilution Monitoring Committee (PDMC)	Constituted in terms of Equity Dilution at the Banking Subsidiary ('USFBL')	1. Mr. G. S. Sundararajan, Independent Director (Chairperson) 2. Mr. Aditya Deepak Parekh, Nominee Director 3. Mr. Gaurav Malhotra, Nominee Director 4. Mr. Harjeet Toor, Nominee Director* 5. Mr. T. K. Ramesh Ramanathan^, Nominee Director 6. Mr. Ashwani Kumar, Managing Director & CEO

* till June 23, 2022.
^ w.e.f. July 16, 2022

The Charters of the various Board Committees are as under:

1. AUDIT COMMITTEE OF THE BOARD (ACB)

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

i. Recommendation for appointment, remuneration and terms of appointment of auditors of the Company;

ii. Review and monitoring the auditor's independence and performance and effectiveness of audit process;

iii. Examination of the financial statements and the Auditors' Report thereon;

iv. Approval or any subsequent modification of transactions of the Company with related parties;
v. Scrutiny of inter-corporate loans and investments;
vi. Valuation of undertakings or assets of the Company, wherever it is necessary;
vii. Evaluation of internal financial controls and risk management systems;
viii. Monitoring the end use of funds raised through public offers and related matters.

2. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSRC)

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

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

3. NOMINATION & REMUNERATION COMMITTEE (NRC)

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

i. Ensuring fit and proper status of proposed / existing Directors at the Board of the Company and that there is no conflict of interest in appointment of Directors / KMPs and Senior Management;
ii. Regular review of the structure, size and composition of the Board (including skills, knowledge and experience) taking into account the current requirements and future developments of the Company and making recommendations to the Board with regard to any adjustments that are deemed necessary;
iii. Identification, nomination and recommendation for the approval of the Board, candidates to fill Board vacancies as and when it arises;
iv. Ensuring that on appointment, all non-executive Directors receive formal written terms of appointment;
v. Review the composition of Committees of the Board and to identify and recommend to the Board, the Directors who can best serve as members of each Board Committee;
vi. Recommendation to the Board, the compensation payable to the Chairperson of the Company.

4. SHARE ALLOTMENT COMMITTEE (SAC)

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

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

5. GROUP RISK MANAGEMENT COMMITTEE (GRMC)

The Group Risk Management Committee meets at quarterly intervals. The major responsibilities of the Committee are as under:

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

6. PROMOTER DILUTION MONITORING COMMITTEE (PDMC)

The Promoter Dilution Monitoring Committee (PDMC) meets as and when required. The major responsibilities of the Committee are as under:

i. Capital reorganization in Utkarsh CoreInvest Limited (UCL) and / or Utkarsh Small Finance Bank Limited (USFBL) either through an 'Offer for Sale', Capital Structuring, etc;
ii. Private Placement / FPO / Rights / Bonus Issue or any other permissible option as per applicable laws and regulations;
iii. Listing of Banking Subsidiary, i.e. USFBL through Primary Issuance;
iv. Reverse merger of UCL with USFBL, subject to RBI and other regulatory approvals.

Mr. Ashwani Kumar
Managing Director &
Chief Executive Officer
[MD & CEO]

Mr. Ashwani has over sixteen (16) years of industry experience especially in the Microfinance and Priority Sector segments of BFSI Industry. He has handled senior management roles in different control and support functions at Utkarsh ever since its NBFC-MFI format. Initially he had joined Utkarsh Micro Finance Pvt. Ltd., Varanasi Head Office as Head - Internal Audit, with concurrent charge of Risk, Compliance, Secretarial, Credit & Client Interaction. During the transition phase of Utkarsh from an NBFC-MFI to a Small Finance Bank i.e., Utkarsh Small Finance Bank Ltd. (USFBL), he led the Training, Recruitment and Corporate Communication verticals. His last stint with USFBL was as the Deputy CFO (Head - Finance and Corporate Communication).

Besides, he is also on the Board of Utkarsh Welfare Foundation (UWF), a Section 8 Company, as a Director.

Prior to joining Utkarsh, he was with NABARD Financial Services Ltd. (NABFINS) at its Bangalore Head Office, handling various control & support roles in its transformation phase and was last designated as AGM (Finance). Earlier to this, he had stint with Canara Bank at its Bangalore Head Office, as Manager at its Priority Credit Wing, handling Agri-Business, Marketing, Priority Small Loan NPA Monitoring and Consultancy Services with active involvement in setting up of the Canara Bank's Financial Inclusion Wing. He started his career as a Research Associate with Locus Research and Consultants Pvt. Ltd., New Delhi and undertook projects for Ministry of Rural Development, Govt. of India and international agencies.

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

He is a Rural Management Graduate from Institute of Rural Management, Anand (IRMA); a Chartered Financial Analyst (CFA) from ICFAI (India) and a B. Com.(Hons.) Graduate from Delhi University. He is a Certified Associate of Indian Institute of Bankers (CAIIB) and has other Diplomas and Certifications from Indian Institute of Banking & Finance (IIBF). He is also UGC NET (Management) certified and is a lifetime member of CFA Council (CCFA, India) and IIBF (India).

Mr. Harshit has over ten (10) years of experience in the fields of Accounts & Finance, Taxation, Micro Credit and Internal Audit. Initially, he had joined Utkarsh Micro Finance Pvt. Ltd. (UMFPL) as a Concurrent Auditor in the Internal Audit Department and is currently overseeing Finance and Accounts verticals.

Prior to UMFPL, he was with a real-estate company based out of Varanasi in its Finance and Accounts vertical as F&A supervisor.

He is a Chartered Accountant (CA) by profession from Institute of Chartered Accountants of India (ICAI) and a Commerce Graduate from Banaras Hindu University (BHU). He is a Junior Associate of Indian Institute of Bankers (JAIIB) and has other Certifications from IIBF.

Mr. Harshit Agrawal
Chief Financial Officer [CFO]

Mr. Neeraj Kumar Tiwari
Company Secretary [CS] & Compliance Officer

Mr. Neeraj has over eight (08) years of company secretarial and corporate compliance experience with Utkarsh, ever since its NBFC-MFI format as Utkarsh Micro Finance Pvt. Ltd. (UMFPL) and now in the NBFC-CIC format as Utkarsh CoreInvest Ltd.

Prior to Utkarsh, he was with a corporate law firm at Allahabad as Designated Partner.

He is a Fellow Member of the Institute of Company Secretaries of India and holds a bachelor's degree in law from Veer Kunwar Singh University, Arrah, Bihar.

MANAGEMENT DISCUSSION AND ANALYSIS

The endeavours of the Company i.e., Utkarsh CoreInvest Ltd. (UCL, hereinafter referred to as 'the Company') alongwith its subsidiary i.e. Utkarsh Small Finance Bank Ltd. (USFBL, hereinafter referred to as 'the Bank') are aligned to the strategies and plan of action drawn for the year, keeping its Vision and Mission at the center.

During the year, the strategies and thus the actions have continuously been reviewed and fine-tuned adapting to the various economic developments and the dynamics of the market and society, at large.

The Banking subsidiary successfully completed five (05) full years of its banking operations on January 22, 2022. During the FY 2021-22, the Bank has further taken multiple business initiatives as aligned to its Mission, in the present context of being the preferred financial institution across all customer segments through technology enabled solutions that are sustainable, inclusive, and scalable, supported by a work culture that centers on passion, values and corporate ethics to deliver the best in class customer experience.

The Vision has kept the endeavours focused for being the most trusted, digitized bank that is financially and socially inclusive, and creates value across social strata through insightful and viable solutions.

The Core Values strives for being PRIDE with five (05) elements of 'Persistence is our innate quality', 'Responsible and Ethical in our dealings', 'Inclusive in our approach', 'Diligent in our process' and 'Excellence in all that we do'.

True to its Vision and Core Values, the Utkarsh Group entities are committed to the mission of financial inclusion and also thereby enabling the community to take up income generating activities for enhanced livelihood and sustainable growth.

The key focus is to engage with all the stakeholders for a delight experience through relevant approaches and solutions, intended to create an enabling environment by leveraging technology for a deeper penetration, including into the hinterlands.

Till last FY 2020-21, the Company was holding 89.5% stake at the Bank. Now with further infusion of capital during the month of August and September 2021 at the Bank, the shareholding of the Company at the Bank (USFBL) now stands at 84.79%.

Further, to primarily align the proposed Corporate Actions, the company made a 100% disinvestment from the 78.49% equity stake, that it was holding at its another subsidiary company viz. Utkarsh Welfare Foundation ('UWF' or 'the Foundation', a Section 8 Company, engaged into welfare and development / CSR initiatives). Subsequent to this, the foundation is now an independent entity w.e.f. February 25, 2022 and now the company has only one subsidiary, which is USFBL, thereby keeping the Core Investment Company structure simple.

The Company has constituted a Group Risk Management Committee (GRMC) of the Board during the FY 2021-22, in terms of the RBI circular No. DoR (NBFC) (PD) CC. No. 117/03.10.001/2020-21 dated August 13, 2020. This committee's constitution is in view of the present structure and constitution of the Company and to ensure an oversight on the corporate governance and risk management practices across the group entities including the banking subsidiary i.e Utkarsh Small Finance Bank Limited (USFBL).

During the year, the Company reviewed its and also of its banking subsidiary's risk management policy & practices in accordance with the RBI guidelines issued for Non-Banking Financial Companies - Core Investment Companies (NBFC-CIC) and Small Finance Banks, respectively.

This Management Discussion and Analysis is primarily derived from the operations of the banking subsidiary i.e., Utkarsh Small Finance Bank Limited ('USFBL' or 'the Bank') and the initiatives taken up by the different verticals of the Bank during the Financial Year 2021-22.

The Industry Overview, specifically focussing on the Indian Banking Industry, the Small Finance Banking Industry and the nuances of microfinance lending, MSME lending, housing finance lending and likewise, have been drawn in context with various portfolio verticals of Utkarsh Small Finance Bank Ltd.

The outcome of such initiatives are as highlighted in following paragraphs.

INDIAN ECONOMY REVIEW

The world saw the onset of the COVID pandemic in FY 2020-21, which impacted not just the Indian economy but also the world economy exponentially. In FY 2021-22, the Indian economy was headed for a recovery, aided by increasing vaccinations and the operations across the country gradually heading towards normalcy on the back of favourable government policies and support. However, outbreak of new variants, supply chain disruptions, and the recent rise in inflation, have made policymaking challenging.

To address these challenges, the Government increased infrastructure expenditure to not only restore medium-term demand but also enact significant supply-side reforms to position the economy for long-term growth.

As per the second advance estimates of the National Statistics Organisation (NSO), the Indian economy was estimated to grow at 8.9% in FY 2021-22 compared to a contraction of 6.6% in FY 2020-21. On the brighter side, the impact of the third wave of the pandemic on recovery was also minimal compared to the previous waves.

India Economic Growth (%)

Source: National Statistics Office 2nd Advance Estimates dated 28th Feb, 2022

The increasing government funding in public infrastructure is expected to encourage growth and attract private investment through a strong multiplier effect in the industry. However, supply-side bottlenecks are expected to remain persistent with gradually rising international crude oil prices and growing raw material costs in FY 2022-23. The availability of budgetary space to ramp up capital spending, advantages from supply-side reforms, regulatory relaxation, and continued export growth will also contribute to growth in FY 2022-23.

As per IMF's World Economic Outlook projections, India's real GDP is projected to grow at ~8.9% in FY 2022-23 and 7.1% in FY 2023-24, which is expected to make India the fastest growing major economy in the world for all 03 (three) years between FY 2021-22 and FY 2023-24.

Indian Banking Industry

The Indian banking industry comprises 12 public sector banks, 22 private sector banks, 44 foreign banks, 43 regional rural banks, 1,484 urban cooperative banks, and 96,000 rural cooperative banks. According to RBI, the bank credit stood at ₹120.87 lakh crore as on April 22, 2022, growing by 9.91% y-o-y. Further, the total deposits in the banking sector registered a y-o-y growth of 9.65% to reach ₹170.61 lakh crore on April 22, 2022. The growth in the deposits and credit in the banking sector was largely driven by the increase in disposable incomes and increasing focus on an improved lifestyle, despite the disruptions caused by the second and third wave of the pandemic in FY 2021-22. With the onset of the pandemic since 2020, the economy got disrupted extensively, and consumer spending took a hit. Hence, the growth in deposits can be attributed to reduction in spending by consumers. In FY 2021-22, the deposits in the banking sector was estimated to recover, aided by the economic recovery and the increase in consumer spending. With banks reducing the interest rates in line with market rates, investors are expected to seek alternate avenues to park their funds leading to moderate growth of 6-8% CAGR in deposits between FY 2020-21 and FY 2023-24. The total banking sector assets stood at ₹3.15 lakh crore as on April 22, 2022, growing at 18.46% y-o-y.

The gross non-performing advance (GNPA) ratio of scheduled commercial banks in India has improved from 7.3% in March 2021 to 6.5% in December 2021. The net non-performing advance (NNPA) ratio of SCBs stood at 2% in December 2021 compared to 2.4% in March 2021. Further, the GNPA and NNPA of private sector banks moderated from 4.7% and 1.4% respectively in March 2021 to 4.2% and 1.2% respectively in December 2021. This indicates the economic recovery of the country, and how India is heading for a recovery post the onslaught of the COVID-19 pandemic.

Capital to Risk weighted Asset Ratio (CRAR) of scheduled commercial banks in India saw an improvement from 14.8% in March 2020 to 16.3% in March 2021, and remained constant at 16.3% till December 2021. Further, the private sector banks saw a recovery from 16.6% in March 2020 to 18.4% in March 2021, before encountering a small reduction to 18.2% in December 2021. This year-on-year recovery was on the back of the capital infusion by the Government alongside fund raising from the markets, while private sector banks tapped capital from market sources. The annualised return on assets (RoA) of scheduled commercial banks have grown from 0.7% in March 2021 to 0.86% in December 2021, while the annualised return on equity (RoE) improved from 7.88% to 9.36% during the same period, validating the banking sector's renewed optimism. Further, the RoA of private banks grew from 1.22% in March 2021 to 1.32% in December 2021 on one hand, and its RoE grew from 10.5% in March 2021 to 11.08% in December 2021 on the other. (Source: IBEF, Economic Survey)

Small Finance Banking Industry

The Reserve Bank of India (RBI) awarded small finance bank (SFB) licence to 12 institutions, with the objective of ensuring financial inclusion and catering to the financial needs of the unbanked and underbanked sections of the society. This financial assistance will be provided with the help of savings instruments and supplying credit to small business units, small and marginal farmers, micro and small industries, and other unorganised sectors.

SFBs are relatively new in the banking sector, and have been growing exceptionally well, by making strong inroads into credit market. The incremental market share of SFBs in credit as on September 2021 was pegged at 8%. In its span of 3.5 years, SFBs have made their mark in the banking sector, and have carved a market share of 5.6% in small loans. Further, SFBs have also clocked a 42% CAGR for their loans, compared to a 13% for private banks, 8% for foreign banks and 2% for public sector banks, during the same period. This growth has been spearheaded by the niche carved out by the SFBs in the small-ticket loans, which account for ~40% of total SFB loans.

The beginning of FY 2021-22 was a challenging time for the county as the pandemic surged with its Delta Variant causing much stress to the health infrastructure and impacting the socio-economic sector inadvertently. Owing to the second wave, the GNPA of SFBs stood at 6.4% in September 2021 compared to 5% in March 2021. The second wave also impacted the AUM growth of SFBs in H1 FY 2021-22. However, owing to the increase in disbursements in the second half of the year, the annual growth was better than the previous fiscal. The asset under management (AUM) for small finance banks is estimated to register a growth of 20% y-o-y in FY 2021-22, compared to 18% growth in FY 2020-21. Further, the AUM for SFBs grew at a CAGR of ~30% between 2015-16 and FY 2019-20. Over, the last 2 years, this growth has subdued slightly owing to the liquidity crisis and the COVID-conundrum, which disrupted the entire economy. The current account savings account (CASA) ratio of SFBs has been improving over the past few years. The CASA ratio of SFBs during FY 2021-22 stood at an average of 24 %. (Source: CSFB, ICICI Securities, ICRA)

Demand Drivers

Increasing population: India is the second-largest populous country in the world with a population of 1.37 billion in 2021, thereby, driving the need of financial assistance.

Rising disposable incomes: The per capita net national income in India is estimated at ₹1,50,326 in FY 2021-22 compared to ₹1,28,829 in FY 2021-22 at current prices, thereby, indicating the increasing ability to spend and save.

Credit under-penetration: The rural geographies of India account for almost half of the GDP of the country. However, the credit penetration in these geographies stand lower than 10%, thereby, indicating huge headroom of growth.

Increasing demand in construction space: Aided by increasing demand of residential construction, the year 2021 saw 51% y-o-y growth in residential construction sales to reach 2,32,903 units, thereby, driving the financial assistance required to afford one.

Low-cost funds: SFBs provide access to the unbanked and underbanked masses with low-cost funds owing to their CASA deposits, which give them an edge over non-banking financial companies. Owing to the ability to raise CASA deposits, the SFBs are able to provide credit to its customers at lower interest rates.

Microfinance Industry

Microfinance institutions (MFIs) and non-banking financial companies (NBFCs) generally service in markets where commercial banks cannot reach. These institutions are also focussed on financial inclusion in underbanked locales of the country. Such institutions provide door-to-door service and primarily bank on their enduring relationship with customers on the back of strong engagement. Owing to their need of constant engagement with customers and each institutions covering a huge ground, the operating costs are relatively high.

With MFIs playing a pivotal role in furthering financial inclusion, the gross loan portfolio (GLP) of the microfinance sector registered a y-o-y growth of 5.16% to reach ₹2.43 lakh crore as on September 30, 2021, compared to ₹2.31 lakh crore as on September 30, 2020. Further, the industry served 5.65 crore unique borrowers, as on September 30, 2021.

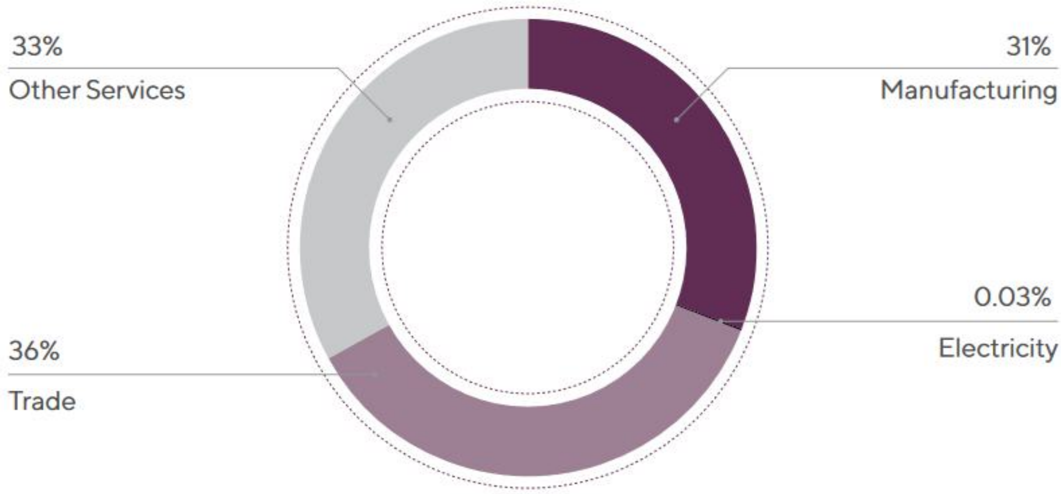
NBFC-MFIs (non-banking financial company-microfinance institution) are the second largest provider of micro-credit with a loan amount outstanding of ₹82,749 crore during the same period. This outstanding amount carves 33.95% to the total industry portfolio. The asset under management (AUM) of NBFC-MFIs is estimated to clock a y-o-y growth of 12-14% in FY 2021-22, and is projected to grow at 18-22% in FY 2022-23 with the continuous revival of the economy and banking sector coupled with restructuring of AUM. The NBFC-MFIs are the second largest contributor of micro-credit in India with a market share of 34.2%, followed by small finance banks which carve a share of 16.7%. (Source: ICRA, MFIN, Economic Survey)

Micro, Small and Medium Enterprises (MSME)

The MSME sector is one of the major contributors of the Indian economy, with a total amount of ₹633.88 lakh MSMEs in the country. Of this, the majority chunk of ₹324.88 lakh MSMEs are based out of rural geographies.

Estimated MSME Distribution by Sector (%)

Estimated MSME Distribution by Sector (%)



Source: Ministry of Micro, Small & Medium Enterprises - Annual Report

The overall expenditure of the MSME Ministry was pegged at ₹10,761.72 crore between April-December 2021, out of the total allocated budget of ₹15,700 crore for FY 2021-22, clocking a utilisation rate of 68% for 9M FY 2021-22. The Government again increased its budgetary allocation for MSMEs to drive the growth of small and medium sized businesses. The Budget FY 2022-23 saw an allocation of ₹21,422 crore compared to previous year's ₹15,700 crore, registering a y-o-y growth of 26.71%.

The outstanding micro and small loans in India stood at ₹4,95,281 crore as on March 31, 2022 compared to ₹4,07,675 crore as on March 31, 2021, clocking a y-o-y growth of 21.5% on the back of a revision in the definition of MSMEs, thereby increasing the number of firms coming under the purview of MSME. The advances to medium enterprises stood at ₹2,42,269 crore as on March 31, 2022 compared to ₹1,41,339 crore as on March 31, 2021, registering a y-o-y growth of 71.4%. (Source: msme.gov.in, IBEF)

Housing Finance

With the pent-up demand in the housing construction space, and the increasing demand for affordable homes, the housing finance sector has also seen a recovery in FY 2021-22. Housing finance companies were estimated to grow at 8-10% in FY 2021-22 on the back of the recovery seen after the second wave of the pandemic. Going forward, the growth is likely to continue on the back of healthy demand in the housing industry. Though the first quarter of the fiscal was impacted by the second wave, the GNPAs saw a recovery from the second quarter by decreasing by 50 bps. However, the GNPAs for the entire fiscal was expected to be slightly higher than the previous year.

With adoption of new guidelines and improvement in per capita disposable incomes, the GNPAs are expected to stay in control. On the back of this recovery phase, the housing finance space is projected to grow by 9-11% in FY 2022-23. (Source: ICRA)

THE BANK'S OVERVIEW

Banks and Financial Institutions play a pivotal role in ensuring the sustainable and well-diversified growth of a country. Banks and Financial Institutions ensure adequate flow of credit to all deserving sectors, industries, and borrowers. Given this background, the role of Small Finance Banks (SFBs) becomes significant in relatively under-penetrated geographies and serves primarily the unserved and underserved population of the country.

Utkarsh Small Finance Bank Limited (USFBL) was incorporated on April 30, 2016 as a public limited company under the Companies Act, 2013, with its headquarters at Varanasi in Uttar Pradesh. Further, the Bank received the final approval from RBI to carry on the business as an SFB on November 25, 2016. The Bank started its operation on January 23, 2017, and is engaged in providing banking & financial services across strata, with a focussed approach on serving the underbanked and the unbanked sections of the society.

The second wave of the pandemic caused significant disruption across the country at the beginning of FY 2021-22 which had caused a severe health crisis across the country. Despite this, the Bank was able to offer seamless customer service through its digital platforms and physical service, keeping in mind the health protocols to safeguard the health of the employee and the customers. The Bank invoked Business Continuity Plan (BCP) ensuring all payment systems were fully operational. As the COVID impact started to recede towards the second half of FY 2021-22, the Bank began operating in near normalcy levels.

The collective effort of the team steered by an able leadership reiterated the significance of being adaptable and nimble during challenging periods, this concerted efforts led the Bank to launch new products and services catering to the requirement of its customers.

To penetrate its services to wider geographies and also ensure sustainable and diversified growth, the Bank is continuously expanding its reach across the country, by leveraging the experience gathered over the years. As of March 31, 2022, the Bank is present in 22 states and union territories with 686 banking outlets spread across 224 districts and serving a total customer base of more than three (03) million, supported by a strong workforce of 12,617 employees. The Bank has well penetrated rural and semi-urban presence, which apart from the significant potential for growth also helps in comfortably meeting RBI's requirement of a minimum of 25% of branches in Unbanked Rural Centres (URCs).

As of March 31, 2022, 27.70% of the Bank's banking outlets were located in URCs as against the regulatory minimum requirement of 25%.

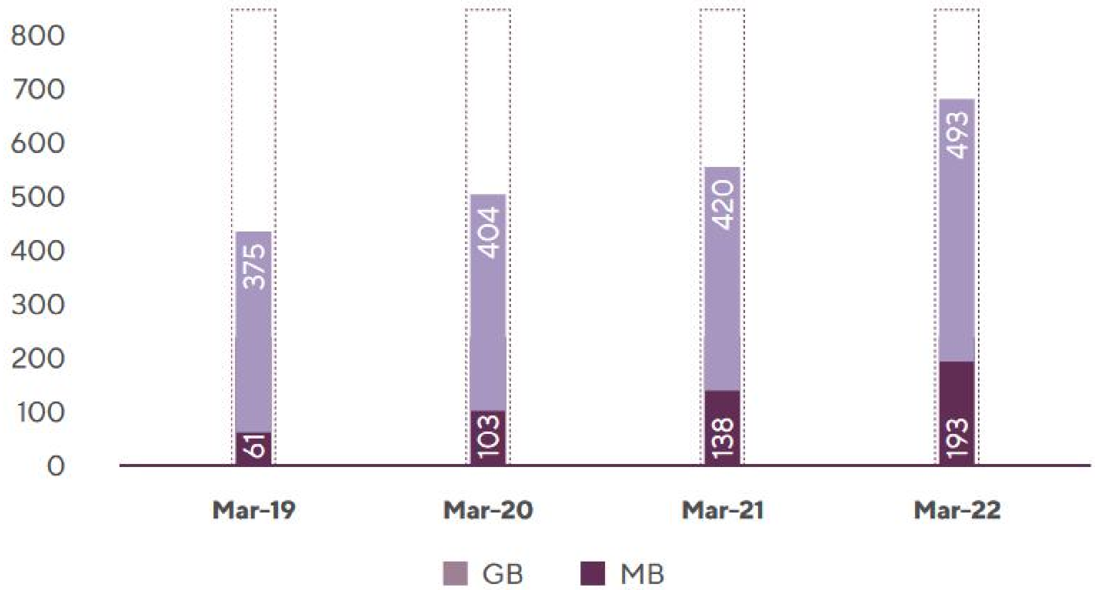
The Bank has significant experience and track record in micro finance lending (including through its promoter company, UCL) which remains a strong suite for the Bank. While the Bank continues to build its microfinance business and franchise, over the years, the Bank in addition has focussed on diversifying its product portfolio through the build-up of another retail lending book. The Bank has augmented its product profile by offering retail loans comprising unsecured loans such as business loans, personal loans and also secured business loan, loans against property, housing loans with a focus on affordable housing, CV & CE loans, gold loans, wholesale lending, both short-term and long-term loan facilities to SMEs, mid and large corporate and institutional clients. The micro banking and retail loan products are primarily aimed at customers who are not a part of the formal banking net. On the liabilities side, the Bank offers savings account, current account and a variety of term and recurring deposit accounts.

Further, USFBL provides non-credit offerings comprising ATM-cum-debit cards, a bill payment system and distribution of third-party products such as insurance and mutual funds. USFBL's branches provide a full range of banking services as permissible for small finance banks. USFBL uses a digital platform to provide transactional ease through internet and mobile banking. The Bank launched its UPI App in FY 2021-22.

Despite the severe health crisis caused by the second wave with the Delta Variant, the Bank was able to overcome the challenges posed and the gross loan portfolio and deposits crossed ₹10,000 crore in FY 2021-22 and stood at ₹10,630.72 crore and ₹10,074.18 crore respectively as on March 31, 2022.

In line with the objective of providing financial services to the customers in underserved and unserved sections of the society, USFBL has a widespread presence in under-penetrated geographies i.e. the states of Bihar and Uttar Pradesh. These two states together accounted for 60.80% of the portfolio of the Bank as of March 31, 2022 (65.93% as of March 31, 2021). These geographies offer the potential for growth for microfinance business and financial inclusion related opportunities. In addition, the Bank is expanding its presence to other states / geographies.

Expanding Branch Network



Despite the significant disruption caused by COVID-19 and subsequent socio-economic curbs, the Bank has opened 128 new banking outlets during FY 2021-22 (vs. 51 new branches during FY 2020-21). As a large number of new branches were opened in the second half of FY 2021-22 on account of severe COVID impact in the first half, the potential of these branches will be reflected going forward. This significant branch expansion will augur well for the Bank's plan of maintaining healthy and diversified growth. During FY 2021-22, the Bank expanded its presence to four states in South India i.e. Andhra Pradesh, Tamil Nadu, Karnataka and Kerala, increasing its presence across the country.

As a clear and differentiated strategy, the Bank classifies its branches into two categories i.e. Micro Banking (MB) and General Banking (GB). Bank's MB branches are penetrated primarily in rural and semi-urban locations and are more focussed on offering micro-credit and other retail loans to its customers (joint liability group loans, individual loans, PM SVANidhi and vehicle loans) while also offerings deposits and payment services to the customers. GB branches are located primarily in metropolitan and urban locations that focusses more on garnering deposits as these locations offer sizeable potential for deposit mobilisation. The Bank, in addition, offers MSME, housing loan, CV / CE loans, and gold loan products through its select General Banking (GB) and Micro-Banking branches. As of March 31, 2022, the Bank was operating its MSME lending vertical and housing loan vertical across 66 and 44 branches respectively.

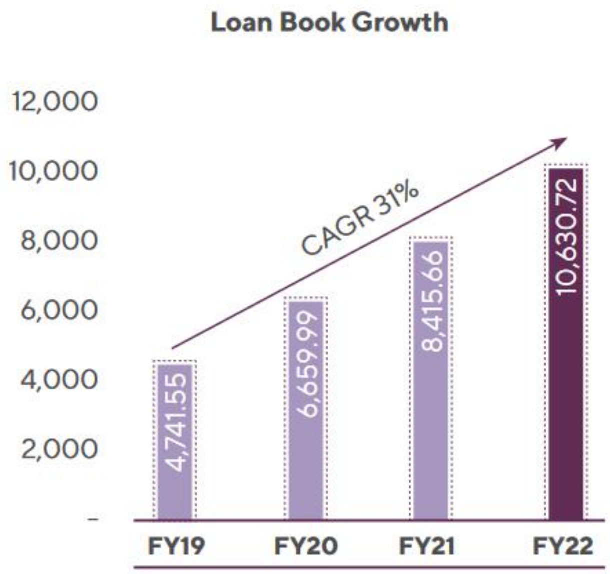
Apart from the branches, USFBL services customers through 525 ATMs (209 On-site, 6 Off-site and 310 Micro ATMs) along with seamless internet banking and mobile banking platforms. The Bank being cognizant of the effectiveness and the efficiencies that Micro ATMs can offer, more specifically in rural and semi-urban locations, it has installed Micro ATMs primarily in micro banking branches across the country to strengthen its reach and offerings further.

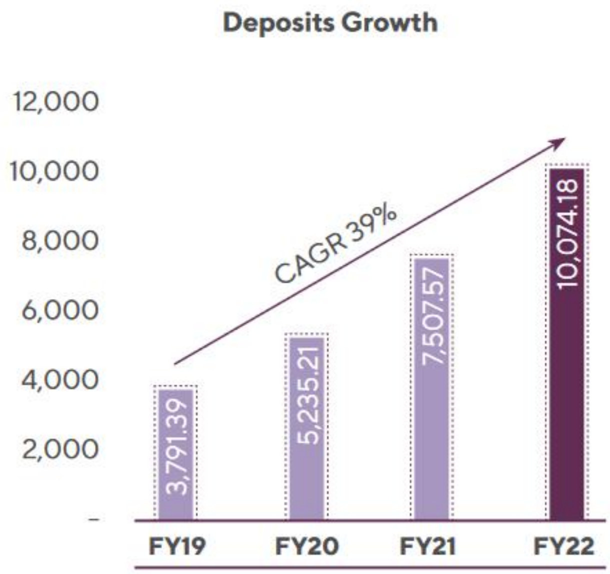
BUSINESS PERFORMANCE

The Bank has been able to maintain healthy business growth during FY 2021-22 despite the significant disruption caused by COVID-19. USFBL's total assets grew by 24.11% and crossed ₹15,000 crore threshold during FY 2021-22 (total assets of ₹15,063.77 crore as on March 31, 2022). The Bank's business growth is supported by its expanding franchise and presence and diversified product offerings. USFBL's gross loan portfolio and deposits grew by 26% and 34% respectively during FY 2021-22 and stood at ₹10,630.72 crore and ₹10,074.18 crore respectively as on March 31, 2022.

The Bank has a strong and established rural and semi-urban presence which is the backbone of its micro-finance and financial inclusion related businesses. The Bank's strong rural & semi-urban franchise is reflected in around 63.27% of its branches present in semi-urban and rural geographies as of March 31, 2022. Rural and semi-urban locations are relatively underpenetrated markets and offer good growth potential for the retail loan segment. Furthermore, the Bank has also been strengthening its metropolitan and urban presence to tap significant potential available for deposit mobilisation and other non-microfinance loan products in these demographics.

Growth of Micro Finance and Retail & Wholesale Loan Book





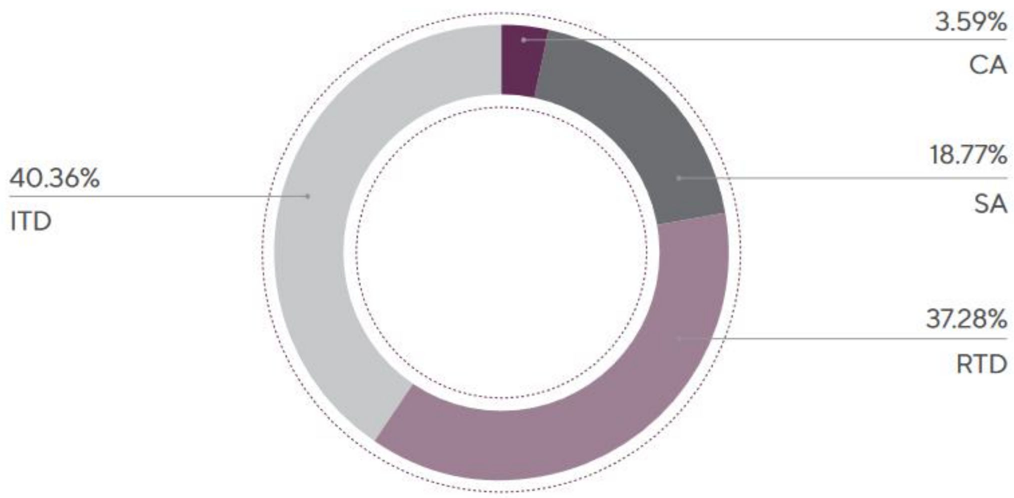
LIABILITIES – DEPOSIT PRODUCTS

USFBL started its banking operations in January 2017 and since then the Bank has been continuously focussing on building a stable and diversified deposits profile. The Bank's total deposit base grew by 34.19% in FY 2021-22 to ₹10,074.18 crore as of March 31, 2022 from ₹7,507.57 crore as on March 31, 2021.

Deposit mobilisation from retail customers remains at the forefront of the Bank's strategy to build a healthy and granular deposits profile. In a bid to further strengthen its reach to the larger customer segment, the Bank opened 55 General Banking (GB) branches during FY 2021-22, taking the Bank's total GB branches to 193 spread across 22 states / UTs of the country as of March 31, 2022. During FY 2021-22, the Bank has expanded its presence to four southern states i.e. Andhra Pradesh, Karnataka, Tamil Nadu & Kerala, to enhance its presence across the country. This was done when the Bank saw an opportunity on the easing of pandemic curbs in the subsequent quarters. As a clear and differentiated strategy, the Bank's GB branches, which are located primarily in metropolitan and urban locations, focusses more on garnering deposits as these locations offers sizeable potential for deposits mobilisation.

On an overall basis, the Bank had 686 branches (including 493 MB branches) as on March 31, 2022. Bank offers deposits products from all banking branches of the Bank. USFBL's branch network is also complemented by 215 ATMs as on March 31, 2022. The Bank has penetrated the presence of Micro ATMs significantly in FY 2021-22 which provide cost-efficient systems of offering basic banking facilities such as cash deposit, cash withdrawal, and green pin generation among others.

Deposits Composition as on March 31, 2022



The Bank continues to focus on building its CASA book, which saw a growth of 69.80% year-on-year to ₹2,253.29 crore as of March 31, 2022 from ₹1,326.99 crore as of March 31, 2021. Further, the Bank's retail term deposits (RTD) grew by 25.58% to ₹3,755.36 crore as of March 31, 2022. The Bank's CASA and retail term deposits portfolio together stood at ₹6,008.64 crore (59.64% of total deposits) as of March 31, 2022, compared to ₹4,317.51 crore as of March 31, 2021 (57.51% of total deposits).

Particulars	As on March 31, 2022	As on March 31, 2021
No. of States/UT	22 States and UTs	18 States and UTs
No. of general banking outlets	193	138
Total deposits	**10,074.18**	**7,507.57**
Current deposits	362.48	159.77
Savings deposits	1,890.81	1,167.22
CASA Deposits	**2,253.29**	**1,326.99**
Retail term deposits	3,755.36	2,990.52
Wholesale Term Deposits (including Certificate of Deposits)	4,065.64	3,190.06
Total Term deposits	**7,820.90**	**6,180.58**

In addition to strengthening its physical presence of branches & ATM, the Bank also prioritised ease of banking for the customers through digital channels such as net banking, mobile banking, tab banking, digital onboarding & UPI offering, among others. The Bank launched its UPI App during FY 2021-22. Under its retail segment, USFBL has an array of diversified products ranging from the retail savings account, current account and retail term deposit. Even during the period when the country faced a severe healthcare crisis on account of COVID-19 (April-June 2021), the Bank continued to provide seamless banking experience and solutions to its customers.

The Bank has onboarded more than 5 lakh deposits accounts during FY 2021-22 (including BSBDA accounts), taking the total number of depositors to more than 13 lakh as on March 31, 2022. The Bank has deployed its vast network of micro banking outlets to reach out to rural and semi-urban customers for deposit mobilisation. The Bank is taking proactive steps for easier and convenient on-boarding of customers through its digital channels.

In addition to building retail deposits profile, the Bank is also ensuring a broad-basing of its institutional deposit profile. Furthermore, the Bank intends to focus on broad-basing its Wholesale Liabilities through sharper focus on the acquisition and deepening of relationships in the Government & Institutional Business (GIB) segment. During the year, the Bank has also submitted its proposal to RBI for being appointed as an Agency Bank consequent to Small Finance Banks being made eligible for conducting Government Agency Business. Building a strong and diversified Wholesale Liabilities franchise will be a key focus area for the Bank, going forward.

Alongside, as an improvement in deposit profile, the Bank witnessed a decline in the cost of deposits by 97 bps from 7.89% in FY 2020-21 to 6.92% in FY 2021-22.

Other Products and Offerings

USFBL provides a host of additional products ranging from debit cards and locker services for the customers to third-party products such as life insurance, general insurance, Atal Pension Yojana and mutual funds, among others. Further, with the help of the internet banking platform, the Bank offers basic remittance services such as IMPS, NEFT and RTGS, in addition to UPI & Bharat Bill Pay system. The Bank has partnered with Bharti AXA Life Insurance, Kotak General Insurance and Aditya Birla Health Insurance in FY 2021-22 to strengthen its insurance products offerings for the customers.

Customer Services and Digitalisation

USFBL has been consistently taking decisive steps towards a comprehensive technology-driven process and system, ensuring superior customer experience. In the process, the Bank has focussed on building a strong technological infrastructure with high availability and a robust architectural foundation for overall deposit growth. The Bank continues to enhance customer experience with digital channels such as debit cards, POS, ATMs, internet banking, mobile banking and a well-served customer care call centre, along with a consistently expanding branch network.

In servicing its customers with a differentiated banking experience, USFBL has undertaken the following initiatives during FY 2021-22:

- **Upgraded Internet Banking & Mobile Banking Application:** Ensuring ease of payments through digital channels such as internet and mobile banking.

- **Launched Utkarsh UPI App:** Bank launched UPI services and BHIM Utkarsh Mobile app went live in December-2021. As of March 31, 2022 Bank has a 15,963 registered user base in BHIM Utkarsh Mobile app and has 1,05,924 USFB account holders registered in UPI (including registration on others PSP apps). Bank witnessed exponential growth in UPI transactions in 4 months from the date of launch and transactions growing @ 21% MOM.

  Bank also started onboarding Utkarsh Customers having small establishments as a Merchant in UPI and providing QR codes to promote digital payments. As of March 31, 2022 Bank on-boarded 4,065 Merchants.

- **Brown Level ATM (BLA):** As per the strategic approach and given the high ATM maintenance cost, Bank partnerships with CMS to deploy offsite ATMs on a revenue-sharing model. All the machine and maintenance will be taken care by CMS only and the Bank will share Interchange revenue. 1st Pilot BLA ATM already deployed in the Sanpada Office.

- **Launched Green Pin for Debit Cards:** Bank has taken initiative for Green Pin for all branches by discontinuing the physical pin in all branches for the welcome kit, further given the customer ease banks introduced green pin functionality on Micro ATMs for rural branches in the month of October 2021.

- **White Level Payment Gateway:** Bank has started onboarding Merchant on White Label Payment Gateway and started the business via onboarding Delhi Jal Board as a first customer in the portfolio. This enabled the Bank to offer solution-based banking to the customers.

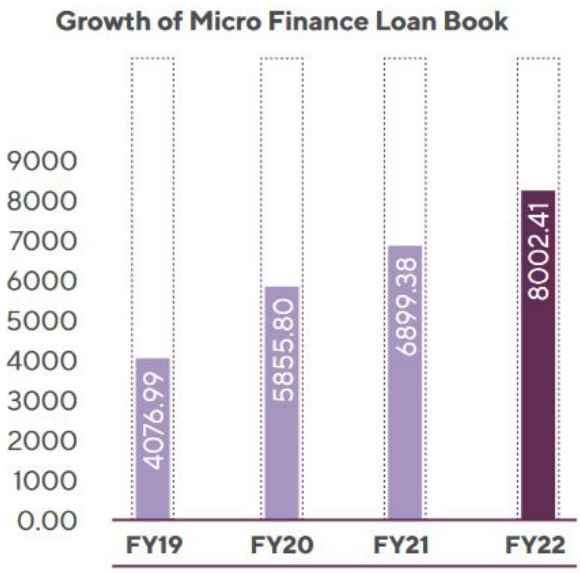
- Started Atal Pension Yojana (APY) subscription.

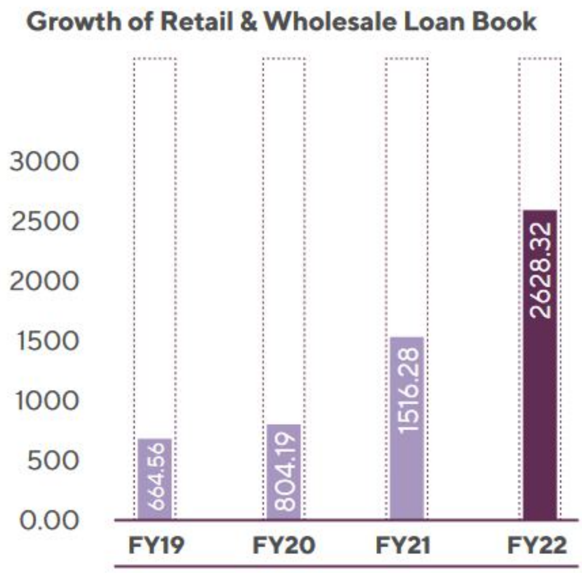
- Continued focus on Digital on-boarding for smooth customer on-boarding process.

ASSETS – LENDING PRODUCTS

Bank's loan portfolio has grown at a CAGR of 31% over the last three years and stood at ₹10,630.72 crore as on March 31, 2022. With its significant experience and track record in microfinance business, the Bank continues to build its microfinance business and franchise effectively. At the backdrop of a seemingly difficult phase of the pandemic that ravaged the country, the Microfinance business has grown by 15.99% during FY 2021-22 to ₹8,002.41 crore as on March 31, 2022.

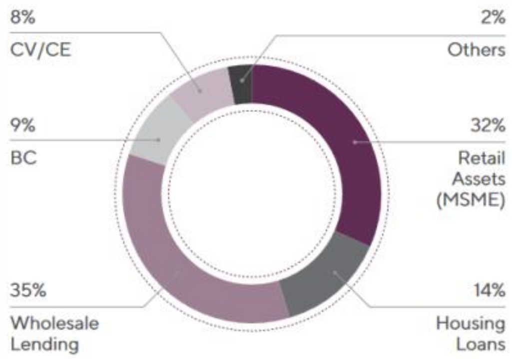
Growth of Micro Finance and Retail & Wholesale Loan Book





Over the years, the Bank has focussed on diversifying its product portfolio through build-up of non-micro finance lending book. The Bank has augmented its product profile by offering retail loans comprising unsecured loans such as business loans, personal loans and also secured business loans, loan against property, housing loans with a focus on affordable housing, CV / CE loans, gold loans, wholesale lending, both short-term and long-term loan facilities to SMEs, mid and large corporate and institutional clients.

Composition of Retail and Wholesale Loan Book



Microfinance Lending

USFBL has been providing micro finance loans, through the Joint Liability Group (JLG) structure, to the under-served and unserved population of the country. These loans help underlying borrowers to peruse income-generating activities as well as develop their entrepreneurial behaviour. The Bank believes that these customers need affordable banking services at their doorstep to help them earn livelihoods as well as achieve their dreams and aspirations. At the same time, the presence of JLG structure with a strong and frequent physical connect with borrowers, leads to a healthy credit discipline among the borrowers. These characteristics make micro-finance business an economically viable proposition over the cycles while also bringing the much-needed social impact, therefore proving it a real double bottom line for the business.

The Bank has significant experience and track record in microfinance lending specifically in rural and semi-urban locations (including through its promoter company, UCL) which remains one of the key focussed business segments for the Bank. Microfinance lending comprised 75.28% of the gross loan portfolio of the Bank as of March 31, 2022. In micro-finance business, the key lending products of the Bank are JLG loans, Individual loans to matured clients of JLG lending and PM SVANidhi loans to the street vendors. The Bank started Microfinance lending in September 2009 from Varanasi and expanded to financially underpenetrated states i.e. Bihar and Uttar Pradesh. Over the years, the Bank has expanded the presence of its microfinance portfolio to adjoining states as well. During FY 2021-22, the Bank entered the state of Rajasthan for microfinance business expanding its presence to 12 states with client base of more than 24 lakh clients spread across 151 districts and serving through 493 micro banking outlets.

The impact of the pandemic in the first half of FY 2021-22 was felt significantly in the microfinance business on account of underlying borrowers primarily being low-income profile and engaged mostly in small business and self-employed activities which were most impacted during COVID stress. With the pandemic receding and the economy pushing itself towards growth, there was a marked improvement in the efficiency of collections as well as ground activities. During FY 2021-22, the Bank's microfinance loan portfolio has grown by 15.99% to ₹8,002.41 crore as of March 31, 2022.

The Bank offers following products under microfinance lending:

Joint Liability Group (JLG) Loans

The Bank offers group loans built on the peer-guarantee loan model known as Joint Liability Group (JLG), enabling individuals to take loans without any collateral or security on an individual basis. The borrowers are encouraged to promote credit discipline through mutual support within the group, encourage prudent financial conduct among the group, and ensure timely repayment of their loans.

JLG products are offered to the economically weaker sections of the society. The primary target customer segment are women in households, engaged in income-generating activities, or intending to begin a new income-generating activity on their own. The Bank offers group loan products on the basis of creditworthiness. The methodology includes either fortnightly or bi-fortnightly centre meetings and 'stepped-up' loans that can grow each time a client takes a loan and successfully repays it, thereby demonstrating good creditworthiness and the need for higher amount of loan. As of March 31, 2022, all of the Bank's customers in the JLG loans segment were female, with loans ranging between ₹6,000 and ₹1,00,000.

Micro Banking Individual loans (MBIL)

With an aim to meet the increasing funds requirement of JLG clients to grow business and develop credit tested microfinance clients into entrepreneurs, the Bank provides individual loans to existing JLG customers with a good credit profile. The Bank provides individual loans with a ticket size of ₹1 lakh to ₹2 lakh to the Individuals. USFBL disburses the loan in the bank account of these customers, the collection from whom is then routed through the bank account of the customer. The Bank's Individual loan portfolio stood at ₹131.17 crore as of March 31, 2022. Given a large number of JLG borrowers, the significant track record of these borrowers with the Bank, hence offers significant growth potential to the Bank.

PM SVANidhi Loan Scheme

The Ministry of Housing and Urban Affairs had launched Prime Minister's Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) loan scheme, which is a special micro-credit facility scheme for providing affordable loan to street vendors to resume their livelihoods that have been adversely affected due to the pandemic. The Bank also launched 'PM SVANidhi' loan product in FY 2020-21, the loan is for an amount of ₹10,000 for a period of 12 months in the first cycle and increases up to ₹20,000 in the subsequent cycle for a period of up to 18 months.

Savings and Pension, Health Insurance Products for Micro Finance Clients

The pandemic proved to be a wake-up call for many in terms of financial security. Many became cognizant on the importance to have a financially secured future leading to a significant demand for these products.

BSBDA Saving Accounts for Micro Finance Borrowers

With an objective to inculcate savings behaviour among the microfinance borrowers and offer these borrowers suitable deposits and savings products, the Bank has opened BSBDA savings deposit accounts for a large number of its Micro Banking Customers. As of March 31, 2022, the Bank has opened more than nine (09) lakh BSBDA Saving Bank Accounts.

Atal Pension Yojana (APY)

The Bank offers Atal Pension Yojana (APY) to savings bank account holders in the age group of 18 to 40 years. The Bank acts as a Point of Presence and aggregator and enrolls subscribers through architecture of the National Pension System. The subscribers would receive the guaranteed minimum monthly pension of ₹1,000 to ₹5,000 after attaining the age of 60 years. The product inculcates savings behaviour amongst micro finance borrowers as well as provide security post-retirement age.

Daily Hospital Cash Benefits (DHCB)

The Bank offers Hospicash (a health insurance product) to its customers. This provides health insurance cover for hospitalisation expenses for up to 30 days and also works as wage loss cover i.e. income protection for micro banking customers due to hospitalisation. It provides with fixed benefit for each day of hospitalisation irrespective of the actual medical cost. Moreover, the policy also covers the customer against an unfortunate death or disability due to an accident or illness.

Regulatory Framework for Microfinance Loans, Directions 2022

On March 14, 2022, the RBI issued Regulatory Framework for Microfinance Loans, Directions 2022 which is effective from April 1, 2022. The Regulation prescribes changes in the definition of microfinance loans including annual household income limit, criteria for pricing of loans and guidelines on conduct towards Microfinance Borrowers, among other changes. The regulatory framework is likely to bring more standardisation towards the assessment of household income, income to obligation ratio amongst others and should augur well for the sector over the medium to long term. The common regulatory framework will create a level playing field for all the players in the micro finance sector.

Retail & Wholesale Lending

The promoter entity of USFBL (UCL) started as an NBFC engaged in Microfinance lending. Over the last few years, the Bank has been focussing on growing its non-micro finance lending by offering newer products. Bank's non-micro finance loan book comprised MSME & personal loans, housing loans, CV / CE loans, gold loans, OD against FD, loans originated through BC partners and loans to NBFCs and other small corporates. The Bank's non-micro finance loan portfolio increased from ₹1,516.28 crore as on March 31, 2021 to ₹2,628.32 crore as on March 31, 2022; the share of retail & wholesale loan portfolio has increased from 18.0% as of March 31, 2021 to 24.72% as on March 31, 2022.

Key lending vertical under Bank's non-Micro Finance lending are as follows:

Retail Assets Lending Vertical

Retail assets lending vertical of the Bank offers various products such as Business Loans, LAP, Lease Rental Discounting, Loan for Purchase of Commercial Property (LPCP), Drop Line Overdraft, and Overdraft for Micro and Small Enterprises. Additionally, personal loans are offered under retail assets lending to cater for the funding requirement of Individuals. Under this vertical, the Bank offers a combination of secured and unsecured loans to the small and medium-sized businesses, catering to the manufacturing and services sector. Bank's retail assets loan book grew by 55.40% year-on-year to reach ₹825.37 crore, from ₹531.14 crore in FY 2020-21. The growth in MSME loan book has been supported by the activation of new locations and new product variants during the fiscal. During FY 2021-22, the Bank has also implemented Loan Management System (LMS) and further enhanced the deployment of the Loan Origination System to improve the processing time of loan files. During FY 2021-22, the Bank intensified its effort to increase the share of revolving Credit facilities such as overdraft in the total Retail assets loans portfolio in addition to the existing term loan product. As of March 31, 2022, the Bank offers MSME loans through 66 branches.

Within the retail assets lending, the Bank has been focussing more on secured loans. As a result, the share of secured loans in the total retail assets portfolio has increased to 80.6% as of March 31, 2022 compared to 65.1% as of March 31, 2021. The Bank has also strengthened its Direct Sales Agent (DSA) network during the year, enabling the retail assets vertical to reach out to newer geographies and a new set of borrowers without significant addition to the fixed cost.

Housing loans

A shelter is one of the most sought-after needs by a family or an individual. With favourable policies and push by the Government for housing for all, housing finance, more specifically affordable housing finance, continues to offer significant growth potential in India.

USFBL has sharpened its focus on catering to the financing needs of self-employed and salaried individuals for affordable housing loans. USFBL's housing loan offerings are spread across formal and semi-formal income segments, aiding in the purchase of plots and construction thereon, purchase and construction of the house, repair, restoration, and extension of an existing house. The Bank offers housing loans with ticket sizes in the range of ₹2 lakh to ₹5 crore with a tenure of up to 30 years with affordable housing finance being the primary focus segment for the Bank. As of March 31, 2022, the Bank offers HL loans through 44 branches. During FY 2021-22, the Bank Management System (BMS) initiated the deployment of a Loan Origination System to improve the processing time of loan files.

With the resurgence of the pandemic, the Bank expected a slowdown in the demand for housing loan. However, the housing loan portfolio of USFBL saw a year-on-year growth of 63.60% during FY 2021-22 to ₹359.25 crore compared to ₹219.59 crore in the previous fiscal. The growth in the housing loan book of the Bank has been supported by continuous focus on building the housing loan book, the Bank's expanding franchises and a relatively small base of the Bank's housing loan portfolio.

Commercial Vehicle (CV) / Construction Equipment (CE) Loans

CV / CE finance business has been one of the key retail loan products for Banks and NBFCs in India. USFBL has launched commercial vehicle (CV) and construction equipment (CE) finance business in FY 2020-21. During FY 2021-22, the Bank has beefed up its on-ground team for the CV & CE loan business and activated more branches for the product. The Bank offers CV / CE loans primarily from its core geographies of Bihar, UP, Jharkhand which are relatively less penetrated and offers a good growth potential. The Bank offers CV / CE loan product in Delhi NCR, Rajasthan, West Bengal & Chandigarh. As on March 31, 2022, the Bank offers CV / CE loan product from 15 branches primarily focussing on retail customers with a ticket size of ₹5 lakh to ₹2 crore with a tenure of up to 60 months in fast moving small commercial vehicles and equipment. The Bank's CV / CE loan portfolio grew from ₹12.78 crore as on March 31, 2021 to ₹134.07 crore as on March 31, 2022. The Bank intends to strengthen the product process by introducing Loan Origination Systems (LOS) for CV / CE loans, which will provide seamless processing of loans from souring to disbursement.

Gold Loans

Over the last few years, Banks in India have been focussing significantly on building gold loan portfolio considering healthy lending yields as well as superior asset quality in the segment. Nevertheless, the gold loan business requires niche understanding of the market, extensive distribution reach (branch network) and quick disbursement TAT as key propositions.

With an objective to leverage the existing branch network of the Bank, to introduce a new product offering for the customers in the Bank's existing geographies and build a secured and granular loan book, USFBL has forayed into gold loan product on a pilot basis in FY 2021-22. The Bank will be using its existing branches to offer gold loans. As on March 31, 2022, the Bank is offering gold loan product from 20 banking outlets across nine (09) States / UTs of the Country. The Bank is implementing suitable technology i.e. Loan Origination Systems (LOS) integrated with Core Banking System, LMS, NSDL & UIDAI to deliver faster turnaround and quality experience to rural as well as urban customers. The Bank has also launched a digital gold loan calculator integrated with CRM to help customers to know the approximate loan amount for their gold and apply for it digitally. Bank offers Gold Loan Products with a bullet as well as monthly repayment options to the customers.

Wholesale Lending

Under the wholesale lending vertical, the Bank lends to small & medium size corporates, Non-Banking Finance Companies (NBFCs), Housing Finance Companies (HFCs), NBFC-MFIs and other entities engaged in manufacturing, services, or trading activity.

With an objective to leverage the knowledge and expertise that the Bank has in the retail lending space in India and to diversify its loan book both in terms of the product it offers and the geographies it is present, the Bank started its lending to NBFCs, HFCs and MFI across the country from FY 2017-18. The Bank provides term loans to NBFC / HFCs / MFIs having at least minimum investment-grade credit rating from one of the SEBI-registered Credit Rating Agencies with a loan ticket size primarily in the range of ₹5 crore to ₹50 crore. Despite the COVID disruption, the loan book under this segment has performed well and there are no NPAs as of March 31, 2022.

The Wholesale lending vertical focusses on catering to SMEs & corporates for their term loans and working capital requirements. During FY 2020-21, the Bank launched an overdraft (OD) and drop-line overdraft (DLOD) products for the customers to make its offerings more suitable to the requirement of customers. The Bank has been scaling up lending to small corporates. The Bank provides loans primarily with a ticket size of less than ₹10 crore and mostly secured against collateral of immovable property. As of March 31, 2022, the Bank is offering this product from seven locations.

The Bank's wholesale lending book increased to ₹926.12 crore as of March 31, 2022 from ₹503.11 crore as on March 31, 2021. Under this vertical, the Bank also offers non-fund based limits in the form of bank guarantees to the customers.

Business Correspondent (BC)

With a strategy and objective of expanding into new untapped geographies and building diversified loan book, the Bank initiated the business correspondent model for asset originations in FY 2017-18. The BC partners acquire, manage and service customers as an extended arm of the Bank by following all the policies and procedures laid out as per the internal governance structure. The Bank has BC partnerships for JLG, MSME & HL and personal loans. As of March 31, 2022, the Bank had total loan book managed by BC partners of ₹224.42 crore. The Bank is focussing on strengthening and deepening its BC partnerships including fintech partnerships for non-JLG loans.

The Bank partnered with 10 BCs in the states of Madhya Pradesh, Chhattisgarh, Haryana, Rajasthan, West Bengal, Maharashtra, Andhra Pradesh and Telangana for micro banking and retail assets.

Portfolio Acquisition through Direct Assignment

On account of change in MSME definition by the Government as well as RBI for classification of exposure as MSME for the purpose of meeting priority sector lending (PSL) norms, the Bank had faced shortfall in meeting MSME Micro PSL norms in FY 2021-22. To meet MSME PSL shortfall, the Bank had acquired MSME micro pool of ₹98.91 crore from two NBFCs in FY 2021-22, the pool comprised MSME retail loans and CV loan.

BUSINESS STRENGTHS

Deep understanding of microfinance segment and strong presence in rural and semi-urban areas

USFBL leverages the legacy of the promoter company UCL, owing to its experience as an NBFC specialized in microfinance for rural and semi-urban customers. The focus of UCL catering to the financing needs of the unbanked and the underbanked sections of the society has been transferred to USFBL's core vision as an SFB.

Fast growing deposits with strong focus on retail deposits

The Bank offers a diverse mix of demand and time deposit products and other services, helping the customers with their savings and transactional needs. Further, the Bank has an array of liability products at competitive rates, predominantly targeting retail customers across various segments – senior citizens, middle-class individuals and self-employed and salaried individuals. The Bank has been consistently focussing on improving granularity of its deposits and improving share of CASA and retail term deposits. The Bank's CASA and retail term deposits portfolio together stood at ₹6,008.64 crore (59.64% of total deposits) as on March 31, 2022 compared to ₹4,317.51 crore as on March 31, 2021 (57.51% of total deposits).

Diversified distribution network with significant cross-selling opportunities

The Bank has an established distribution network comprising 686 banking outlets across 20 states and 02 union territories, covering 224 districts in India as on March 31, 2022. Of the 686 banking outlets, 434 are located in rural and semi-urban areas, validating USFBL's core vision of financial inclusion. Leveraging the widespread distribution network across the country, the Bank services the existing customers and focusses on on-boarding new customers.

Healthy growth with healthy financial and cost-efficient operational performance despite COVID-19 disruption

During the year under review, the Bank's gross loan portfolio and deposits have grown by 26.32% and 34.19% respectively, on the back of continuously expanding franchises and focussed approach towards growing secured loan book, retail and CASA deposits base. Further, USFBL maintained healthy operational performance during the FY 2021-22, validated by a 21.55% year-on-year growth in operating profits (before provisions) to reach ₹509.34 crore compared to ₹419.04 crore in FY 2020-21.

Diversified shareholding at UCL and Leadership team at USFBL complementing the strengths at the Bank

UCL has a number of institutional investors – British International Investment plc (formerly known as CDC Group PLC), International Finance Corporation, NMI Frontier Fund KS, Lok Capital Growth Fund, SIDBI, Housing Development Finance Corporation Limited, HDFC Life Insurance Company Limited, HDFC Ergo General Insurance Company Limited, ICICI Prudential Life Insurance Limited and Faering Capital India Evolving Fund. This diversified shareholding of UCL translates into an enriched credibility for USFBL.

Furthermore, over the last two years, USFBL has raised equity capital from institutional investors namely Olympus ACT PTE Limited, Triodos SIC AV II - Triodos Microfinance Fund & Triodos Custody B.V. Acting in its capacity as a Custodian, responsAbility Participations Mauritius, Aavishkaar Bharat Fund, Growth Catalyst Partners LLC, Bharti AXA Life Insurance Company Ltd and ICICI Prudential Life Insurance Co, thereby diversify shareholding pattern at USFBL level as well. Promoter (UCL) shareholding in the Bank declined from 100% as on March 31, 2020 to 89.50% as on March 31, 2021 and further to 84.79% as on March 31, 2022. The Bank has raised fresh equity capital of ₹150.02 crore.

The Bank has an experienced management team comprising qualified professionals. The Managing Director and Chief Executive Officer, Mr. Govind Singh has an experience of 25 plus years in the banking and financial services sector and in particular the microfinance industry. The Board comprises individuals across various fields with diverse experience. The Bank's Independent Directors help in ensuring transparency and accountability in all operations. Furthermore, the senior management team comprises individuals with diverse and rich experience across various sectors and fields of operations such as accounts and finance, treasury, operations, technology, compliance, internal audit, credit & risk and human resources.

Leverage Bank's extensive franchise and presence

The Bank has 686 banking outlets spread across 224 numbers of districts and 22 states & union territories (UTs) of the country as on March 31, 2022. Furthermore, a large number of these branches are in rural & semi urban locations, which are under-penetrated geographies and offers good growth potential. The Bank will continue to leverage its vast presence and experience in these geographies, supplemented by suitable product offerings, to achieve healthy business growth.

Continue diversifying the retail asset portfolio

The primary focus of the Bank is to keep diversifying the asset portfolio to cater to the existing customers from the unserved and underserved sections of the society. The Bank intends to offer a bouquet of retail loan products to cater to the evolving financing needs of its customers. On the retail assets front, the Bank has focussed on offering working capital and term loans to MSMEs, small and medium-sized corporates, besides other retail assets products such as housing loans, business loans, personal loans, loan against properties, loans for purchase of commercial properties, commercial vehicle and construction equipment loan, and gold loan.

Grow retail deposits mix across geographies and customer segments to build stable funding source

In its resolve to strengthen the liability franchise of the Bank, USFBL has focussed increasingly on the CASA and retail deposit base to ensure a steady growth. In doing so, the Bank has been expanding the deposit base on the back of expanding the outreach of banking outlets coupled with the digital offerings. In order to strengthen the deposit base, increase its CASA ratio and offer multi-channel customer experience, the Bank intends to enhance the digital offering at various touchpoints of customer life cycle by implementing initiatives such as digital on-boarding, self-onboarding, internet and mobile banking, corporate internet banking, micro-ATMs, and customer relationship management. USFBL has further laid down a two-pronged strategy to expand its retail footprint i.e. (i) further penetration in existing geographies; and (ii) expand the reach into newer states in western and southern India.

The Bank is focussing upon cross-sell liabilities products to the retail asset and JLG customer base by assisting them with opening current and savings accounts, and promoting financial prudence to save more among the masses with the help of recurring deposits, fixed deposits and other products. Further, the Bank offers Rupay debit cards for domestic use and Mastercard debit cards for both domestic and international use. This is in addition to internet payment gateway, UPI payment solutions, e-NACH and public financial management system.

Increase share of fee income and capitalise on cross-selling opportunities

To create a robust and steady revenue stream, the Bank focusses on diversifying the fee and non-interest based revenues, by generating fee income from own products and cross-selling third-party products such as life insurance and general insurance products, mutual funds, Atal Pension Yojana, National Pension Scheme and micro-insurance. USFBL formed strategic partnerships with certain third parties to develop and service its customers with new and a more diversified portfolio.

The Bank strives to generate a revenue stream from non-individual segment comprising processing fees for advances, commission on issuance of letters of credit & bank guarantees, cash management services and other transactional banking services. Further, the Bank also intends to provide various payment solutions through mobile and internet banking to increase the fee income generated from debit cards, bill payments, and money transfers.

The Bank is focussed increasingly on bancassurance channels to distribute various categories of third-party insurance products to existing customers. As on March 31, 2022, the Bank had six bancassurance relationships with insurance companies to offer life insurance, general insurance and health insurance products.

Increasing use of technology and digital offerings for last mile delivery to customers

The Bank has been continuously focussing on optimal utilisation of technology to ensure cost-effective operations marked by a rapid growth. Further, the focus is to increase efficiencies and promoting customers to migrate from an assisted model to a self-service delivery model. The Bank has undertaken various initiatives such as the implementation of data-lake, next-generation internet and mobile banking, digital on-boarding and micro-banking platform, among others. The Bank has also invested on the data security infrastructure and cyber security components to meet regulatory and other evolving requirements.

USFBL has embarked on building data centres for high availability of data, accessibility to data from anywhere, anytime and for disaster recovery. The Bank intends to retain its focus on the unserved and underserved segment with the help of introduction of customised digital channels across all its product segments, such as tab-based account opening for savings account for customers and installation of micro-ATMs across key markets.

Financial inclusion and priority sector lending

USFBL has more than 24 lakh active JLG loan accounts (with an outstanding of ₹8,056 crore), carving out 75.8% of the total loan book as of March 31, 2022 ensuring financial inclusion across the underbanked and unbanked sections of the society for agriculture, livestock and small business activities. Since its inception, the Bank has been providing Basic Savings Bank Deposit Account (BSBDA) to its customers, and as on March 31, 2022 the Bank has more than 9.5 lakh BSBDA savings accounts, promoting financial inclusion. The Bank also offers Atal Pension Yojana and health insurance to micro finance customers in an attempt to protect and secure the future of the customers who belong to the bottom of the pyramid.

On the strength of the Bank's agenda of lending to unserved and underserved sections of the Society, the Bank meets priority sector lending norms of the RBI comfortably. As of March 31, 2022, around 83% of the Bank's loan portfolio qualified for priority sector lending (PSL norms). SFBs are required to achieve a PSL portfolio at 75% of the previous year's ANBC. On the back of good proportion of PSL loan portfolio in the total portfolio of the Bank, the Bank has been able to comfortably maintain PSL targets, as well as selling surplus PSL portfolio through Priority Sector Lending Certificate (PSLCs) to earn non-interest income for the Bank. The Bank's PSL achievement stood at 78.57% during FY 2021-22, after adjusting for PSLC sale during the year, against the regulatory minimum requirement of 75%. On account of the change in MSME definition by the Government as well as RBI for classification of exposure as MSME for the purpose of meeting priority sector lending (PSL) norms, the Bank had faced shortfall in meeting MSME Micro PSL norms in FY 2021-22. The Bank had acquired an MSME pool of ₹98.91 crore from two NBFCs as well as bought MSME Micro PSLC in FY 2021-22 to achieve the PSL SME Micro target. On a net basis, the Bank earned PSLC income of ₹64.76 crore during FY 2021-22. Furthermore, USFBL stands to gain from RBI's norms for PSL adjustments for district-level exposure i.e. higher PSL weight for incremental exposure to districts with lower credit penetration and lower PSL weight for incremental exposure to districts with higher credit penetration. A large number of districts in Bihar and Eastern UP, wherein the Bank has a significant presence, fall in the category of underpenetrated districts, which also validates the Bank's agenda of penetrating unserved and underserved sections of the country.

The Bank's lending to the ticket size of less than ₹25,00,000 was at 84.6% of the loan portfolio, against the regulatory minimum requirement of 50% for SFBs.

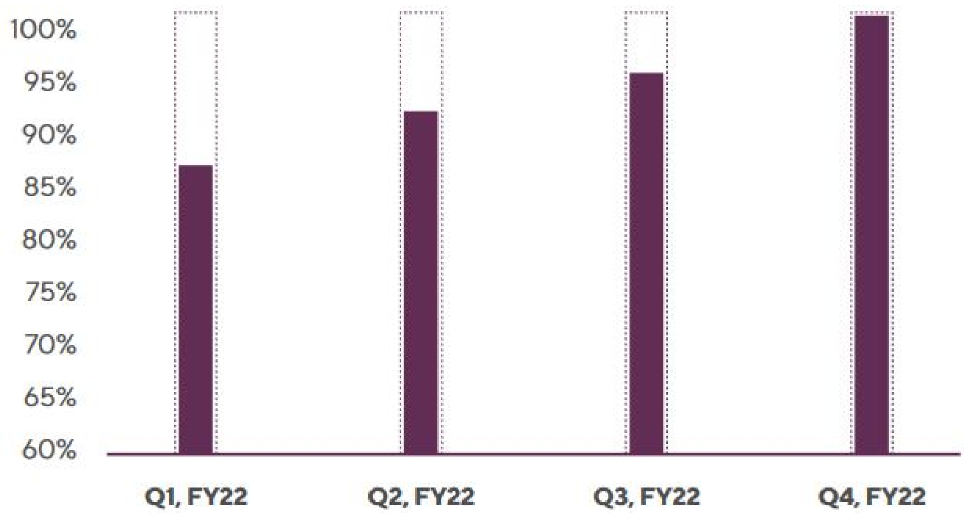
COVID-19 IMPACT AND RESPONSE STRATEGY

The resurgence of COVID-19 (COVID 2nd wave) caused a severe healthcare crisis across the Country. The spread of COVID-19 also impacted the economic activity and on-ground operations significantly specifically during the first half of FY 2021-22. The Governments, both Central & states, imposed several restrictions during this period. Banking services were determined to be under the purview of essential services, which allowed USFBL to continue its operations across majority of its banking outlets during the period under restrictions albeit with limited workforce, following the safety guidelines as laid down by the government.

Since the onset of the COVID-19 pandemic in March 2020, the Bank has responded swiftly by implementing various processes to ensure the operations and services to the customers remained seamless. The Bank has efficiently managed to run its Banking Outlets with reduced manpower and also manage its other banking channels such as ATMs, internet and mobile banking, and call centre without any disruptions. The Bank maintained a robust VPN infrastructure, which has enabled and equipped the employees to work from home to ensure no service disruptions and provide support to the customers. The Bank has also deployed security systems to safeguard assets and customer data as well as issued detailed work from home protocols to enable secure usage. The central processing centres at Mumbai and Varanasi have continued their daily operations, in accordance with the safety guidelines provided by the Government of India, to ensure timely settlement of all transactions. The Bank has also undertaken additional safety measures, such as, regular temperature checks, regular sanitisation, and compulsory use of masks and hand sanitisation. The Bank has implemented a business continuity policy to ensure that the operations continue with minimum disruption.

Nevertheless, on account of COVID-induced negative impact on economic activity and on-ground movement of the Bank witnessed severe stress on collection efficiency / asset quality, profitability and business growth. Micro finance loan book was the most impacted asset class among the retail loans given, due to the relatively lower income profile borrowers and most of the borrowers in the micro finance lending are engaged in self-employed activity. The collection efficiency and asset quality was significantly impacted during Q1-Q2 of FY 2021-22 as COVID induced impact on economic activity as well as operating environment was high. As the COVID impact has receded towards second half of financial year, the Bank witnessed substantial improvement in collection efficiency and asset quality, profitability and business growth during the last quarter of FY 2021-22.

Quarterly Collection Efficiency (%)



Note: Collection efficiency is calculated as the aggregate EMI amounts collected (excluding prepayment) in the relevant period, divided by the current month EMI due for collection in such period.

As the COVID impact receded in the second half of FY 2021-22, the micro finance business started showing improvement in its collection efficiency and on-ground activity. The Bank's collection efficiency for the month of February and March 2022 improved to more than 100%.

Snapshot on asset quality

Particulars	March 31, 2022		March 31, 2021	
	Amount	(%)	Amount	(%)
Gross NPAs (₹ Crore)	648.16	6.10%	315.29	3.75%
Net NPAs (₹ Crore)	235.80	2.31%	108.82	1.33%
Provision against gross NPAs (₹ Crore)	412.36		206.47	
Provision Coverage Ratio (PCR)	63.62%		65.49%	
Standard restructured advances (₹ Crore)	133.57	1.26%	263.24	3.13%
Provision against standard restructured portfolio (₹ Crore)	23.38		52.65	
Provision cover on standard restructured portfolio	17.50%		20.00%	

COVID 2nd wave caused significant healthcare crisis and had a major impact on the economic and financial activities. As Microfinance business comprises >75% of Bank's loan book and it was the most impacted loan book on account of underlying borrowers being marginal income profile as well as largely engaged in the self-employed activity. As a result, the Bank's asset quality was impacted significantly during FY 2021-22 with increase in Gross NPAs from 3.75% as of March 31, 2021 to 6.10% as of March 31, 2022. The Bank's Net NPAs increased to 2.31% as of March 31, 2022 from 1.33% as of March 31, 2021. Bank is holding provisional coverage of 63.62% as of March 31, 2022.

Furthermore, in order to alleviate stress caused by COVID-19 and in line with RBI's resolution framework for COVID-19 related stress i.e. Resolution Framework 1.0 & Resolution Framework 2.0, the Bank restructured loans of ₹283.63 crore in FY 2020-21 & ₹412.49 crore in FY 2021-22. On account of prolonged stress caused by COVID-19 and further variants, a part of the restructured borrowers slipped to NPA category by March 31, 2022. This resulted in elevated stress on asset quality. As of March 31, 2022, Bank's exposure to standard restructured advances has declined to ₹133.57 crore as some of the loans have been repaid as well as a part has been slipped to NPA category. The Bank is holding a provision of ₹23.38 crore against the standard restructured advances, and a provision coverage of 17.50% for standard restructured book as of March 31, 2022.

In addition, the Bank is carrying a contingency provision of ₹65 crore (over and above provision required for NPAs & restructured advances) as a buffer against higher portfolio vulnerability of Microfinance loans post-COVID impact.

During FY 2021-22, the Bank recognised exposure in respect of 115 accounts with an outstanding loan amount of ₹29.95 crore (including NPA of ₹11.62 crore) as fraud and provided in full, in accordance with the RBI Circular dated April 18, 2016, by debiting ₹19.43 crore to Profit and Loss Account and balance ₹10.52 crore in Profit and Loss Account under "Reserves and Surplus". During FY 2021-22, the Bank has charged to the Profit and Loss account an amount of ₹19.43 crore, the balance amount will be reversed to the Profit and Loss Account in the ensuing two quarters in FY 2022-23.

FINANCIAL PERFORMANCE

Income Statement (In ₹ Crore)	2021-22	2020-21	Change y-o-y
Deposits	10,074.18	7,507.57	34.19%
Gross Loan Portfolio (GLP)	10,630.72	8,415.66	26.32%
Net Advances (Net)	10,228.15	8,216.86	24.48%
Investments	2,347.92	2,313.94	1.47%
Capital + Reserves	1,572.30	1,368.35	14.90%
Net Interest Income	1,060.85	839.25	26.40%

Financial performance

Income Statement (In ₹ Crore)	2021-22	2020-21	Change y-o-y
Non-interest income	184.83	124.85	48.05%
Total income	2,033.65	1,705.84	19.22%
Operating expenses	736.35	545.06	35.10%
Operating profit	509.34	419.04	21.55%
Provisions	429.63	267.60	60.55%
PBT	79.71	151.44	(-47.36%)
Tax	18.25	39.62	(-53.94%)
PAT	61.46	111.82	(-45.03%)
Net interest margin	8.75%	8.20%	
Cost to income	59.11%	55.43%	
Return on Average Total Assets (ROAA)	0.48%	1.05%	
Return on Capital plus Reserves	4.14%	9.99%	
Gross Non-Performing Advances (GNPA)	6.10%	3.75%	
Net Non-Performing Advances (NNPA)	2.31%	1.33%	
GLP/Capital and Reserves	6.76	6.15	

Income

- Net interest income (NII) of the Bank stood at ₹1,060.85 crore in FY 2021-22 compared to ₹839.25 crore in FY 2020-21, registering a year-on-year growth of 26.40%. Bank's NII grew at a healthy rate in FY 2021-22 despite severe stress on asset quality, which resulted in higher NPAs and consequently affected the interest income. The impact of NPAs on interest income was also offset by a decline in the cost of funds during FY 2021-22.

- The Bank's other income grew by 48.05% to ₹184.83 crore in FY 2021-22 from ₹124.85 crore in FY 2020-21 on account of healthy growth in processing fees, income from cross-selling of third party products, fee-based & transaction income and recovery from written-off accounts.

- Bank's operating expenses grew 35.10% during FY 2021-22 as the Bank beefed up its collection team and strengthened its management team as well on account of the lower base of FY 2020-21, operating expenses in FY 2020-21 were lower as activity level was severely restricted in the first half of FY 2020-21 as Governments imposed lockdown due to the second wave of the pandemic that created a deep health crisis in the country in FY 2020-21. The cost-to-income ratio of the Bank is 59.11% in FY 2021-22 vs. 55.43% in FY 2020-21.

- Bank's Operating profit (before provisions) grew by 21.55% year-on-year to ₹509.34 crore in FY 2021-22 as compared to ₹419.04 crore in FY 2020-21.

PAT

While the Bank registered healthy growth in operating profit, the Bank's profitability during FY 2021-22 has been dragged by severe stress on asset quality and consequent higher credit provisioning requirement. During FY 2021-22, the Bank made provision of ₹429.63 crore as compared to ₹267.60 crore during FY 2020-21 on account of higher provision for NPAs and contingency provision of ₹65 crore during the year. The Bank's posted Profit After Tax (PAT) declined by 45.03% to ₹61.46 crore in FY 2021-22 compared to ₹111.82 crore in FY 2020-21.

Loan portfolio

The gross loan portfolio of the Bank stood at ₹10,630.72 crore as of March 31, 2022 compared to ₹8,415.66 crore as of March 31, 2021, registering a year-on-year growth of 26.32% on the back of an expanding franchise and growth in the non-JLG portfolio. Total net advances of the Bank grew to 24.48% year-on-year to reach ₹10,228.15 crore in FY 2021-22 from ₹8,216.86 crore in FY 2020-21.

Deposits

The aggregate deposit of the Bank stood at ₹10,074.18 crore as on March 31, 2022, registering a year-on-year growth of 34.19%. The Bank's CASA deposits grew by 69.80% year-on-year to reach ₹2,253.29 crore in FY 2021-22 compared to ₹1,326.99 crore in FY 2020-21. Further, the retail term deposits of the Bank grew by 25.58% year-on-year to ₹3,755.36 crore in FY 2021-22 compared to ₹2,990.52 crore in FY 2020-21.

NPA

The Bank's asset quality was impacted significantly during FY 2021-22 with increase in Gross NPAs from 3.75% as on March 31, 2021 to 6.10% as of March 31, 2022. The Net NPAs increased to 2.31% as of March 31, 2022 from 1.33% as of March 31, 2021. The Bank is holding provisional coverage of 63.62% as of March 31, 2022. In addition, the Bank is carrying a contingency provision of ₹65 crore (over and above provision required for NPAs & restructured advances) as a buffer against higher portfolio vulnerability of Microfinance loans post COVID impact.

CRAR

The Bank raised equity capital of ₹150.02 crore through pre-IPO capital raising exercise to augment its capital base and support growth plans during FY 2021-22. Despite growth in the loan portfolio and moderation in profitability, the Bank has been able to maintain a healthy capitalisation. The Bank's Capital to Risk weighted Asset Ratio (CRAR) stood at 21.59% as on March 31, 2022 compared to 21.88% as on March 31, 2021. Further, the Tier-I CRAR of the Bank stood at 18.08% as of March 31, 2022, compared to 19.98% as of March 31, 2021.

The Bank received the approval from SEBI, on June 7, 2021 for the Draft Red Herring Prospectus filed by the Bank. However, on account of the significant disruption caused by COVID-19, the Bank has not been able to complete the IPO exercise. Nevertheless, the Bank's capital adequacy at 21.59% as on March 31, 2022 is well above the regulatory minimum requirement of 15%.

Particulars	2021-22	2020-21
CRAR	21.59%	21.88%
Tier-I	18.08%	19.98%
Tier-II	3.51%	1.90%

Return ratios

Due to COVID-19 disruptions, the Bank's PAT was impacted in FY 2021-22, leading to lower Return on Average Assets (ROAA) of 0.48% during FY 2021-22 compared to 1.05% in FY 2020-21, and a lower Return on Average Capital + Reserves of 4.14% in FY 2021-22 compared to 9.99% in FY 2020-21.

OUTLOOK

The impact of COVID-19 has receded significantly over the last few months and accordingly the Bank's operations are reaching near-normal levels. As the economy and on-ground activity are likely to be not materially affected by the COVID impact, the financial health of the Bank's borrowers is expected to improve further. Nevertheless, the aftermath stress of COVID-19 on the financial position of some of the more affected and stressed borrowers may remain for some more time. Accordingly, the Bank is carrying an additional contingency provision of ₹65 crore to cover the higher portfolio vulnerability of Microfinance loans post-COVID impact. Overall, FY 2022-23 is likely to be a near normal year with profitability and growth projected to improve from the stress caused by COVID-19.

USFBL strives to be a retail-focussed Bank, providing financial services and quality products and solutions. The Bank intends to develop and offer a comprehensive suite of assets and liabilities products that will draw in new customers and deepen the relationship with existing customers. The Bank also intends to grow the asset portfolio by offering new products that cater to all customer segments. USFBL is planning to augment the liabilities franchise by expanding across newer geographies and targeting the top 100 cities in terms of overall deposits, including the tapping of metropolitan and urban areas by promoting savings accounts and other deposit products.

In this endeavour, the Bank envisions technology to be a key enabler. Upon this, the Bank intends to enhance its digital offerings through internet and mobile banking application and other digital channels. This is in addition to leveraging data analytics to gain deeper insights into customer trends and develop customised products for specific customer segments.

BRANCH BANKING AND OPERATIONS

Central Processing Centre (CPC)

The objective of having a CPC is to support the Bank's core banking operations and the various initiatives undertaken to improve its operational efficiency. The CPCs of the Bank are based out of Varanasi and Navi Mumbai. Continuing this pursuit, during FY 2021-22, the Bank's CPC supervised:

- 24*7 operations to support 24*7 NEFT and RTGS through round-the-clock shifts;
- 365 days operation to facilitate reconciliation and settlement of UPI, IMPS, APY, Billdesk, Merchant QR code services;
- Setting up micro-ATMs and in-house Cash replacement service for General Banking onsite ATM's;
- Operationalising Green Pin (ATM card pin), Newgen (workflow application);
- Improvement in Customer Onboarding TAT through FTNR reduction;
- Successful implementation of operational cost optimisation/resource optimum utilisation/green initiatives;
- During the year under review, the CPCs also supported the Business Continuity Plan (BCP) of the Bank, ensuring all payment systems were fully operational.

INTERNAL OMBUDSMAN (IO)

The Bank's Internal Ombudsman (IO) ensures that all complaints, which are rejected or partially accepted by the Bank, are examined by the Internal Ombudsman, so that escalation of grievances to the Banking Ombudsman (BO) is minimised. The presence of IO at the apex level of the Grievance Redressal Mechanism of the Bank helps, enhance the impartiality of the mechanism, as the grievance resolution would have an independent viewpoint as a precursor to the BO.

Also, IO facilitates resolution/settlement/agreement of such grievances through conciliation and mediation between Bank and the aggrieved party or by passing an advisory in accordance with the Scheme. The Bank examines the grievances as per its Internal Grievance Redressal Mechanism and in case the Bank decides to reject or to provide only partial relief to the complainant, it invariably forwards such cases to the I.O. for further examination.

Further, the IO has the right to access the Bank's records relating to the complaints received, seek detailed comments from the Bank about the complaints, hold meetings with the functionaries/departments concerned and can also meet the complainants, if required, while examining the complaint for redress. The Bank furnishes all records/documents sought by the IO to enable him/her to discharge his/her duties effectively and redress/resolve customer grievances expeditiously. Furthermore, in its endeavour to achieve fair, transparent and customer-centric grievances redressal system, the Bank has synchronised its Internal Ombudsman mechanism with the Customer Relationship Management System.

Grievances closed by IO in FY 2021-22:

No. of grievance received by the Bank during 2021-22	No. of cases rejected by Bank partly/fully during 2021-22	No. of cases reviewed by IO during 2021-22	No. of grievances closed by IO during 2021-22	No. of grievances outstanding as on March 31, 2022
28,440	79	79	79	0

Disposal of grievances by Bank during FY 2021-22:

No. of grievances at the beginning of 2021-22	No. of grievances received by the Bank during 2021-22	No. of grievances disposed of by the Bank in 2021-22	No. of grievances outstanding as on March 31,2022
257	28,440	28,542	155

CREDIT FUNCTION

The Credit function of the Bank is responsible for the high quality of underwriting standards as per policy of the Bank and ensures the right mix of the portfolio with minimisation of risk. The Credit Policy of the Bank has been prepared with the broad objectives of adhering to the guidelines/policies enunciated by the Reserve Bank of India and other regulatory authorities with an endeavour to build a diversified asset portfolio and maintain a healthy mix across different categories of borrowers based on businesses, sectors, rating categories, products, geographies etc. The policy also elaborates on financial products for Retail, Corporates, MSMEs, Rural, Agriculture and Micro Banking sectors. These products have been designed to cater to the diverse needs of the various customers mentioned above.

The Credit Department has different verticals such as the Retail Credit team, Wholesale Credit team, Credit Administration (CAD) & Credit Support. The Credit department largely performs the following functions:-

- Ensuring credit expansion to productive sectors with an emphasis on asset quality.
- Utilising the sanctioning powers judiciously by following the credit norms, risk management considerations and due diligence while appraising Wholesale & Retail loans.
- Ensuring a thrust on Priority Sector lending especially to Micro & Small Enterprises, and Housing Loans, where fresh business opportunities are emerging.
- Lending for the sustenance of profitability, implying the need to nurture superior credit appraisal skills through specialisation and competence building.
- Sensitising field level staff about Bank's retail products.
- Maintaining the diversity of the Portfolio mix across geographical areas and sectors.
- Ensuring KYC norms are strictly followed, and the borrowers are carefully selected after proper pre-sanction scrutiny and thereafter monitoring the account constantly to maintain its quality.
- Ensuring prudent credit risk management practices and higher standards of due diligence to protect and improve asset quality at both transaction and portfolio levels.

COLLECTION MECHANISM

The Bank has set up a robust collection mechanism for servicing the loan customers. The Bank continues to rely on an in-house team to visit customers and convince them to pay their dues. The Bank also utilises an outsourced call centre for pre-EMI calling and reminding customers in case of over-dues for businesses other than the JLG lending business. The field collection team comprises over 125 personnel for collection activity of non-micro finance portfolio who are trained in the Bank's policies and code of conduct. The Bank also has an in-house legal team for the recovery of dues.

FY 2021-22 has generally been a tough year due to the pandemic. The Bank has offered restructuring of loans to all eligible customers in line with RBI directives. The Bank has also supported customers during this difficult period by engaging with them and updating them on their loan account status regularly. This has ensured that the Bank has been able to maintain low NPA levels and retain the goodwill of the customers.

TREASURY

The Bank conducts its Treasury business and operations from its Treasury office equipped with necessary infrastructure and primarily operates out of Mumbai. The Treasury of the Bank operates on the principle of independent functioning and reporting amongst Dealing Desk, Settlement & Operations Team and Risk to ensure effective checks and controls over its business and operations.

In its main role of managing liquidity for the Bank, the Treasury monitors and ensures adequate liquidity in the system to meet payment obligations and liquidity requirements arising out of asset growth. To manage the liquidity the Treasury draws up funding plans, monitors usage of funds and deploys surplus or raises resources based on the liquidity position. In undertaking these activities, Treasury actively participates in Call/Notice/Term Money Markets, SLR and Non-SLR Security markets. To augment resources when needed, the Treasury raises resources through Bulk Fixed Deposits, Issue of IBPC, Issue of Certificate of Deposit, availing of Refinance and other avenues.

To actively participate in various markets, the Bank obtained membership in trading and reporting market infrastructure viz. NDS-OM, NDS-Call, TREPS, CBRICS, FTRAC apart from having access to e-kuber modules. The Treasury team also assists in selling excess Priority Sector Portfolio in PSLC markets at opportune time to book premium earnings.

Treasury ensures compliance with various Regulatory and Management guidelines regarding liquidity management and investment activities. A few of such compliance regulations include maintenance of adequate CRR balances, SLR, investment in Non-SLR instruments, Mutual Funds etc.

The Treasury in conducting its investment activities is guided by the Board-approved Comprehensive Investment Policy and other Management Policies. The Investment Policy is subject to review and is updated with necessary approvals from the Board Committees and the Board as warranted by the market dynamics including changes in Regulations and Bank's intention to expand into newer Treasury products and services.

Treasury has put in place a robust Business Continuity Plans (BCP) and periodically conducts business from alternate locations as part of BCP. During the COVID pandemic situation, Treasury conducted business and operations pertaining to liquidity management, maintenance of regulatory ratios & limits and investment activities seamlessly without any interruptions.

CREDIT RATINGS

The Bank has been assigned the highest grade credit rating for the short term (for its certificate of deposits programme) by ICRA at [ICRA]A1+. The Bank's long term subordinated bonds are rated at A (Stable) rating by two Credit Rating Agencies i.e. ICRA and CARE Ratings.

The Bank's Credit Ratings from ICRA and CARE:

Instruments Ratings	Ratings	Rating Agency
Certificate of Deposit	ICRA A1+ ICRA Tier-II NCDs ICRA (Stable Outlook)	ICRA
Tier-II NCDs	CARE A (Stable Outlook)	CARE

RISK MANAGEMENT

The Bank has in place an effective risk management structure to identify, address and mitigate risks across all areas of operations. The Risk Management Committee of the Board (RMCB) supervises the entire risk management framework of the Bank, which meets on a periodic basis to discuss and mitigate risks.

Risks and Mitigation Strategies

1. **Credit Risk**

   Bank defines credit risk as to the risk of loss associated with a borrower or counterparty default (failure to meet obligations in accordance with agreed-upon terms). It adversely impacts both the revenue and margins of the Bank.

   Mitigants: At the management level, the Credit Risk function, which is part of the Risk Management Department, has oversight responsibility for credit risk. USFBL assesses the creditworthiness of each customer, product, enterprise, and geography at multiple levels. This helps the Bank identify risks and take informed decisions, which are aligned with the rules laid down by the committees authorised by the Board. USFBL has been continuously evolving, which has helped the Bank identify early warning signals to minimise credit costs both in a pre- and post-pandemic environment.

2. **Market Risk:**

   Risks arising from the movement in market prices might impact the revenue generation ability of the Bank.

   Mitigants: Both the investment committee and asset-liability committee of the Bank are tasked with supervision of the investment and market risks; accordingly approve the framework for market risk and its thresholds.

   The mid-office prepares and analyses daily reports on various activities of the Bank's treasury department. A comprehensive market and liquidity risk dashboard are circulated to senior management on a monthly basis, which comprises all relevant information related to an investment portfolio, liquidity position, depositors and borrowing, enabling improved and informed decision-making by the senior management.

2. **Operational Risk**

   Inadequate or failed internal processes, people, and systems might have an adverse impact on the profitability of the business.

   Mitigants: To mitigate this risk, Utkarsh Small Finance Bank Limited has put together a comprehensive operational risk management policy, with a framework to identify, access and monitor risks, strengthen controls, improve service and minimise operational losses. Amidst the 2nd wave of pandemic, the Bank ensured operational continuity with the help of Bank's business continuity plan.

3. **Concentration Risk:**
Higher exposure to a particular geography or a product poses concentration risk. Bank's overdependence on the microfinance segment might impact the business in the long run. The JLG lending segment contributed 75.78% of the outstanding loan portfolio as on March 31, 2022. Further, the Bank's JLG portfolio is largely concentrated in Uttar Pradesh and Bihar with a share of 29% and 42% respectively of the overall portfolio as of March 31, 2022. While there seem to be state-level geographical concentration, the Bank's portfolio is well-diversified in terms of districts, with no single district accounting for more than 3% of the Bank's total asset under management.

Mitigants: In order to reduce its dependence on specific product segments and geographies, the Bank has consciously started focussing on growing other retail loans with particular focus on secured lending book, and on expanding across new geographies and deepening its presence in existing geographies. In FY 2021-22, the Bank made substantial progress on the disbursements in categories such as home loans and loan against property in the MSME space, Commercial Vehicle/Construction Equipment segment; thereby further reducing the proportion of MFI loans in the total portfolio to 75.28% from 81.98% in FY 2020-21. The Bank also launched overdraft/cash credit products, along with gold loan, and entered into fintech partnerships under the Business Correspondents model which is expected to further reduce the proportion of MFI loans in the total portfolio. The Bank has also expanded its footprint in new states and union territories during the year under review.

4. **Fraud Risk:**
Fraud risks comprise cyber threats, scam, processing errors and document mishandling, among others, affecting the goodwill and the revenue generation of the Bank.

Mitigants: To mitigate this risk, the Bank has put together a Fraud Risk Management (FRM) unit as an independent group in the Bank to enable fraud prevention, monitoring, investigation, reporting and awareness creation. Further, the Bank also has a dedicated Risk Containment Unit (RCU), which is tasked with thorough online checking of all loan files and liabilities. During the year under review, the Bank has further enhanced its artificial intelligence tools such as Hunter, Perfios and Sherlock, among others, ensuring improved scrutiny of assets and liabilities applications. Further, the Bank is using the Inline Fraud Risk Management (IFRM) tool for monitoring fraudulent transactions across all channels.

4. **IT Risk:**
The risks associated with the increasing adoption of technology include the non-availability of systems and processes, resulting in business loss from both unintentional (faulty use) and intentional cyber frauds) events.

Mitigants: To ensure efficient management of IT risk and ensuring confidentiality and integrity of business and customer information, the Bank has implemented security controls in accordance with the RBI cybersecurity framework.

Regular security monitoring is in place and the Bank is in compliance with the regulatory guidelines issued from time to time. Further, to ensure business continuity through work from home, securing people, process and technology was of innate importance. In doing so, the Bank has put in place the BCP and incident response plans for handling both operational and security risks.

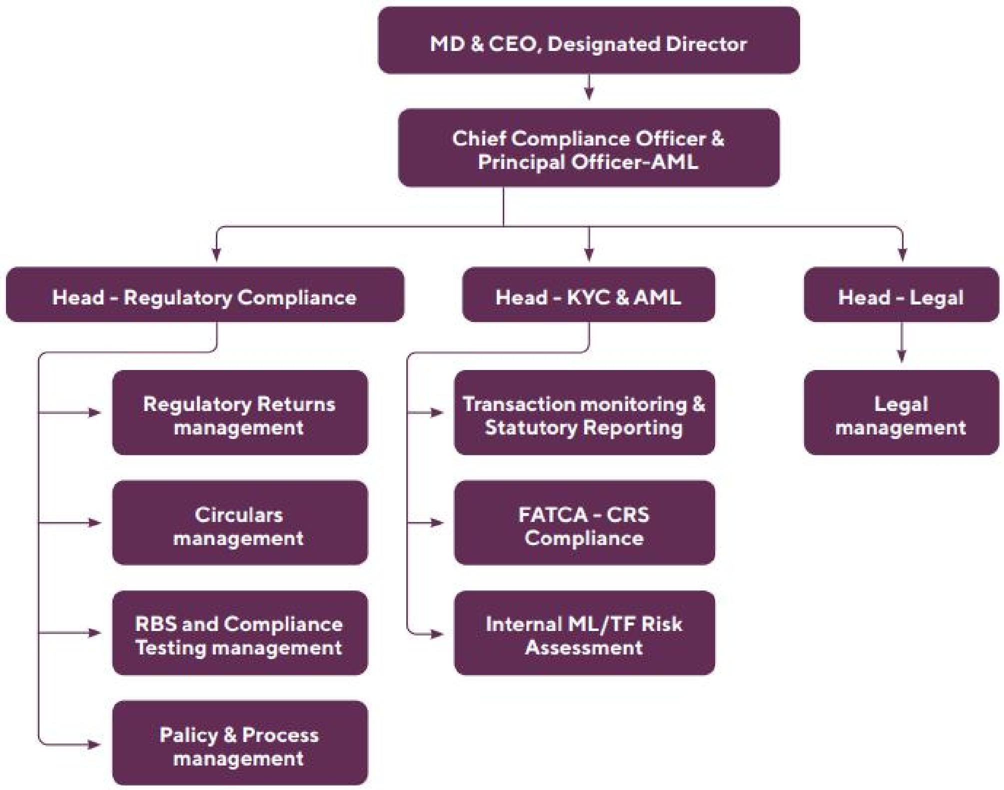
4. **Liquidity Risk:**
An asset-liability mismatch might result in liquidity risk for the Bank, which would result in raising fresh liabilities at a higher-cost or liquidating assets at a higher discount rate, thus, impacting the margins of the Bank.

Mitigants: USFBL has set prudential internal limits in addition to regulatory limits on liquidity gaps, borrowings, deposits and placements, among others. The asset liability committee of the Bank reviews treasury operations, interest rate and cash flows on a monthly basis. The liquidity profile of the Bank is analysed every week by tracking all cash inflows and outflows based on the actual maturity and expected occurrence predicted. Premature withdrawals of term deposits and drawdown of unavailed credit limits are also analysed by the Bank to measure the actual liquidity position on an ongoing basis.

COMPLIANCE ARCHITECTURE

Compliance is an integral feature of ensuring that a business creates fair value for all its stakeholders, including the regulatory authorities. Being a bank, the expectations and stringency of applicability of RBI guidelines are higher. Further, compliance department of a bank acts as an important interface between regulators and regulations on one hand, and the regulators and business on the other.

USFBL endeavours to create and follow industry benchmark compliance practices, ensuring easy receipt and dissemination of all statutory, regulatory and internal guidelines and instructions in the matters of compliance across all business departments.



Process framework within the compliance department

The Bank's Compliance Department consists of three sub namely Regulatory Compliance, AML Compliance and Legal. The Compliance Department has an established process of dissemination of regulatory changes, updation of policies, tracking timely submission of returns to regulatory authorities, correspondence with regulatory authorities, transaction monitoring, drafting, and vetting of agreements and advising various internal stakeholders on legal matters. This helps the Bank ensure effective compliance with policies, regulatory guidelines and applicable legal framework.

Following is the key process framework of Compliance Department:

- Circular management process
- Returns management process
- Policy management process
- AML/Transaction monitoring process
- Compliance risk assessment framework (compliance testing)
- Risk-Based Supervision (RBS) data management
- Legal management

Circular management process

All Scheduled Commercial Banks (SCBs) in India are required to adhere to various guidelines issued by the RBI and various other regulators from time to time. Failure to meet the said guidelines within the stipulated timeline might be considered non-compliance, in turn, attracting financial fines. The Bank's compliance department has institutionalised a well-defined circular management process that inter alia covers the dissemination and tracking of the circulars, till implementation.

Returns management process

All SCBs in India are required to submit various returns to RBI and other regulators at periodic intervals as directed by the regulators. These returns are submitted on online portals of regulatory / statutory authorities; or through email, physical copies and reply letters, as directed by the regulators. The Bank's compliance department has institutionalised a robust returns management process to ensure timely submission of such returns.

Policy, product and process management

The compliance department of the Bank maintains the repository of all policies approved by the Board. To ensure transparency, all departments of the Bank, while reviewing any existing policy or drafting any new policy seek views of the compliance department, before seeking approval of the Board of Directors. The Bank's compliance department has also institutionalised a framework for rolling out products and processes through a management level committee, named Product and Process Management Committee (PPMC).

AML/Transaction monitoring process

The AML cell of the compliance department is tasked with the supervision of adherence to the prescribed guidelines with respect to transaction monitoring and statutory reporting under the Prevention of Money Laundering Act (PMLA) to Financial Intelligence Unit – India (FIU IND)

Compliance risk assessment framework

The compliance risk assessment framework of the Bank helps in the assessment of its compliance risk through compliance testing. Under this testing, the compliance department tests the efficiency of controls available in various departments towards adherence to regulatory requirements and recommends measures to plug the gaps, if any, in the existing controls.

Risk-Based Supervision (RBS) data management

In addition to the submission of regulatory returns and ad hoc returns to RBI and other regulatory / statutory authorities, the Bank is subjected to RBI inspection at defined periodicity. Submission of data elements under Risk-Based Supervision and interface with the onsite RBI Inspection team is the responsibility of compliance department. Additionally, in light of the myriad activities carried out by the Bank, it is also subjected to onsite inspection by other authorities like UIDAI / IRDAI / FIU IND etc. Compliance Department acts as the interface and the SPOC representing the Bank vis-à-vis these authorities for any such requirements.

Legal management

The legal management process helps in addressing queries related to the following:

- Clarification on branch operation queries such as - account opening, drafting and vetting of letters and replies to customers, replies to be filed before Banking Ombudsman, courts and tribunals, and drafting and vetting of draft FIR s to police authorities.

- Advising on issues related to disciplinary proceedings against employees, replies to notices issued by Labour Authorities pertaining to HR issues, etc.
- Drafting of notices pertaining to Collections, vetting of submissions on behalf of the Bank in cases filed against the Bank, opinions in respect of recovery measures to be taken / proposed way forward in cases filed against the Bank, actions to be taken under arbitration, proceedings under SARFAESI Act, etc.
- Advising on issues relating to title investigation reports prepared by empanelled advocates.
- Empanelment of advocates and conducting Legal Audit.

In addition to the interaction with the regulators, the compliance department periodically apprises the Bank's management, Board of Directors, and Board Committees on the changes in the regulatory environment and the status of compliance thereof in the Bank. During FY 2021-22, the Bank strengthened the compliance testing and automation of certifications to be submitted by various stakeholders. Necessary steps have been initiated towards cultivating and building a strong compliance culture within the Bank.

VIGILANCE MECHANISM

The role of the vigilance and security department of the Bank is multi-dimensional. Apart from the investigation of fraud, theft, robbery, misappropriation of cash, policy violation and corruption cases, the vigilance department is imparting training to the bank employees on Vigilance awareness, surveillance, security of bank property, etc., Vigilance Tele calling team contact borrowers of the Bank to take their feedback from vigilance angle. Vigilance Dept also deals with information received under whistle blower policy of the bank, and undertakes general liaison with local government authorities. Various circulars covering vigilance and security awareness are issued by the vigilance department from time to time. In appropriate cases, draft FIRs are prepared and sent to the concerned business team for filing criminal case against guilty persons. All investigation reports are sent to the HR Department of the Bank for initiating suitable disciplinary action. Periodical and surprise branch visits are also done by Vigilance Department.

INFORMATION TECHNOLOGY (IT)

Information technology has significantly changed the way all the Banks currently operate. USFBL envisions that IT is the major differentiator in bringing in efficiency, productivity and customer experience. The Bank has partnered with leading technology vendors to provide the latest technology solutions to achieve optimal Service delivery.

The Bank has constantly enhanced its IT solutions to offer various products and different transaction channels to the Customers. IT solutions have enabled in digitalisation of various processes. Technology-driven channels such as Internet Banking, Mobile Banking, ATM and Debit cards have helped the Bank to serve the customer round-the-clock and during disruptive and challenging times. The Bank has developed extensive network of Micro ATMs to serve the customer based in non-urban areas as well. The Bank has launched various digital banking services such as UPI, Bharat Bill Payment system, E-Comm to help customers transact digitally. The Bank has also launched end-to-end digital on-boarding with quick Account opening enabled with Video KYC. Bank has recently upgraded to latest Core Banking application for Joint Liability Group Loans (JLG) Business to offer best-in-class service to its customers. The Bank has deployed Inline Fraud and Risk management solution for Real time fraud management detection of online transactions. Bank is in the process of implementing Data lake platform to enable Business analytics for better understanding of various trends.

In addition to the above initiatives, Bank is also planning to engage external consultants to get further insights in evolving and innovative emerging technologies in Banking space to further enhance and improve the Bank's IT Ecosystem.

Bank is in continuous pursuit to deliver improved customer experience and facilitate customer acquisition and deepen the relationship with customers.

HUMAN RESOURCES AND TRAINING

Human resources being core to the business of the Bank have been the central focus of all Human Resource policies and Training initiatives of the Bank. During the fiscal 2021–22, the Bank added 2,256 employees, of which 870 were female employees. The employee strength of the Bank as on March 31, 2022 was 12,617.

Due to the uncertainty prevailing due to the COVID pandemic in the last financial year, the Bank migrated its Learning and Development initiatives to an offline mode. The Bank is developing an internal talent pool through training programs from various institutions, to grow and expand in new geographies and products. The Bank believes in broad-based capability development of the employees. The Bank has incorporated a healthy mix of various learning modes such as classroom programs, external programs, certification programs and e-learning modules to facilitate the learning process across all levels. Due to the uncertainty prevailing due to the COVID pandemic in the last FY, the Bank migrated its Learning and Development initiatives to an online mode and adopted a blended strategy for upskilling and reskilling of the employees. The Bank as a part of its structured learning and development journey for various roles provided training to employees on aspects such as Role Based Certifications, Process and Product Certifications and other softer skills Training among others. Apart from this, numerous workplace training programs were implemented including Utkarsh Pragati (refresher trainings), Utkarsh Udaan (role-change trainings), Utkarsh Saksham (capacity building certification programs and mandatory certifications). Various tie-ups with external institutions, industry consortium bodies and learning partners enabled in keeping up with the latest developments and also building the capabilities by providing requisite knowledge and skills. During the year under review, more than 9,000 staff were educated under various programs. The Bank also has an ongoing process of talent identification and development and in FY 2021–22, the Bank has continued its journey to provide upskilling to a select identified employees to help them scale up functional and behavioural skills.

The Bank has also embarked on a journey of digitising its employee's life cycle management program and in the last financial year process such as joining, on-boarding, etc. have been digitalised. With the growth in scope and scale of operations, the Bank has started to decentralise its HR process while ensuring that adequate checks and balances are maintained.

AUDIT AND INTERNAL CONTROL SYSTEMS

The Bank has an Internal Audit Department since its inception which operates independently under the supervision of the Audit Committee of the Board with a reporting line to its Chairman and is manned by appropriately qualified personnel. The Bank's Internal Audit function provides an independent view to its Board of Directors and Senior Management on the quality and efficacy of the internal controls, risk management systems, governance systems and processes in place on an ongoing basis. This is provided primarily to ensure that the business and support functions are compliant with both internal and regulatory guidelines. In line with RBI's guidelines on Risk-Based Internal Audit (RBIA), the Bank has adopted a robust internal audit policy. The Risk-Based Internal Audit has been designed after factoring in regulatory guidelines and best practices in the Industry.

The policy has a well-defined architecture for conducting Risk-Based Internal Audits across all audit entities. The audit frequencies are in sync with the risk profile of each unit to be audited. Further to augment the internal audit function, concurrent audit and off-site audit have been integrated into the internal audit process in order to make the function more robust. To support audits, the department has got IT application which helps in planning the audit, its execution and reporting. Keeping pace with digitalisation in the Bank, the Internal Audit function has also initiated technological initiatives i.e. use of analytics tool such as "IDEA" for providing enhanced efficiency and effectiveness through system driven and analytics-based audits, finding exceptions. The team is progressing towards the increasing use of such Computer Aided Audit Tools to bring further efficiency and effectiveness.

With a team size of 140 people having domain knowledge across various products/processes in the banking industry and continuous guidance of an Audit Committee of the Board, the internal audit team completed all the audits as per annual audit plan. Audits which were conducted during FY 2021-22 comprise of risk-based audit of Branches and Centralised Functions, concurrent audit of branches and other critical functions such as Treasury function/Central Processing Centres/Payments and other audits such as Information System and Cyber Security, NPA Automation, Internal/Office accounts, outsourced vendors, Internal Financial Controls, Storage of Payment Systems Data etc.

FINANCE & ACCOUNTS

The finance department focusses primarily on preparing financial plans, monitoring, and analysis of financial performance. The finance department monitors priority sector target achievement and financial inclusion performance of the Bank and computes MCLR for the Bank on a monthly basis. The team also manages the Bank's credit ratings and interacts with credit rating agencies. The accounts department is responsible for publishing financial results, substantiation and reconciliations of all Bank accounts, Regulatory reporting to the RBI with respect to Accounts department and tax compliances.

COMPANY SECRETARIAL

The Company Secretarial function ensures that the Bank, at all times, is compliant with the applicable provisions of the Companies Act, 2013, and the corporate governance framework as mandated by RBI and other regulatory authorities to the extent applicable to the Bank from time to time. It also ensures timely conduct of the Board & Board Committee Meetings, Shareholders' meetings at regular intervals and subsequent ROC/RBI/SEBI reporting. The team further assists the Statutory & Secretarial Auditors by making timely provision of requested information/documents/data for completion of respective audits. The team advises the Management on regulatory processes to be followed for various Corporate Actions.

CAUTIONARY STATEMENT

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

DIRECTORS' REPORT

To
The Members
Utkarsh CoreInvest Limited

Dear Shareholders

On behalf of the Board of Directors, it is our pleasure to present the 32nd Annual Report on the business and operations of Utkarsh CoreInvest Limited ('UCL'), together with the Audited Financial Statements of the Company for the year ended March 31, 2022.

A. FINANCIAL PERFORMANCE

The Company has adopted Ind-AS since April 01, 2018 and accordingly the financials have been prepared in accordance with the Indian Accounting Standard ("Ind-AS"), as notified by the Ministry of Corporate Affairs, Government of India under the Companies (Indian Accounting Standard) Rules, 2015 and as amended from time to time.

The Company has recorded the following financial performance (on Standalone basis) for the year ended March 31, 2022:

(Amount in ₹ crore)

Particulars	For the Year ended March 31, 2022	For the Year ended March 31, 2021	Change in %
Total Income	5.26	3.39	55.1%
Profit Before Interest, Depreciation & Tax (EBITDA)	**2.40**	**0.32**	**659.8%**
Finance Charges	-	-	-
Depreciation	0.03	0.04	(22.5%)
Provision for Income Tax	0.72	0.14	405.6%
Profit / (Loss) After Tax	**1.65**	**0.13**	**1,141.5%**
Other Comprehensive Income	(0.00)	0.00	(364.8%)
Total Comprehensive Income	**1.65**	**0.13**	**1,135.9%**

Further, the Company has recorded the following financial performance (on Consolidated basis) for the year ended March 31, 2022:

(Amount in ₹ crore)

Particulars	For the Year ended March 31, 2022	For the Year ended March 31, 2021	Change in %
Total Income	2094.80	1,782.23	17.5%
Profit Before Interest, Depreciation & Tax (EBITDA)	**962.98**	**857.85**	**12.3%**
Finance Charges	799.30	762.53	4.8%
Depreciation	82.55	59.00	39.9%
Provision for Income Tax	18.91	10.81	74.9%
Profit / (Loss) After Tax	**62.21**	**25.52**	**143.8%**
Other Comprehensive Income	(20.00)	(16.57)	20.7%
Total Comprehensive Income	**42.21**	**8.95**	**371.6%**

B. FINANCIAL DISCLOSURES

Dividend
Your directors have not recommended any dividend for this financial year ended FY 2021-22.

Net Worth
The Company's Net-worth as on March 31, 2022 stood at ₹841.28 crore comprising of paid-up equity capital of ₹98.33 crore and Reserves of ₹742.95 crore (excluding Revaluation Reserve, Investment Reserve and Intangible Assets) on Standalone basis. Whereas, on a Consolidated basis, the Net-worth stood at ₹1,316.29 crore comprising of paid-up equity capital of ₹98.33 crore, Reserves of ₹1,217.96 crore while excluding the non-controlling interest of ₹228.34 crore.

C. CORPORATE GOVERNANCE

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

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

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

The Board of the Company comprised of six (06) Directors consisting of two (02) Independent Directors, three (03) Nominee Directors and one (01) Managing Director & CEO as on March 31, 2022.

All the Independent Directors have given the declarations that they meet the criteria of independence, as laid down under Section 149(6) of the Companies Act, 2013. Based on the declaration of independence provided by them, all the aforesaid two (02) Independent Directors would qualify to be classified as Independent Directors under Section 149 of the Companies Act, 2013.

The Independent Directors on the Board of the Company are included in the Director's Data Bank of MCA. One of the Independent Directors, Mr. Sundararajan, is not required to pass Online Proficiency Self-Assessment Test (OPSAT) in terms of exemption from OPSAT while Mr. Atul, Independent Director of the Company has passed the OPSAT on January 26, 2022 for IDs' Data Bank.

Committees of the Board of Directors
For effective decision-making, the Board acts through various Committees, which oversee specific operational or strategic matters falling within the ambit of the specific terms of reference of those Committees. The Board has constituted six (06) Committees. All the Board Committees have specific charter aligning with Scale Based Regulations ('SBR'): A Revised Regulatory Framework for NBFCs issued by Reserve Bank of India on October 22, 2021 and these Committees monitor activities falling within their terms of reference.

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

Board Evaluation and Remuneration Policy
The Independent Directors of the Company carried out an Annual Performance Evaluation of the entire Board, the Chairperson, the Directors, individually as well as the evaluation of the working of its Committees.

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

D. STATUTORY DISCLOSURE

Conservation of Energy and Technology Absorption

The particulars to be disclosed under Section 134(3)(m) of the Companies Act, 2013, relating to conservation of energy and technology absorption are not applicable to the Company as company is not engaged in these types of activities as per the MOA & AOA of the Company.

Foreign Exchange Earnings / Outgo

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

Changes in Directors and Key Managerial Personnel (KMP)

The details about the changes in the Directors or Key Managerial Personnel by way of appointment, re-designation, resignation, death or disqualification, variation made or withdrawn etc. are as follows:

SI No.	Name of Director / KMP	Designation	Date of Appointment	Date of Cessation
1.	Mr. Ashwani Kumar*	Managing Director & CEO	19.03.2022	-
2.	Mr. Harjeet Toor	Nominee Director	19.01.2017	23.06.2022
3.	Mr. T. K. Ramesh Ramanathan	Nominee Director	16.07.2022	-
4.	Mr. Atul**	Independent Director	18.07.2022	-

*Mr. Ashwani Kumar was earlier appointed on March 19, 2018 as the Managing Director & CEO for a term of three (03) years. As the term of appointment was expiring on March 18, 2022, the Board, in its meeting held on February 16, 2022, recommended to the Members of the Company for re-appointment of Mr. Ashwani Kumar (DIN-07030311) as the Managing Director & CEO of the Company for a further period of three (03) years w.e.f. March 19, 2022 till March 18, 2025.

**The Board, in its meeting held on July 18, 2022, recommended to the Members of the Company for re-appointment of Mr. Atul as an Independent Director for a second term of five (05) consecutive years i.e. from the date of 32nd AGM till the date of 37th AGM of the company.

Whistle Blower Policy (Vigil Mechanism / Anti Bribery)

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

In the FY 2021-22, no case of bribery or whistle blower disclosures or any case of corruption have been reported.

Risk Management Policy

Pursuant to the circular 'Review of Guidelines of Core Investment Company' issued by Reserve Bank of India on August 13, 2020, The Risk Management Policy has been introduced and adopted post approval by the Board. Risk Management Committee at Management level is constituted for identification of risks and implementation of requisite measures in terms of the policy.

There is no element of risk, which has been detected so far as a threat to the existence to the Company.

Statutory Auditors

'M/s DMKH & Co.', Chartered Accountants (Firm Registration Number 116886W / 066580) are the Statutory Auditors of the Company, pursuant to Section 139 and 141 of the Companies Act, 2013, for a period of five years (05) from FY 2021-22 upto FY 2025-26.

Issue of Employee Stock Options

As a part of the policy of retention of employees in Utkarsh Group, the company has Board approved ESOP policy. During FY 2021-22, as per policy, the ESOPs of the Company have also been allotted to, including the employees of the subsidiary – 'Utkarsh Small Finance Bank Ltd.' (USFBL). The employees of the subsidiary and of the Company were assessed and recommended by the Board Committees and the options at the employee level were decided by the respective Boards or as delegated by the Board.

Details of ESOPs offered during the year are as below:

Particular	31 March 2022		31 March 2021	
	Number of share options (in Units)	Average exercise price per share	Number of share options (in Units)	Average exercise price per share
Outstanding options at the beginning of the year	**49,55,238**	**113.29**	**38,51,484**	**105.89**
Add: Granted during the year	30,000	125.00	16,59,575	125.00
Add: Granted during the year with Grant effective date pertaining to FY 20-21	28,000	125.00	5,00,000	110.92
Less: Lapsed/forfeited during the year	4,44,404	114.43	6,85,829	107.75
Less: Exercised during the year	7,41,297	101.63	2,07,558	101.63
Less: Adjustment of previous year	1,14,452	92.19	1,62,434	88.29
Outstanding options at the end of the year	**37,13,085**	**116.32**	**49,55,238**	**113.29**
Options vested and exercisable at the end of the year	**13,19,425**	**114.03**	**11,18,318**	**102.95**

Deposits

The Company is a non-deposit taking company i.e., Non-Banking Financial Company - Non-Deposit taking - Systemically Important - Core Investment Company (NBFC-ND-SI-CIC) and thus has not accepted any deposits during the FY 2021-22.

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

The Company had only eight (08) employees during FY 2021-22, the details of which are as under:

SI.	Name	Designation	DOJ	Qualifications	Age	Experience	Remuneration (₹)	Last Employment
1.	Mr. Ashwani Kumar	Managing Director & CEO	19-Mar-19	PGDRM CAIIB	40 years	16 years +	41,40,096	USFBL
2.	Mr. Harshit Agrawal	Chief Financial Officer	02-Apr-18	CA	33 years	10 years +	10,10,595	USFBL
3.	Mr. Neeraj Kumar Tiwari	Company Secretary	10-Nov-14	CS	32 years	8 years +	5,59,412	-
4.	Ms. Priyanka Bisht	Manager, HR, IT & Admin	02-Apr-18	MCA	30 years	9 years +	6,63,813	USFBL
5.	Ms. Prashansha Chaurasiya#	Assistant Manager, Finance & Accounts	22-Sep-20	CA	29 years	3 years +	3,12,435	Prashansha Chaurasiya & Co. Chartered Accountants
6.	Ms. Ruchi Seth	Assistant Manager I, Secretarial	04-Nov-19	PGDM	29 years	3 years +	3,54,493	Bajaj Consumer Care Ltd.

Sl.	Name	Designation	DOJ	Qualifications	Age	Experience	Remuneration (₹)	Last Employment
7.	Mr. Raju Pandey	Assistant Manager, Accounts	04-Oct-18	M. Com	30 years	9 years +	2,85,901	USFBL
8.	Mr. Saurabh Jaiswal^	Senior Executive, Internal Audit	15-Apr-19	MBA	34 years	10 years +	1,34,548	India First Life Insurance
9.	Mr. Vikas Kumar Singh	Senior Executive, HR, IT & Admin	23-Sep-19	MCA	34 years	12 years +	2,88,989	CMS IT Services Pvt. Ltd.
10.	Mr. Jai Kapoor@	Senior Executive - Internal Audit	07-Feb-2022	B. Com, CA Inter	35 years	7 years +	40,660	ARSAN & Co., Chartered Accountants

*Earned Gross Salary
#Resigned w.e.f. December 31, 2021
^Resigned w.e.f. September 24, 2021
@Joined w.e.f. February 07, 2022

Other Statutory Disclosures:

a. All related party transactions that were entered into FY 2021-22 were at arm's length basis, and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large;

b. There were no significant / material orders passed by the Regulators / a Court / Tribunal, etc. during FY 2021-22, which would impact the going concern status of the Company and its future operations;

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

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

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

f. There are no material changes and commitments, affecting the financial position of the Company, that have occurred between April 01, 2021 till the end of the Financial Year of the Company i.e. March 31, 2022.

E. OTHER DISCLOSURES

Code of Conduct

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

Vigilance

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

Secretarial Auditors

Pursuant to the section 204 of Companies Act, 2013 and relevant provisions of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Company has appointed M/s. S. N. Ananthasubramanian & Co. [ICSI Unique Code: P1991MH040400] as the Secretarial Auditors for the FY 2021-22. The Secretarial Auditors have carried out the audit and the audit report is enclosed as **Annexure 'B'** to this report.

Corporate Social Responsibility (CSR)

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

Your Company has been providing for CSR contribution in line with statutory requirements (currently 2% of average of last 3 years' profit), every year as part of its CSR initiatives to UWF, for undertaking various welfare activities.

However, for the FY 2021-22, the average of last three (03) years' profit was negative owing to losses marked in FY 2018-19 and hence, there was no requirement of 2% CSR contribution. Nonetheless, in spirit of supporting the welfare activities an amount of 5 (five) lakh was contributed by the Company during the FY 2021-22, as a 'Corpus Pool Fund' to the regular CSR Partner viz. Utkarsh Welfare Foundation, primarily to be utilized as a Pool Account to meet their temporary or such other liquidity requirements, while carrying out the welfare activities.

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

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

F. WEB LINK FOR ANNUAL RETURN

The Company is having its website i.e., **www.utkarshcoreinvest.com**; and the Annual Return of Company has been published on such website at the web-link:
https://www.utkarshcoreinvest.com/index.php/InvestorRelations/annuals_reports

G. DIRECTORS' RESPONSIBILITY STATEMENT

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

a. in the preparation of the annual accounts for financial year ended March 31, 2022, the applicable accounting standards have been followed and there are no material departures from the same;

b. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the FY 2021-22 and of the profit or loss of the Company for the FY 2021-22;

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

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

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

H. SUBSIDIARIES

Utkarsh Welfare Foundation ('UWF' or 'the 'Foundation'), a Section 8 (erstwhile Section 25) Company had been a Subsidiary Company of Utkarsh CoreInvest Limited (UCL) and also a Sister Concern / Fellow Company of Utkarsh Small Finance Bank Limited (USFBL) since November 17, 2017 (owing to equity investment of ₹5 lakh by UCL aggregating to 78.49% of total shareholding of UWF).

Utkarsh Welfare Foundation has now ceased to be a Subsidiary of its Holding Company i.e., UCL, w.e.f. February 25, 2022 on account of divestment of UCL's stake in UWF in terms of aligning with certain regulatory and statutory requirements for some of the proposed corporate actions.

I. ACKNOWLEDGMENT

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

The Directors of the Company are thankful to its customers for posing their faith in the products and services offered by Banking Subsidiary, i.e. Utkarsh Small Finance Bank Limited and their continued patronage.

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

For and on behalf of the Board of Directors

Mr. G. S. Sundararajan
Chairperson

Date: July 18, 2022
Place: Varanasi

Mr. Ashwani Kumar
Managing Director & CEO

Date: July 18, 2022
Place: Varanasi

ANNEXURE 'A'

COMMITTEES OF BOARD OF DIRECTORS

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

The Board has constituted various such Committees of Directors, required as per the Companies Act, 2013, to monitor the activities falling within their respective terms of reference. The composition, dates of meetings and names of the members of these Committees as on March 31, 2022 are given below:

Sl.	Name of the Committee	Members	No. of Meetings held During the FY 22	Date of Meetings
1.	Audit Committee of Board (ACB)	1. Mr. G. S. Sundararajan (Chairperson) 2. Mr. Atul 3. Mr. Harjeet Toor*	5	30-Jun-2021 07-Jul-2021 08-Sep-2021 17-Dec-2021 16-Feb-2022
2.	Corporate Social Responsibility (CSR) Committee	1. Mr. G. S. Sundararajan(Chairperson) 2. Mr. Aditya Deepak Parekh 3. Mr. Ashwani Kumar	1	30-Jun-2021
3.	Nomination & Remuneration Committee (NRC)	1. Mr. Atul (Chairperson) 2. Mr. G. S. Sundararajan 3. Mr. Gaurav Malhotra	2	30-Jun-2021 16-Feb-2022
4.	Share Allotment Committee (SAC)	1. Mr. Aditya Deepak Parekh 2. Mr. Harjeet Toor* 3. Mr. Ashwani Kumar	5	12-Apr-2021 16-Sep-2021 01-Oct-2021 30-Mar-2022 31-Mar-2022
5.	Group Risk Management Committee (GRMC)	1. Mr. G. S. Sundararajan (Chairperson) 2. Mr. Atul 3. Mr. Harjeet Toor* 4. Mr. Aditya Deepak Parekh 5. Mr. Ashwani Kumar	2	17-Dec-2021 16-Feb-2022
6.	Promoter Dilution Management Committee (PDMC)	1. Mr. G. S. Sundararajan (Chairperson) 2. Mr. Aditya Deepak Parekh 3. Mr. Gaurav Malhotra 4. Mr. Harjeet Toor* 5. Mr. Ashwani Kumar	1	21-June-2021

*Directorship held till June 23, 2022.

BOARD MEETINGS

The Board of Directors of the Company met five (05) times during FY 2021-22. The maximum gap between any two (02) Board meetings was not more than one hundred and twenty (120) days at any point of time. The details of the Meetings conducted are as under:

Sl	Members	Directorship	Date of Meeting	No. of Meetings
1.	Mr. G. S. Sundararajan	Chairperson, Independent Director	30-Jun-2021 07-Jul-2021 08-Sep-2021 17-Dec-2021 16-Feb-2022	5
2.	Mr. Atul	Independent Director		
3.	Mr. Aditya Deepak Parekh	Nominee Director		
4.	Mr. Gaurav Malhotra	Nominee Director		
5.	Mr. Harjeet Toor*	Nominee Director		
6.	Mr. Ashwani Kumar	Managing Director & CEO		

*Directorship held till June 23, 2022.

ATTENDANCE OF THE BOARD OF DIRECTORS

The details of the attendance of Directors at the Board Meetings, Committee Meetings and Annual General Meeting held during FY 2021-22 along with the number of other Directorships and Committee Membership(s) / Chairmanship(s) held by them, is given below:

Sl.	Name of Director	DIN	Category	BOD*	ACB*	CSRC*	NRC*	SAC*	GRMC*	PDMC*	No. of Directorship	
Number of meetings held during the FY2022				**5**	**5**	**1**	**2**	**5**	**2**	**1**	**Public**	**Private**
1.	Mr. G. S. Sundararajan	00361030	Chairperson, Independent Director	5	5	1	2	-	2	1	4	-
2.	Mr. Atul	07711079	Independent Director	5	5	-	2	-	2	-	1	-
3.	Mr. Aditya Deepak Parekh	02848538	Nominee Director	3	-	1	-	2	1	1	1	13 including 3 LLP
4.	Mr. Gaurav Malhotra	07640504	Nominee Director	5	-	-	2	-	-	1	1	3
5.	Mr. Harjeet Toor^	02678666	Nominee Director	4	4	-	-	5	1	1	2	-
6.	Mr. Ashwani Kumar	07030311	MD & CEO	5	-	1	-	4	2	1	1	1

^Directorship held till June 23, 2022.

* BOD : Board of Directors
* ACB : Audit Committee of Board
* CSRC : Corporate Social Responsibility Committee
* NRC : Nomination & Remuneration Committee
* SAC : Share Allotment Committee
* GRMC : Group Risk Management Committee
* PDMC : Promoter Dilution Monitoring Committee

S. N. ANANTHASUBRAMANIAN & CO
Company Secretaries

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E: snaco@snaco.net | W: www.snaco.net
ICSI Unique Code: P1991MH040400

FORM No. MR – 3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2022

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

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

We have conducted Secretarial Audit of compliance with the applicable statutory provisions and adherence to good corporate practices by **Utkarsh CoreInvest Limited** (hereinafter called 'the Company') for the **Financial Year** ended **March 31, 2022**. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books and papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the **Financial Year ended March 31, 2022** complied with 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:

S. N. ANANTHASUBRAMANIAN & CO. COMPANY SECRETARIES
ASHWINI VARTAK
PARTNER
ACS 29463
COP No. 16723

We have examined the books and papers, minute books, forms and returns filed and other records maintained by the Company for the **Financial Year ended March 31, 2022** according to the provisions of:

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

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

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

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings: **Not applicable to the extent of Overseas Direct Investment and External Commercial Borrowing during the period under review;**

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

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

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

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

d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (upto 12th August, 2021) & The Securities and Exchange Board of India (Share Based Employee Benefits & Sweat Equity) Regulations, 2021 (with effect from August 13, 2021);

e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (upto August 15, 2021) & The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (with effect from August 16, 2021);

S. N. ANANTHASUBRAMANIAN & CO. COMPANY SECRETARIES
ASHWINI VARTAK
PARTNER
ACS 29463
COP No. 16723

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

g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (upto 09th June, 2021) & The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 (with effect from 10th June, 2021);

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

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

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

a) Reserve Bank of India Act, 1934 and guidelines made thereunder;

b) Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016, and circulars issued, guidelines made thereunder;

c) Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions 2016 and modifications thereof.

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

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

(ii) The Listing Agreements entered into by the Company with the Stock Exchanges; **Not Applicable as the Securities of the Company are not listed on any Stock Exchange during the period under review.**

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

S. N. ANANTHASUBRAMANIAN & CO. COMPANY SECRETARIES
ASHWINI VARTAK
PARTNER
ACS 29463
COP No. 16723

We further report that:

(i) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors, and Independent Directors. There were no changes that took place in the composition of Board of Directors during the year under review;

(ii) Adequate notice is given to all Directors to schedule Board Meetings; agenda and detailed notes on agenda were sent at least seven days in advance before the meeting except where consent of directors was received for receiving notice of meetings, circulation of the Agenda and notes on Agenda at a shorter notice, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

(iii) As recorded in the minutes, all the decisions of the Board and Committees thereof were carried through with requisite majority.

We further report that based on the representation made by the Company and on the basis of the compliances taken on record by the Board of Directors at their meeting(s), we are of the opinion that the management has adequate systems and processes commensurate with its size and operations, to monitor and ensure compliance with all applicable laws, rules, regulations and guidelines, and

(i) As informed, the Company has responded appropriately to notices received from various statutory/ regulatory authorities including, payment of penalties/ compounding fees, initiating actions for corrective measures, wherever found necessary, including payment of Rs.14,34,477/- to Reserve Bank of India on December 08, 2021 through a Demand Draft for delay in filing of Form FC-GPR with respect to allotment of 22,06,887 equity shares by way of rights issue to certain Non-Resident Investors on November 20, 2017.

We further report that during the financial year ended **March 31, 2022** following major events have occurred which had a major bearing on the Company's affairs in pursuance of the laws, rules, regulations, guidelines, standards, etc.

(a) The Articles of Association of the Company were altered, pursuant to the approval of the Shareholders at the 31st Annual General Meeting of the Company held on September 30, 2021.

S.N. ANANTHASUBRAMANIAN & CO. COMPANY SECRETARIES
ASHWINI VARTAK
PARTNER
ACS 29463
COP No. 16723

(b) The Company has disposed off 50,000 equity shares constituting 78.49% of the paid-up capital of Utkarsh Welfare Foundation (UWF) on February 25, 2022. Consequently, UWF ceases to be a Subsidiary of the Company.

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

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

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

Ashwini Vartak
Partner
ACS: 29643 | COP No.: 16723
ICSI UDIN: A029463D000292869
09th May, 2022 | Thane

Annexure – A

To,

The Members,

Utkarsh CoreInvest Limited,

CIN: U65191UP1990PLC045609

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

Orderly bazar, New Mahavir Mandir,

Varanasi, Uttar Pradesh – 221002

Our Secretarial Audit Report for the financial year ended **March 31, 2022** of even date is to be read along with this letter.

Management's Responsibility:

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

Auditor's Responsibility:

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

3. We have conducted the Audit as per the applicable Auditing Standards issued by the Institute of Company Secretaries of India.

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

5. Wherever required, we have obtained reasonable assurance about whether the statements prepared, documents or Records, in relation to Secretarial Audit, maintained by the Auditee, are free from misstatement.

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

S. N. ANANTHASUBRAMANIAN & CO. COMPANY SECRETARIES
ASHWINI VARTAK
PARTNER
ACS 29463
COP No. 16723

Disclaimer:

7. We have conducted our Audit remotely, based on the records and information made available to us through electronic platform by the Company, due to Covid 19 pandemic induced lockdown and restrictions/ work from home policy of the Company in place, for the purpose of issuing this report.

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

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

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

Ashwini Vartak
Partner
ACS: 29643 | COP No.: 16723
ICSI UDIN: A029463D000292869
09th May, 2022 | Thane

DMKH & CO.
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of
Utkarsh CoreInvest Limited
(Formerly known as Utkarsh Micro Finance Limited)

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Utkarsh CoreInvest Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2022, the Statement of Profit and Loss (including other comprehensive income), statement of changes in equity and statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2022 and profit and total comprehensive income (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities 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 together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for other information. The other information comprises the information included in the management Discussion and Analysis, Board's Report Including Annexures to Board's Report, Business Responsibility Report, Corporate Governance Report, and Shareholder Information, but does not include the standalone financials statements and our auditor's report thereon.

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially

803-804, Ashok Heights, Opp Saraswati Apt., Near Bhuta School, Old Nagardas X Road, Gundavali, Andheri (E), Mumbai-400069.
Tel : 022-26824800 / 4900 | Email : contact@dmkhca.in | www.dmkhca.in
Head Office.: Mumbai, Branch Office.: | Pune | Ahmedabad | Surat | Gandhinagar | Ankleshwar | Udaipur | Bhilwara

inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Managements' Responsibilities for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management 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.

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

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone 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 risk of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 has adequate internal

financial controls systems in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 exits 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 exits, we are required to draw attention in our auditor's report to the related disclosures in the Standalone Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatement in the standalone 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 misstatement 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 and significant deficiencies in internal control that we identify during our audit.

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the **Annexure 'A'** statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:

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

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

   c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, Statement of changes in equity and the Statement of Cash Flows dealt with by this Report are in agreement with the books of accounts.

   d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the

Companies (Accounts) Rules, 2014.

e) On the basis of the written representations received from the directors as on 31st March, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2022 from being appointed as a director in terms of Section 164 (2) of the Act.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in **"Annexure B".** Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the company's internal financial controls over financial reporting.

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

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

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For DMKH & CO,
Chartered Accountants
Firm Registration Number: 116886W

CA Manish Kankani
Partner
Membership Number: 158020
UDIN: 22158020AIUWBZ3825
Place: Mumbai
Date: 11th May 2022

Annexure “A” To Independent Auditor’s Report

(Referred to in Paragraph 1 under the heading of “Report on other Legal and Regulatory Requirements” of our report to the members of Lovable Lingerie Limited of even date)

Report on the Companies (Auditor’s Report) Order, 2020, issued in terms of Section 143(11) of the Companies Act, 2013 (“the Act”) of Utkarsh CoreInvest Limited (“the Company”):

i. In respect of company’s property, plant and equipment:

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

   b. All property, plant and equipment have been physically verified by the management during the year. No material discrepancies were noticed on such verification.

   c. According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.

   d. No, the company has not revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year.

   e. There are no proceedings initiated or are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

ii. The Company is a Non-Banking Finance Company (“NBFC”). Accordingly, it does not hold any inventory. Hence the provisions of Clause 3(ii) of the said order is not applicable to the company.

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

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

v. The Company has not accepted any deposits from the public within the meaning of the directives issued by the Reserve Bank of India, provision of Section 73 to 76 of the Act, any other relevant provision of the Act and the relevant rules framed thereunder. Therefore, paragraph 3(v) of the Order is not applicable.

vi. To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Companies Act, 2013, for the products/services of the Company. Thus, reporting under clause 3(vi) of the order is not applicable to the Company.

vii. According to information and explanations given to us, in respect of statutory dues:

a. The Company has been generally regular during the year, in depositing undisputed statutory dues, including provident fund, income-tax, employees' state insurance, goods and service tax, cess and other statutory dues applicable to it to the appropriate authorities. The provisions relating to duty of excise are not applicable to the Company.

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

Nature of payment	FY	Forum where pending	Amount involved(Rs. In Million)
Income Tax	2017-18	CIT(A)	10.39

viii. As per the examination of books there are no transactions which are not recorded in the books of account which have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).

ix. Since there are no borrowing the said clause is not applicable to company.

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

xi.

a. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or on the company has been noticed or reported during the year.

b. There is no reporting u/s 143(12) of the companies act, 2013 has been filed by us (the auditors) in form ADT-4 as prescribed under rule 13 of companies (Audit and Auditors) Rules,2014 with the Central Government.

c. No whistle Blower complaints has been received by the company.

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

xiii. According to the information and explanations given by the management, transactions with the related parties are in compliance with Sections 177 and 188 of the Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements as required by the applicable accounting standards.

xiv.

a. To the best of our knowledge the company has internal audit system which is commensurate with the size and nature of its business.

b. The audit report of internal auditors was considered while conducting statutory audit.

xv. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Companies Act, 2013.

xvi. According to the information and explanations given by the management, the company is registered under section 45 –IA of the Reserve bank of India Act, 1934 and holds a certificate of registration.

xvii. As per the information and explanation given by the management, company has not incurred any cash losses in the financial year 2021-22 and the immediately preceding financial year 2020-21.

xviii. There were resignation of previous auditor due the end of his term as per RBI norms. We have considered the issues, objections or concerns raised by the outgoing auditors.

xix. On the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans, we are of the opinion that no material uncertainty exists as on the date of the audit report and that company is capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date.

xx.

a. As per the documents and information provided by the management, the company has spent regularly in CSR activities as per the section 135 of Companies Act, 2013. There is no unspent amount of CSR at the end of the year, so transfer to unspent CSR account (Special Account) is not required.

b. As per the data provided by the management there is no ongoing project. So no CSR amount is left unspent.

xxi. Since it is standalone financial statements, the said clause is not applicable.

For DMKH & CO.
Chartered Accountants
FRN: 116886W

CA Manish Kankani
Partner
MRN: 158020
UDIN: 22158020AIUWBZ3825
Place: Mumbai
Date: 11th May,2022

Annexure “B” to the Independent Auditor’s Report

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the members of Utkarsh CoreInvest Limited 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 **UTKARSH COREINVEST LIMITED** (the “Company”) as of March 31, 2022 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Management of the Company 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 (“ICAI”). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the 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 ICAI 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 judgment, 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 with reference to financial statements.

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

Inherent Limitations of Internal Financial Controls 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, adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2022, based on the internal financial 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.

For DMKH & CO.
Chartered Accountants
FRN: 116886W

CA Manish Kankani
Partner
MRN: 158020
UDIN: 22158020AIUWBZ3825
Place: Mumbai
Date: 11th May, 2022

Utkarsh CoreInvest Limited (Formerly known as Utkarsh Micro Finance Limited)
Standalone Balance Sheet As at 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

	Note	As at 31 March 2022	As at 31 March 2021
Assets			
Financial assets			
Cash and cash equivalents	3	1.51	35.33
Bank balance other than above	3	399.25	293.91
Other financial assets	4	5.86	6.30
Non-financial assets			
Investments in subsidiaries	5	7,893.12	7,855.12
Current tax assets (net)		120.13	119.75
Property, plant and equipment	7	0.19	0.51
Other non-financial assets	8	0.27	0.21
Total assets		**8,420.33**	**8,311.13**
Liabilities and equity			
Liabilities			
Financial liabilities			
Other financial liabilities	9	6.12	5.21
Non-financial liabilities			
Current tax liabilities (net)		-	-
Provisions	10	0.75	0.60
Other non-financial liabilities	11	0.61	0.35
Equity			
Equity share capital	12	983.30	976.46
Other equity	13	7,429.55	7,328.51
Total liabilities and equity		**8,420.33**	**8,311.13**

Summary of significant accounting policies 2

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

As per our report of even date attached.

for **DMKH & Co.**
Chartered Accountants
ICAI Firm Registration No. 116886W/066580

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

Manish Kankani
Partner
Membership No: 158020

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 11 May 2022

Place: Varanasi & Tirunelveli*
Date: 11 May 2022

Utkarsh CoreInvest Limited (Formerly known as Utkarsh Micro Finance Limited)
Standalone Statement of Profit and Loss For the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

	Note	For the year ended 31 March 2022	For the year ended 31 March 2021
Other income	14	52.55	33.88
Total income		**52.55**	**33.88**
Expenses			
Employee benefits expenses	15	13.31	9.92
Depreciation	16	0.32	0.41
Others expenses	17	15.23	20.80
Total expenses		**28.86**	**31.13**
Profit/(Loss) before tax		**23.69**	**2.75**
Tax Expense:			
Current tax	6	7.18	1.42
Tax for earlier years	6	-	-
Profit/(Loss) for the year		**16.51**	**1.33**
Other comprehensive income			
Items that will not be reclassified to profit or loss :			
-Actuarial gain/(loss) on defined benefit obligation*		(0.01)	0.00
- Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss		-	-
Total		**(0.01)**	**0.00**
Total Comprehensive Income for the year		**16.50**	**1.33**

**Absolute amount for 31 March 2022: INR 13,101 (31 March 2021: INR 512*

	Note	For the year ended 31 March 2022	For the year ended 31 March 2021
Earnings per equity share			
Basic earnings per share of INR 10 each	32	0.17	0.01
Diluted earnings per share of INR 10 each	32	0.17	0.01

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

As per our report of even date attached.

for DMKH & Co.
Chartered Accountants
ICAI Firm Registration No. 116886W/066580

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

Manish Kankani
Partner
Membership No: 158020

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 11 May 2022

Place: Varanasi & Tirunelveli*
Date: 11 May 2022

Utkarsh CoreInvest Limited (Formerly known as Utkarsh Micro Finance Limited)
Cash flow statement for the year ending 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

	Note	For the year ended 31 March 2022	For the year ended 31 March 2021
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit/(loss) before Tax		**23.69**	**2.75**
Adjustments for:			
Depreciation and amortisation		0.32	0.41
Loss on sale of property, plant and equipment		-	-
Interest income		(25.55)	(21.12)
Operating (Loss)/profit before Working Capital Changes		**(1.54)**	**(17.96)**
Adjustments for:			
Decrease in other financial assets		10.40	14.97
Decrease in other non financial asset		(0.06)	8.30
Increase/(Decrease) in other financial liability		0.91	1.85
(Decrease)/Increase in other non financial liability		0.26	(0.04)
Increase/(Decrease) in provision		0.14	0.42
Cash Flow before taxation		**11.65**	**25.50**
Income Tax (paid)/ refund - Net		(7.56)	0.46
Net cash flow from operating activities		**2.55**	**8.00**
B. CASH FLOW FROM INVESTING ACTIVITIES			
Investments in subsidiaries		0.50	-
Net sale of mutual funds		-	-
Interest income		13.81	13.25
Net proceeds from sale of property, plant and equipments		-	-
Fixed deposits with maturity of more than three months		(93.60)	(56.88)
Net cash used in Investing Activities		**(79.29)**	**(43.63)**
C. CASH FLOW FROM FINANCING ACTIVITIES			
Issue of Equity Shares including Securities premium		42.92	55.60
Net cash flow from Financing Activities		**42.92**	**55.60**
Net (Decrease)/Increase in Cash and Cash Equivalent Flow (A+B+C)		(33.82)	19.98
Opening Cash and Cash Equivalent	3	35.33	15.35
Closing Cash and Cash Equivalent	3	1.51	35.33
Summary of significant accounting policies	2		

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

As per our report of even date attached.

for DMKH & Co.
Chartered Accountants
ICAI Firm Registration No. 116886W/066580

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

Manish Kankani
Partner
Membership No: 158020

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 11 May 2022

Place: Varanasi & Tirunelveli*
Date: 11 May 2022

Utkarsh CoreInvest Limited (Formerly known as Utkarsh Micro Finance Limited)
Standalone statement of changes in equity As at 31 March 2022
(Amount in millions unless otherwise stated)

A. Equity Share Capital

	Balance as at 1 April 2020	Changes during the year	Balance as at 31 March 2021	Changes during the year	As at 31 March 2022
Paid up share capital	973.99	2.47	976.46	6.84	983.30
	973.99	**2.47**	**976.46**	**6.84**	**983.30**

B.

Other Equity	Reserves and Surplus									Other comprehensive income		Total
	Share application money pending allotment	Equity component of financial instruments	Statutory reserve	Other Equity - Fair valuation changes	Capital redemption reserve	Securities premium	ESOP reserve	Treasury shares	Retained Earnings	Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss	Actuarial gain / loss on post employment defined benefit plan	Total
Balance as at 1 April 2020	**6.32**	**(109.01)**	**208.33**	**4,121.67**	**90.00**	**6,334.67**	**101.29**	**(3.73)**	**(3,367.96)**	**(160.62)**	**(0.13)**	**7,220.84**
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	1.33	-	0.00	1.33
Shares issued	(6.32)	-	-	-	-	-	-	-	-	-	-	(6.32)
Transfer to / from retained earnings	-	-	0.40	-	-	-	(2.97)	-	2.57	-	-	-
Share options exercised	-	-	-	-	-	36.20	(10.99)	0.56	-	-	-	25.76
Equity settled share based plan	-	-	-	-	-	-	53.21	-	-	-	-	53.21
Share application money received	33.69	-	-	-	-	-	-	-	-	-	-	33.69
Balance as at 31 March 2021	**33.69**	**(109.01)**	**208.73**	**4,121.67**	**90.00**	**6,370.86**	**140.52**	**(3.16)**	**(3,364.06)**	**(160.62)**	**(0.12)**	**7,328.51**
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	16.51	-	(0.01)	16.50
Share options exercised	-	-	-	-	-	95.27	(26.22)	0.71	-	-	-	69.77
Transfer to / from retained earnings	-	-	3.62	-	-	-	(6.73)	-	3.11	-	-	-
Equity settled share based plan	-	-	-	-	-	-	48.46	-	-	-	-	48.46
Shares issued	(33.69)	-	-	-	-	-	-		-	-	-	(33.69)
Share application money received	-	-	-	-	-	-	-	-	-	-	-	-
As at 31 March 2022	**-**	**(109.01)**	**212.35**	**4,121.67**	**90.00**	**6,466.13**	**156.05**	**(2.46)**	**(3,344.43)**	**(160.62)**	**(0.14)**	**7,429.55**

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

As per our report of even date attached

for DMKH & Co.
Chartered Accountants
ICAI Firm Registration No. 116886W/066580

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

Manish Kankani
Partner
Membership No: 158020

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Managing Director and CEO
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Place: Mumbai
Date: 11 May 2022

Place: Varanasi & Tirunelveli*
Date: 11 May 2022

Utkarsh CoreInvest Limited (Formerly known as Utkarsh Micro Finance Limited)
Notes to standalone financial statements As at 31 March 2022
(Amount in millions unless otherwise stated)

		As at 31 March 2022	As at 31 March 2021
3	**Cash and Bank Balances**		
	Cash and cash equivalents		
	Balances with Banks		
	- On current accounts	1.51	35.33
	Total (A)	**1.51**	**35.33**
	Bank balance other than above		
	Deposits with maturities greater than three months	399.25	293.91
	Total (B)	**399.25**	**293.91**
	Grand Total (A) + (B)	**400.76**	**329.24**

Information about the Company's exposure to credit risk is included in Note 30

4	**Other financial assets**		
	Receivable from Utkarsh Small Finance Bank Limited	5.85	6.29
	Other recoverables	0.01	0.01
	Total	**5.86**	**6.30**

Information about the Company's exposure to credit risk is included in Note 30

5	**Investments in subsidiaries**		
	Investment in -		
	- 759,272,222 (31 March 2021: 759,272,222) Equity shares of Utkarsh Small Finance Bank Limited	7,893.12	7,854.62
	-Nil (31 March 2021: 50,000) Equity shares of Utkarsh Welfare Foundation	-	0.50
		7,893.12	**7,855.12**

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(Amount in millions unless otherwise stated)

6 Income tax

A. Amounts recognised in profit or loss

Particulars	**For the year ended 31 March 2022**	**Year ended 31 March 2021**
Current tax expense	7.18	1.42
Tax for earlier years	-	-
Tax expense	**7.18**	**1.42**

B. Reconciliation of effective tax rate

Particulars	**For the year ended 31 March 2022**		**Year ended 31 March 2021**	
	%	**Amount**	**%**	**Amount**
Profit before tax		23.69		2.75
Tax using the Company's domestic tax rate	25.17%	5.96	25.17%	0.69
Effect of:				
Permanent differences	0.53%	0.13	9.20%	0.25
Tax for earlier years	0.00%	-	0.00%	-
Tax exempt income	0.00%	-	0.00%	-
Change in unrecognised temporary differences	2.94%	0.70	17.44%	0.48
Others	1.74%	0.41	0.00%	-
Effective tax rate/tax expense	30.38%	7.19	51.81%	1.42

C. Uncertain tax positions

Claims against the company not acknowledged as debts in respect of Income Tax is INR 124.69 (31 March 2021: INR 124.69).

D. Unrecognised deferred tax balances

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

	As at 31 March 2022	**As at 31 March 2021**
Deductible temporary differences	1.27	0.94
Deferred tax on account of indexation on equity shares of investment in subsidiary	390.84	293.11
Total	**392.11**	**294.05**

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Utkarsh CoreInvest Limited (Formerly known as Utkarsh Micro Finance Limited)
Notes to standalone financial statements As at 31 March 2022
(Amount in millions unless otherwise stated)

7 Property, Plant and Equipment

	Gross value				Depreciation				Net value
Particulars	**Balance as at 1 April 2020**	**Additions**	**Disposals**	**As at 31 March 2021**	**Balance as at 1 April 2020**	**For the year**	**Disposals**	**As at 31 March 2021**	**As at 31 March 2021**
Owned Assets									
Vehicles	1.96	-	-	1.96	1.14	0.38	-	1.52	0.44
Computers	0.10	-	-	0.10	0.00	0.03	-	0.03	0.07
Total	**2.06**	**-**	**-**	**2.06**	**1.14**	**0.41**	**-**	**1.55**	**0.51**

	Gross value				Depreciation				Net value
Particulars	**As at 31 March 2021**	**Additions**	**Disposals**	**As at 31 March 2022**	**As at 31 March 2021**	**For the year**	**Disposals**	**As at 31 March 2022**	**As at 31 March 2022**
Owned Assets									
Vehicles	1.96	-	-	1.96	1.52	0.29	-	1.81	0.15
Computers	0.10	-	-	0.10	0.03	0.03	-	0.06	0.04
Total	**2.06**	**-**	**-**	**2.06**	**1.55**	**0.32**	**-**	**1.87**	**0.19**

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(Amount in millions unless otherwise stated)

		As at 31 March 2022	As at 31 March 2021
8	**Other non-financial assets**		
	Pre-paid expenses	0.27	0.21
	Total	**0.27**	**0.21**
9	**Other financial liabilities**		
	Employee benefits payable	1.96	1.22
	Expenses payable	4.16	3.99
		6.12	**5.21**

Information about the Company's exposure to liquidity risk is included in note 30

		As at 31 March 2022	As at 31 March 2021
10	**Provisions**		
	Provision for employee benefits		
	Provision for gratuity	0.17	0.14
	Provision for leave benefits	0.58	0.47
	Total	**0.75**	**0.60**

Refer Note 25 for employee benefits

		As at 31 March 2022	As at 31 March 2021
11	**Other non-financial liabilities**		
	Statutory dues payable	0.61	0.35
		0.61	**0.35**

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(Amount in millions unless otherwise stated)

		As at 31 March 2022	As at 31 March 2021
12	**Share capital**		
	Authorised		
	Equity shares		
	100,000,000 (31 March 2021: 100,000,000) Equity shares of INR 10 each	1,000.00	1,000.00
	Issued, subscribed and paid-up		
	Equity shares		
	(98,329,666) (31 March 2021 - 97,645,891) equity shares of INR 10 each, fully paid up	983.30	976.46
		983.30	**976.46**

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

	31 March 2022		31 March 2021	
	Number of shares (in units)	Amount	Number of shares (in units)	Amount
Outstanding as at the beginning of the year	9,76,45,891	976.46	9,73,98,806	973.99
Issued during the year	6,83,775	6.84	2,47,085	2.47
Outstanding at the end of the year	**9,83,29,666**	**983.30**	**9,76,45,891**	**976.46**

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

The Company has single class equity shares having a par value of INR 10 per equity share. They entitle the holders to participate in the dividends in proportion to the number of shares held.

However, as per the Shareholders Agreement, in the event of liquidation, the net proceeds shall be distributed in the following manner:

- First preference shall be given to the Investors (ABF, AGIMDC II, AVMS, CDC, FCIEF II, FCIEF III, HDFC Ergo, HDFC Life, HDFC Ltd., Hero, ICICI Pru, IFC, JIF, Lok CGF, NMI, rAPM, RBL, Sarva Capital, SFRE-SICAV-SIF, Shriram and SIDBI), shareholders which have been allotted equity shares pursuant to ESOP plan 2010 and other shareholders (other than the shareholders which have been allotted equity shares pursuant to grant of employee stock option of the Company excluding ESOP Plan 2010)
- Second preference shall be with shareholders which have been allotted equity shares pursuant to grant of employee stock options of the Company (excluding ESOP Plan 2010) and sponsors of the Company.
- Remaining shareholders shall have third preference over the residual assets of the Company at the time of liquidation.

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

Equity shares	As at 31 March 2022		As at 31 March 2021	
Name of the shareholder	Number of shares (in units)	% of Holding	Number of shares (in units)	% of Holding
NMI Frontier Fund KS, Norway	77,02,602	7.83%	77,02,602	7.89%
CDC Group PLC	1,37,26,978	13.96%	1,37,26,978	14.06%
Faering Capital India Evolving FUND II	76,60,082	7.79%	76,60,082	7.84%
RBL Bank Limited	97,02,950	9.87%	97,02,950	9.94%
	3,87,92,612	**39.45%**	**3,87,92,612**	**39.73%**

(d) Shares reserved for issue under options - Refer Note 26 for details of shares to be issued under employee stock option plan.

(e) Pursuant to Shareholder Agreement dated September 27, 2016 (post receipt of RBI's in-principle approval for issue of SFB licence) and subsequent amendments thereto, Mr. Govind Singh was to be issued upto three percent (3%) of the paid up share capital of the promoter company either by the promoter company or by the SFB entity on a fully diluted basis within a period of Six (6) years from the date of commencement of banking operations i.e. upto January 22, 2023.

Subject to RBI approval, the Board of Directors of the Bank has, vide the resolution passed at its meeting held on January 14, 2020, read along with resolution passed by it on July 20, 2020, approved the grant of options equivalent to 0.60% of the paid up share capital of the Bank as of March 31, 2020 constituting 4,555,633 Equity Shares to Mr. Govind Singh, Managing Director and Chief Executive Officer of the Bank under the MD & CEO ESOP Plan. However, In response to the Bank's letter dated January 21, 2021 in the matter seeking RBI approval, Department of Regulation, RBI Central Office vide its reply letter dated June 9, 2021 has stated that the said remuneration proposal does not have RBI approval."

(Amount in millions unless otherwise stated)

		As at 31 March 2022	As at 31 March 2021
13	**Other equity**		
	Capital redemption reserve		
	Balance as at the beginning of the year	90.00	90.00
	Add: Transfer from surplus in Statement of Profit and Loss	-	-
	Balance as at the end of the year	**90.00**	**90.00**
	Securities premium		
	Balance as at the beginning of the year	6,370.87	6,334.67
	Add: Transfer from stock option outstanding	95.27	36.20
	Balance as at the end of the year	**6,466.14**	**6,370.87**
	Employees stock options outstanding		
	Balance as at the beginning of the year	140.52	101.29
	Add: Compensation for options granted	48.46	53.21
	Less: Transfer to Retained Earnings	(6.73)	(2.97)
	Exercise of stock options	(26.22)	(10.99)
	Balance as at the end of the year	**156.05**	**140.52**
	Equity component of financial instruments		
	Balance as at the beginning of the year	(109.01)	(109.01)
	Balance as at the end of the year	**(109.01)**	**(109.01)**
	Remeasurement of defined benefit plans		
	Balance as at the beginning of the year	(0.13)	(0.13)
	Other comprehensive income	(0.01)	0.00
	Balance as at the end of the year	**(0.14)**	**(0.13)**
	Statutory reserve		
	Balance as at the beginning of the year	208.73	208.33
	Add: Transferred from surplus	3.62	0.40
	Balance as at the end of the year	**212.35**	**208.73**
	Other Equity - Fair valuation changes		
	Balance as at the beginning of the year	4,121.67	4,121.67
	Add: Fair valuation of equity share capital	-	-
	Less: Loss on extinguishment	-	-
	Balance as at the end of the year	**4,121.67**	**4,121.67**
	Retained earnings		
	Balance as at the beginning of the year	(3,364.06)	(3,367.96)
	Add: Profit/(loss) for the year	16.51	1.33
	Add: Amount transferred to statutory reserve (created under Section 45-1C of RBI Act, 1934)	3.11	(0.40)
	Add: ESOP Reserve Adjustment	-	2.97
	Balance as at the end of the year	**(3,344.43)**	**(3,364.06)**
	Share Application money pending allotment		
	Balance as at the beginning of the year	33.69	6.32
	Shares issued during the year	(33.69)	(6.32)
	Share application money received during the year	-	33.69
		-	**33.69**
	Treasury shares		
	Balance as at the beginning of the year	(3.17)	(3.73)
	Treasury shares exercised during the year	0.71	0.56
	Balance as at the end of the year	**(2.46)**	**(3.17)**
	Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss		
	Balance as at the beginning of the year	(160.62)	(160.62)
	Total Comprehensive Income for the year	-	-
		(160.62)	**(160.62)**
	Total	**7,429.54**	**7,328.50**

Nature and purpose of other reserve :

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

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

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

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

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

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

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

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

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

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

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

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(Amount in millions unless otherwise stated)

		For the year ended 31 March 2022	For the year ended 31 March 2021
14	**Other income**		
	Interest on financial assets at amortised cost	25.55	21.12
	Recovery from written off portfolio	26.83	12.26
	Miscellaneous income	0.17	0.50
	Total	**52.55**	**33.88**
15	**Employee benefit expenses**		
	Salaries and bonus	10.52	8.95
	Contribution to provident and other funds	0.40	0.38
	Share based payment to employees	2.07	0.16
	Staff welfare expenses	0.32	0.42
	Total	**13.31**	**9.92**
16	**Depreciation**		
	Depreciation of property, plant and equipment	0.32	0.41
	Total	**0.32**	**0.41**
17	**Other expenses**		
	Repairs and maintenance	0.00	0.00
	Contribution towards Corporate Social Responsibilities (refer note 18 below)	0.50	1.00
	Legal and professional charges (Refer note 19 on auditor remuneration below)	8.41	7.45
	Director sitting fees	3.12	2.05
	Communication expenses	0.08	0.06
	Miscellaneous expenses #	2.15	9.29
	Lease rent *	0.97	0.95
	Total	**15.23**	**20.80**

* Represents lease rentals for short term leases in the current year
# -Includes Nil (31 March 2021 INR 0.01) for director travel)

18	**Details of corporate social responsibility expenditure**		
	Average net profit of the Company for last three financial years	(672.37)	(660.80)
	Gross amount required to be spent by the company during the year.	Nil	Nil
	Corporate Social Responsibility expenses for the period	0.50	1.00
	Various Head of expenses included in above:		
	Other expenses (Contribution towards Corporate Social Responsibilities)	0.50	1.00
	Amount spent during the year on:		
	(i) Construction/acquisition of any asset		
	(ii) On purposes other than (i) above	0.50	1.00
	Details of related party transactions	0.50	1.00

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Provision for CSR Expenses		
Opening Balance		
Add: Provision created during the period	0.50	1.00
Less: Provision utilised during the period	0.50	1.00
Closing Balance	-	-
The amount of shortfall at the end of the year out of the amount required to be spent by the Company during the year	Nil	Nil
The total of previous years' shortfall amounts	Nil	Nil
The reason for above shortfalls by way of a note	-	-
The nature of CSR activities undertaken by the Company	Contribution towards Corpus Pool Fund	Contribution towards Corpus Pool Fund

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

19 Auditors remuneration (Included in legal and professional charges, excluding taxes)

Payments to auditor (excluding tax)		
- Statutory auditor	0.60	1.40
- Other services	0.21	-
- Reimbursement of expenses	-	-
Total	**0.81**	**1.40**

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(Amount in millions unless otherwise stated)

20 Amounts payable to Micro and Small enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2021 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Particulars	As at 31 March 2022	As at 31 March 2021
Principal amount remaining unpaid to any supplier as at the end of the year.	0.78	1.5
Interest due thereon remaining outstanding as at the end of the year.	Nil	Nil
The amount of interest paid by the buyer as per Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
The amount of the payments made to micro and small suppliers beyond the appointed date during each accounting year.	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the accounting year.	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small enterprise, for the purpose of disallowance of a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	Nil	Nil

21 A. Contingent liabilities

Claims against the company not acknowledged as debts in respect of Income Tax is INR 124.69 (31 March 2021: INR 124.69).

B. Commitments

There are no commitments as at 31 March 2022 and 31 March 2021.

C. Contingent assets

There are no contingent assets as at 31 March 2022 and 31 March 2021.

22 Details of pending litigations

	As at 31 March 2022	As at 31 March 2021
Proceedings by Company against theft	2.51	2.51

An amount of INR 0.14 (31 March 2021: 0.14) has been recovered in earlier years and INR 2.37 (31 March 2021 : 2.37) is yet to be recovered. The total unrecovered amount is written off in the previous years.

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(Amount in millions unless otherwise stated)

23 Maturity analysis of assets and liabilities

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

		As at 31 March 2022			As at 31 March 2021		
		Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
(I)	**Assets**						
A	**Financial assets**						
	Cash and cash equivalents	1.51	-	1.51	35.33	-	35.33
	Bank balance other than above	290.75	108.50	399.25	83.71	210.20	293.91
	Other financial assets	5.86	-	5.86	6.30	-	6.30
	Total financial assets	**298.12**	**108.50**	**406.62**	**125.34**	**210.20**	**335.54**
B	**Non-financial assets**						
	Investment in subsidiary	-	7,893.12	7,893.12	-	7,855.12	7,855.12
	Current tax assets (net)	-	120.13	120.13	-	119.75	119.75
	Property, plant and equipment	-	0.19	0.19	-	0.51	0.51
	Other non-financial assets	0.27	-	0.27	0.21	-	0.21
	Total non-financial assets	**0.27**	**8,013.44**	**8,013.71**	**0.21**	**7,975.38**	**7,975.59**
	Total Assets	**298.39**	**8,121.94**	**8,420.33**	**125.55**	**8,185.58**	**8,311.13**
(II)	**Liabilities**						
A	**Financial liabilities**						
	Other financial liabilities	6.12	-	6.12	5.21	-	5.21
B	**Non-financial liabilities**						
	Provisions	0.75	-	0.75	0.60	-	0.60
	Other non-financial liabilities	0.61	-	0.61	0.35	-	0.35
	Total financial liabilities	**7.48**	**-**	**7.48**	**6.16**	**-**	**6.16**
	Total Liabilities	**7.48**	**-**	**7.48**	**6.16**	**-**	**6.16**
	Net	**290.91**	**8,121.94**	**8,412.85**	**119.39**	**8,185.58**	**8,304.97**

24 Segment reporting

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

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

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

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

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(Amount in millions unless otherwise stated)

25 Employee benefits

The Company operates the following post-employment plans -

i. Defined Benefit plan

Gratuity

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

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2022. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

	31 March 2022	31 March 2021
Net defined benefit liability	0.17	0.13

A) Funding

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

Expected contributions to gratuity plan for the year ending 31 March 2023 is INR 0.31

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

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

	As at 31 March 2022			As at 31 March 2021		
	Defined benefit obligation	**Fair value of plan assets**	**Net defined benefit (asset)/ liability**	**Defined benefit obligation**	**Fair value of plan assets**	**Net defined benefit (asset)/ liability**
Balance at the beginning of the year	0.96	0.82	0.13	0.77	0.77	0.00
Included in profit or loss						
Current service cost	0.16	-	0.16	0.14	-	0.14
Past Service cost	-	-	-	-	-	-
Interest cost (income)	0.05	0.04	0.01	0.04	0.04	0.00
Total (A)	**0.21**	**0.04**	**0.17**	**0.18**	**0.04**	**0.14**
Included in Other comprehensive income						
Remeasurements loss (gain)						
– Actuarial loss (gain) arising from:						
- demographic assumptions	-	-	-	-	-	-
- financial assumptions	(0.09)	-	(0.09)	0.02	-	0.02
- experience adjustment	0.12	-	0.12	(0.01)	-	(0.01)
– Return on plan assets excluding interest income	-	0.01	(0.01)	-	0.00	(0.00)
Total (B)	**0.02**	**0.01**	**0.02**	**0.00**	**0.00**	**(0.00)**
Other						
Contributions paid by the employer	-	0.15	(0.15)	-	0.01	(0.01)
Total (C)	**-**	**0.15**	**(0.15)**	**-**	**0.01**	**(0.01)**
Balance at the end of the year	1.19	1.02	0.17	0.96	0.82	0.13

C) Plan assets

	31 March 2022	31 March 2021
Insurer managed funds	100%	100%

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

D) Actuarial assumptions

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

	31 March 2022	31 March 2021
Discount rate	5.75%	4.95%

(Amount in millions unless otherwise stated)

Future salary growth	7% for first two years and 9% thereafter	7% for first two years and 9% thereafter
Withdrawal rate:		
All ages	12% - 31.90%	12% - 31.90%
Retirement Age (in year)	60	60
Mortality	Indian Assured Lives Mortality (2012-14)	Indian Assured Lives Mortality (2012-14)

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

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

E) Sensitivity analysis of significant assumptions

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

	31 March 2022		31 March 2021	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(0.08)	0.09	(0.07)	0.08
Salary growth rate (1% movement)	0.07	(0.07)	0.06	(0.06)

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

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

	31 March 2022	31 March 2021
0 to 1 Year	0.15	0.13
1 to 5 Year	0.50	0.39
5 Year onwards	1.34	0.97
Total	**1.99**	**1.49**

As at 31 March 2022, the weighted-average duration of the defined benefit obligation was 07 years (31 March 2021: 7 years)

G) Description of risk exposures

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

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

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

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

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

ii. Defined contribution plan

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

	Year ended 31 March 2022	Year ended 31 March 2021
Provident fund	0.42	0.38

iii. Other long-term benefits

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

	Year ended 31 March 2022	Year ended 31 March 2021
Amount recognised in Statement of Profit and Loss		
Provision for leave encashment and Gratuity	0.58	0.42

(Amount in millions unless otherwise stated)

26 Employee stock options

A Description of share-based payment arrangements

The Company has formulated an Employees Stock Option Scheme to be administered through a Trust. The Scheme is applicable to all the eligible employees of the Company and its subsidiary Companies ('Group'). The scheme provides that subject to continued employment with the company, the employees are granted an option to acquire equity shares of the Company that may be exercised within a specified period.
The Company formed Utkarsh ESOP Welfare Trust ('Trust') to issue ESOPs to employees of the Company as per Employee Stock Option Scheme. Total 1,200,000 equity shares has been reserved under ESOP scheme 2016 and pursuant to Shareholder agreement executed in the year 2016-17 additional 5,989,594 equity shares has been reserved for the purpose of ESOP scheme.
The trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the compensation committee. The Trust in turn allots the shares to employees on exercise of their right against cash. The compensation costs of stock options granted to employees are accounted by the Company using fair value method.
The Trust does not have any transactions/activities other than those mentioned above, hence it is treated as a part of the Company and gets consolidated with the standalone books of the Company.
The Company granted 58,000 (31 March 2021 2,159,575) options to the employees of the Company out of which 28000 options have grant effective date of F.Y. 20-21 and which are not routed through the Trust.
The options vested shall be exercised within a period of 24 months from the date of vesting. The plan shall be administered, supervised and implemented by the Compensation Committee under the policy and frame work laid down by the Board of Directors of the Company in accordance with the authority delegated to the Compensation Committee in this regard from time to time.
The said ESOP scheme is an equity settled scheme as the same would lead to a settlement in its own equity instruments.

These options shall vest on graded basis as follows:

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

B Reconciliation of outstanding share options
Set out below is a summary of options granted under the plan

	31 March 2022		31 March 2021	
	Number of share options (in Units)	Average exercise price per share	Number of share options (in Units)	Average exercise price per share
Outstanding options at the beginning of the year	49,55,238	113.29	38,51,484	105.89
Add: Granted during the year	30,000	125.00	16,59,575	125.00
Add: Granted during the year with Grant effective date pertaining to FY 20-21	28,000	125.00	5,00,000	110.92
Less: Lapsed/forfeited during the year	4,44,404	114.43	6,85,829	107.75
Less: Exercised during the year	7,41,297	101.63	2,07,558	101.63
Less: Adjustment of previous year	1,14,452	92.19	1,62,434	88.29
Outstanding options at the end of the year	**37,13,085**	**116.32**	**49,55,238**	**113.29**
Options vested and exercisable at the end of the year	13,19,425	114.03	11,18,318	102.95

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2022 was 101.63 (31 March 2021 INR 101.63).

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

Grant date	Expiry date	Exercise price	No of options outstanding As at 31 March 2022	As at 31 March 2021
1 April 2014	1 April 2016 - 1 April 2019	21.60	-	-
1 April 2015	1 April 2017 - 1 April 2020	21.60	-	14,467
1 April 2016	1 April 2018 - 1 April 2021	21.60	-	68,046
1 April 2017	1 April 2019 - 1 April 2022	109.36	1,28,616	3,84,532
1 April 2018	1 April 2020 - 1 April 2023	109.36	5,83,580	11,77,302
1 April 2019	1 April 2021 - 1 April 2024	109.36	10,500	15,750
1 June 2019	1 June 2021 - 1 June 2024	109.36	13,38,031	15,85,566
9 Dec 2019	9 Dec 2021 - 9 Dec 2024	125.00	50,000	50,000
1 Oct 2020	1 Oct 2022 - 1 Oct 2025	125.00	15,72,358	16,59,575
01-Apr-21	1 April 2023 - 1 April 2026	125.00	30,000	-
Weighted average remaining contractual life of options outstanding at the end of the year			4.43 years	4.06 years

D Measurement of Fair values

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option on the grant date ranged between INR 9.54 - 77.00
The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plans are as follows:

Grant date	Expiry date	Historical volatility	Exercise price	Share price	Risk free rate	Fair value
1 April 2014	1 April 2016 - 1 April 2019	33.83%	21.6	28.72	8.81%	11.57 - 16.12
1 April 2015	1 April 2017 - 1 April 2020	43.09%	21.6	45.51	7.74%	27.54 - 32.21
1 April 2016	1 April 2018 - 1 April 2021	52.41%	21.6	71.4	7.46%	53.15 - 57.95
1 April 2017	1 April 2019 - 1 April 2022	30.91%	109.36	82.19	6.68%	9.54 - 23.70
1 April 2018	1 April 2020 - 1 April 2023	29.51%	109.36	107.19	7.40%	23.88 - 42.55
1 June 2019	1 June 2021 - 1 June 2024	19.60%	109.36	132.13	7.03%	49.31 - 67.99
1 Oct 2020	1 Oct 2022 - 1 Oct 2025	47.00%	125.00	131.59	5.55%	50.10 - 65.77
1 April 2021	1 April 2023 - 1 April 2026	49.30%	125.00	142.50	5.80%	53.60 - 77.00

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

E. Expense recognised in statement of profit and loss
For details on the employee benefits expense, refer Note 25

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

(Amount in millions unless otherwise stated)

27 Related party disclosure

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

A.	**Name of the Related Party**	**Nature of Relationship**
a.	**Key managerial personnel**	
i	Mr. Ashwani Kumar	– Managing Director & CEO (w.e.f. 19 March 2019)
ii	Mr. G.S. Sundararajan	– Independent Director
iii	Mr. Gaurav Malhotra	– Nominee Director
iv	Mr. Atul	– Independent Director
v	Ms. Ramni Nirula	– Director (ceased to be Director w.e.f. 19 May 2020)
vi	Mr. Harjeet Toor	– Nominee Director
vii	Mr. Aditya Deepak Parekh	– Nominee Director
viii	Mr. Vishal Mehta	– Nominee Director (ceased to be Director w.e.f. 29 Sep 2020)
b.	**Subsidiaries**	
		Utkarsh Small Finance Bank Limited
		Utkarsh Welfare Foundation (until 24 February 2022)

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

Name of related party	Nature of transaction	Year ended 31 March 2022	Year ended 31 March 2021
Utkarsh Welfare Foundation	(i) Contribution towards CSR activities	0.50	1.00
Utkarsh Small Finance Bank Limited	(i) Transactions (collection and payment) carried out on behalf of Bank, net	-	8.80
	(ii) ESOP cost cross charge	7.90	14.02
	(iii) Fixed deposits placed during the year	196.40	195.20
	(iv) Fixed deposits matured during the year	102.80	136.00
	(v) Interest received	25.55	21.12
	(vi) Service Charge on Collection	0.32	0.14
	(vii) Right Issue subscribed	-	-
	(viii) Rent Paid	0.97	0.95
	(ix) Deemed Investment in USFB (Basis IND AS Fair valuation)	38.50	39.03
Key Managerial Personnel	(i) Purchase of Securities	0.07	-

C. Compensation of key managerial personnel

	As at 31 March 2022	As at 31 March 2021
Short-term employee benefits		
Ashwani Kumar	4.84	3.60
GS Sundararajan	0.85	0.85
Post-employment defined benefit plan		
Ashwani Kumar	0.71	0.61
Other long term benefits		
Ashwani Kumar	0.86	0.84
Share-based payments		
Ashwani Kumar	0.38	0.11
Sitting fees		
GS Sundararajan	0.74	0.59
Atul	0.67	0.57
Ramni Nirula	-	0.05
	9.08	**7.22**

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

D. Receivables as at balance sheet date:

Name of related party	As at 31 March 2022	As at 31 March 2021
Utkarsh Small Finance Bank Ltd. - Investment in FDR	373.80	280.20
Utkarsh Small Finance Bank Ltd. - Current Account	1.39	35.23
Utkarsh Small Finance Bank Ltd. - Other receivables	5.85	6.22

(Amount in millions unless otherwise stated)

28 Earnings per share

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
a) Basic earning per share		
Profit/(loss) after tax	16.51	1.33
Weighted average number of equity shares outstanding during the year – Basic	9,78,35,171	9,72,00,515
b) Diluted		
Profit/(loss) after tax	16.51	1.33
Weighted average number of equity shares outstanding during the year – Basic	9,78,35,171	9,72,00,515
Add: Weighted average number of potential equity shares on account of employee stock options	6,97,515	8,84,436
Weighted average number of equity shares outstanding during the year – Diluted	9,85,32,686	9,80,84,950
Earnings per share		
Basic – par value of INR 10 each	0.17	0.01
Diluted - par value of INR 10 each	0.17	0.01

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(Amount in millions unless otherwise stated)

29 Financial instruments - fair value and risk management

A. Financial instruments by category

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

	As at 31 March 2022		
	FVTPL	**FVTOCI**	**Amortised cost**
Financial assets:			
Cash and cash equivalents	-	-	1.51
Bank balance other than above	-	-	399.25
Other financial assets	-	-	5.86
	-	**-**	**406.62**
Financial liabilities:			
Other financial liabilities	-	-	6.12
	-	**-**	**6.12**

	As at 31 March 2021		
	FVTPL	**FVTOCI**	**Amortised cost**
Financial assets:			
Cash and cash equivalents	-	-	35.33
Bank balance other than above	-	-	293.91
Other financial assets	-	-	6.30
	-	**-**	**335.54**
Financial liabilities:			
Other financial liabilities	-	-	5.21
	-	**-**	**5.21**

B. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:

Financial assets and liabilities measured at fair value - recurring fair value measurements

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

As at 31 March 2022	Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	1.51	-	-	1.51	1.51
Bank balance other than above	399.25	-	-	399.25	399.25
Other financial assets	5.86	-	-	5.86	5.86
	406.62	**-**	**-**	**406.62**	**406.62**
Financial liabilities:					
Other financial liabilities	6.12			6.12	6.12
	6.12	**-**	**-**	**6.12**	**6.12**

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

As at 31 March 2021	Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	35.33	-	-	35.33	35.33
Bank balance other than above	293.91	-	-	293.91	293.91
Other financial assets	6.30	-	-	6.30	6.30
	335.54	**-**	**-**	**335.54**	**335.54**
Financial liabilities:					
Other financial liabilities	5.21	-	-	5.21	5.21
	5.21	**-**	**-**	**5.21**	**5.21**

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

C. Valuation framework

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

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

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

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

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

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

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(Amount in millions unless otherwise stated)

30 Financial risk management

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

A. Risk management framework

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

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

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

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

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

B. Credit risk

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

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

Cash and bank balances

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

C. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Exposure to liquidity risk

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

As at 31 March 2022	Contractual cash flows						
	Carrying amount	Gross nominal inflow/ (outflow)	6 month or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non - derivative financial liabilities							
Other financial liabilities	6.12	(6.12)	(6.12)	-	-	-	-

As at 31 March 2021	Contractual cash flows						
	Carrying amount	Gross nominal inflow/ (outflow)	6 month or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non - derivative financial liabilities							
Other financial liabilities	5.21	(5.21)	(5.21)	-	-	-	-

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D. Market risk

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

(i) Currency risk

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

(ii) Interest rate risk

The Company does not have any borrowings

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

Particulars	31 March 2022	31 March 2021
Fixed rate instruments		
Financial assets	399.25	293.91
Financial liabilities	-	-

(iii) *Legal and operational risk*

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

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

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

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

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(Amount in millions unless otherwise stated)

31 Capital management

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

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

i. Regulatory capital

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

- Common equity Tier 1 (CET1) capital, which includes ordinary share capital, related share premiums, retained earnings and reserves after adjustment for dividend declared and deduction for goodwill, intangible assets and other regulatory adjustments relating to items that are not included in equity but are treated differently for capital adequacy purposes.

- Tier 2 capital, which includes preference shares, qualifying subordinated liabilities and any excess of impairment over expected losses.

	As at 31 March 2022	As at 31 March 2021
Common equity Tier 1 (CET1) capital		
Paid up share capital	983.30	976.46
Capital redemption reserve	90.00	90.00
Securities premium account	6,466.13	6,370.87
(Deficit) in the statement of profit and loss account	(3,344.43)	(3,364.06)
Statutory reserve	212.35	208.73
ESOP outstanding account	153.59	137.37
Prepaid expenditure	(0.27)	(0.21)
	4,560.67	**4,419.16**
Tier 2 capital instruments		
Less: Investment in excess of 10% of Own fund	-	-
	4,560.67	**4,419.16**
Total regulatory capital	4,560.67	4,419.16
Risk weighted assets	7,899.17	7,861.93
CRAR (%) - Refer note 34 (a)	57.74%	56.21%
CRAR -Tier I Capital (%)	57.74%	56.21%
CRAR -Tier II Capital (%)	0.00%	0.00%

ii. Capital allocation

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

32 Liquidity coverage ratio

Numerator	Denominator	31-Mar-22	31-Mar-21	% of variance	Explanation for change in the ratio by more than 25%
400.76	3.681	10887%	19231%	-43%	Due to higher increase in outflow of 115% against increase in High Quality Liquid Assets (HQLA) by around 22% on year-on-year basis.

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

Rent expense recognised in the statement of profit and loss on account of short term exemption is INR 0.97 (31 March 2021 : INR 0.95)

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Utkarsh CoreInvest Limited (Formerly known as Utkarsh Micro Finance Limited)
Notes to standalone financial statements As at 31 March 2022
(Amount in millions unless otherwise stated)

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

a) Capital to Risk Asset Ratio (CRAR)

Particulars	As at 31 March 2022	As at 31 March 2021
i) CRAR % (refer Note below)	57.74%	56.21%
ii) CRAR – Tier I Capital (%)	57.74%	56.21%
iii) CRAR – Tier II Capital (%)	0.00%	0.00%
iv) Amount of sub-ordinated debt raised as Tier II capital	-	-
v) Amount raised by issue of Perpetual Debt Instruments	-	-

Note:
The CRAR as at 31 March 2022 disclosed above is as per RBI circular "DNBS (PD) CC No.393/ 03.02.001/ 2014-15 dated 1 July 2014, Master Circular– Regulatory Framework for Core Investment Companies (CICs)".

CRAR% as at 31 March 2022 has been calculated without considering the fair value changes in other equity as part of free reserves. If the Company consider the fair value changes in other equity and equity component of financial instruments, the CRAR% as at 31 March 2022 will be 108.53% (31 March 21: 107.26%)

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

Particulars	As at 31 March 2022	As at 31 March 2021
Residential Mortgages		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	-	-

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

Particulars (31 March 2022)	1 day to 30/31 days (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Borrowings	-	-	-	-	-	-	-	-
Advances	-	-	-	-	-	-	-	-
Deposits accepted	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	7,971.43

Particulars (31 March 2021)	1 day to 30/31 days (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
Borrowings	-	-	-	-	-	-	-	-
Advances	-	-	-	-	-	-	-	-
Deposits accepted	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	7,971.93

d) Investments:

Particulars	31 March 2022	31 March 2021
Value of Investments		
(i) Gross Value of Investments		
(a) in India	7,971.43	7,971.93
(a) outside India,	-	-
(ii)Provisions for Depreciation		
(a) in India	-	-
(a) outside India,	-	-
(iii)Net Value of Investments		
(a) in India	7,971.43	7,971.93
(a) outside India,	-	-
Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / write-back of excess provisions during the year	-	-
(iv) Closing balance	-	-

e) Business Ratio:

Particular	31 March 2022	31 March 2021
Return on Equity	0.20%	0.02%
Return on Assets	0.20%	0.02%
Net Profit per Employee	1.84	0.13

f) Provision and contingency

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Provisions for depreciation on Investment	-	-
Provision towards NPA	-	-
Provision made towards Income tax	7.18	1.42
Provision for Standard Assets	-	-

g) Draw down from Reserves

There has been no draw down from reserves during the year ended 31 March 2022 (previous year: Nil).

(Amount in millions unless otherwise stated)

h) Concentration of Advances, Exposures and NPAs

Particulars	As at 31 March 2022	As at 31 March 2021
	-	-
Concentration of Advances		
Total advances to twenty largest borrowers	-	-
(%)of advances to twenty largest borrowers to total advances	-	-

i) Sector wise Non-Performing Assets (NPA)

Sector	Percentage of NPAs to total advances in that sector	
	As at 31 March 2022	As at 31 March 2021
Agriculture & allied activities	-	-
MSME	-	-
Corporate borrowers	-	-
Services	-	-
Unsecured personal loans	-	-
Auto loans	-	-
Other personal loans	-	-

j) Movement in Non-Performing Asset (NPA)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Net NPA to net advances percentage	-	-
Movement of NPAs (Gross)		
a) Opening balance	-	-
b) Additions during the year	-	-
c) Reduction during the year	-	-
d) Closing balance	-	-
Movement of net NPAs		
a) Opening balance	-	-
b) Additions during the year	-	-
c) Reduction during the year	-	-
d) Closing balance	-	-
Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening balance	-	-
b) Provisions made during the year	-	-
c) Write off/ write back of excess provisions	-	-
d) Closing balance	-	-

k) Disclosure with respect to customer complaints

Particulars	Number of complaints	
	For the year ended 31 March 2022	For the year ended 31 March 2021
No. of complaints pending at the beginning of the year	-	-
No. of complaints received during the year	-	-
No. of complaints redressed during the year	-	-
No. of complaints pending at the end of the year	-	-

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

The Company has not exceeded the prudential exposure limits during the financial year ended 31 March 2022 and 31 March 2021

m) Registration obtained from other financial sector regulators

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

n) Details of penalties imposed by RBI and other regulators

No penalties has been imposed by RBI and other regulators on the Company during the financial year ended 31 March 2022 and 31 March 2021.

o) Unsecured Advances

The Company has not given any unsecured advances against intangible securities such as charge over the rights, licenses, authority, etc. during the financial year ended 31 March 2022 and 31 March 2021

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

The Company has not purchased/sold any non-performing financial assets during the financial year ended 31 March 2022 and 31 March 2021.

Utkarsh CoreInvest Limited (Formerly known as Utkarsh Micro Finance Limited)
Notes to standalone financial statements As at 31 March 2022
(Amount in millions unless otherwise stated)

q) Disclosure of frauds reported during the year ended 31 March 2022 vide DNBS. PD. CC No. 256/03.10.042/2011-12 dated 2 March 2012

During the year ended 31 March 2022

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

During the year ended 31 March 2021:-

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

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

s) There are no derivatives as at 31 March 2022 and 31 March 2021. Accordingly disclosure pertaining to derivatives vide DNBR (PD) CC.No.053/03.10.119/2015-16 dated 01 July 2015 are not provided.

As per our report of even date attached.

for DMKH & Co.
Chartered Accountants
ICAI Firm Registration No. 116886W/066580

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

Manish Kankani
Partner
Membership No: 158020

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan*
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 11 May 2022

Place: Varanasi & Tirunelveli*
Date: 11 May 2022

1. Reporting entity

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

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

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

2. Significant accounting policies

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

a. Basis of preparation

i. Statement of compliance

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

These financial statements were authorized for issue by the Company's Board of directors on 11 May 2022.

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

ii. Basis of measurement

These financial statements have been prepared on a historical cost basis, except for Net defined benefit (asset)/ liability - fair value of plan assets less present value of defined benefit obligation.

iii. Functional and presentation currency

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

iv. Use of judgements and estimates

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

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

A. Judgements

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

Note 29 - classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

B. Assumptions and estimation uncertainties

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

- Note 25 - measurement of defined benefit obligations: key actuarial assumptions.
- Note 9- Recognition and measurement of provisions and contingencies
- Note 7 - useful life and residual value of property, plant and equipment
- Note 30 - impairment of financial assets: key assumptions in determining the average loss rate
- Note 29 - fair value measurement of financial instruments

b. Revenue Recognition

- Dividend income is accounted on an accrual basis when the right to receive the dividend is established. This is generally when the shareholders approve the dividend.
- Income from interest on deposits and interest bearing securities is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- All other fees are accounted for as and when they become due.

c. Financial Instruments

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

Financial assets

Initial recognition and measurement

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

Financial instrument are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at Fair value through profit or loss (FVTPL), transaction costs are added to, subtracted from, this amount. Trade receivables are measured at the transaction price.

Classification and subsequent measurement

Classifications

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

Business model assessment

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

- 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.

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets.

- The frequency, volume, and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

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

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

Debt instruments at amortized cost

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

- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

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

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

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

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

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

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

Instruments at fair value through profit and loss (FVTPL)

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

Reclassification of financial assets

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

Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired, or

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Financial Liabilities measured at amortized cost

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

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 as finance costs in the statement of profit and loss.

Financial liabilities designated at fair value through profit and loss

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

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

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

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

Derecognition of financial liabilities

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

Modifications of financial assets and financial liabilities

Financial assets

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

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the

Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities

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

Offsetting of financial instruments

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

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

The Company has classified the financial instruments based on a hierarchy of valuation techniques, as summarized below:

Level 1 financial instrument, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 financial instrument, if there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction like quoted price for identical instruments, interest rates and yields adjusted for condition and location of the asset or to the extent to which it relates.

Level 3 financial instrument, if adjustments are based on one or more unobservable inputs where there is no market activity for the asset or liability at the measurement date

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

d. Impairment of Financial Assets

Impairment of financial instruments

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

- Financial assets that are debt instruments
- Bank balance
- Other financial assets

No impairment loss is recognized on equity investments.

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

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

- Financial assets with significant increase in credit risk but not credit impaired – as the present value of all cash shortfalls that result from all possible default events over the expected life of the financial asset.

- Financial assets that are credit impaired – as the difference between the gross carrying amount and the present value of estimated cash flows.

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For financial assets at FVTOCI, the loss allowance is recognized in the Statement of Profit or Loss.

e. Investment in Subsidiaries

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

f. Foreign Currency transactions and balances

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

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

g. Property, Plant and Equipment (PPE)

Initial Measurement

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

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

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

Subsequent Measurement

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

Impairment

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

Depreciation

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

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

h. Employee benefits

i. **Short term employee benefits**

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

ii. **Share-based payment arrangements**

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

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

iii. **Defined contribution plans**

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

Provident Fund

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

iv. **Defined benefit plans**

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

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

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

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

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

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

i. Income Tax

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

Current tax

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

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

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

j. Cash and Cash Equivalents

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

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

k. Segment reporting

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

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

l. Provision, Contingent Liabilities and Contingent Assets

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

The provisions are reviewed at each Balance Sheet date and adjusted to reflect the current best estimate.
A disclosure for Contingent Liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Where an inflow of economic benefits is probable, an entity shall disclose a brief description of the nature of the contingent assets at the end of the reporting period, and, where practicable, an estimate of their financial effect.

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

m. Leases

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

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

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

n. Recent Accounting pronouncements

Recent pronouncements Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from April 1st, 2022, as below:

Ind AS 103 – Business Combination
The amendments specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired, and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual

Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 16 – Property, Plant and Equipment
The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Company does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

Ind AS 37 – Provisions, Contingent Liabilities & Contingent Assets
The amendments specify that that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The Company does not expect the amendment to have any significant impact in its financial statements.

Ind AS 109 – Financial Instruments
The amendment clarifies which fees an entity includes when it applies the ‘10 percent’ test of Ind AS 109 in assessing whether to derecognise a financial liability. The Company does not expect the amendment to have any significant impact in its financial statements.

DMKH & CO.
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of
Utkarsh CoreInvest Limited
(Formerly known as Utkarsh Micro Finance Limited)

Report on the Audit of the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying Consolidated Ind AS Financial statements of Utkarsh CoreInvest Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2022, the Consolidated Statement of Profit and Loss (including Consolidated other comprehensive income), Consolidated statement of changes in equity and Consolidated statement of cash flows for the year ended and a summary of significant accounting policies and other explanatory information (hereinafter referred to as the "Consolidated Ind AS Financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Consolidated Ind AS Financial statements give the information required by the Companies Act, 2013("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under Section 133 of the Act read with the companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2022, and Consolidated profit and total comprehensive income (including other comprehensive income), changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities 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 together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 43 to the Consolidated Ind AS Financial Statements which explains that the extent to which COVID-19 pandemic will impact the Group's operations and Consolidated Ind AS Financial statements is dependent on future developments, which are highly uncertain. Our opinion is not modified in respect of this matter.

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Head Office.: Mumbai, Branch Office.: | Pune | Ahmedabad | Surat | Gandhinagar | Ankleshwar | Udaipur | Bhilwara

Information Other than the Financial Statements and Auditor's Report Thereon

The Holding Company's Board of Directors is responsible for other information. The other information comprises the information included in the management Discussion and Analysis, Board's Report Including Annexures to Board's Report, Business Responsibility Report, Corporate Governance Report, and Shareholder Information, but does not include the Consolidated Ind AS Financial statements and our auditor's report thereon.

Our opinion on the Consolidated Ind AS Financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Ind AS Financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the Consolidated Ind AS Financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Managements' Responsibilities for the Consolidated Ind AS Financial Statements

The Holding 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 Consolidated Ind AS Financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the 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 Consolidated Ind AS Financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Ind AS Financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

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

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

- Identify and assess the risk of material misstatement of the Consolidated Ind AS Financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal 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 has adequate internal financial controls systems in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 exits 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 exits, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Ind AS Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Ind AS Financial Statements, including the disclosures, and whether the Consolidated Ind AS Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatement in the Consolidated Ind AS 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 misstatement 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 and significant deficiencies in internal control that we identify during our audit.

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

Other Matters:

We did not audit the financial statements of one subsidiary, whose financial statements reflect total assets (before consolidation adjustments) of Rs. 1,49,237.9 million as at 31 March 2022, total revenues (before consolidation adjustments) of Rs. 20,916.6 million and net cash inflows amounting to Rs. 7,012.66 million for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the reports of the other auditors.

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the **Annexure 'A'** statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Ind AS Financial statements

   b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept by the Company so far as it appears from our examination of those books.

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

   d) In our opinion, the aforesaid Consolidated Ind AS Financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 4 of the Companies (Indian Accounting Standards) Rules, 2015 as amended.

   e) On the basis of the written representations received from the directors as on 31st March, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2022 from being appointed as a director in terms of Section 164 (2) of the Act.

   f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in **"Annexure B".** 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 by the Holding Company and its subsidiary companies incorporated in India, the remuneration paid/ provided to their directors during the year by the Holding Company and subsidiary company other than Bank incorporated in India is in accordance with the provisions of section 197 of the Act. Further, requirements prescribed under section 197 of the Act is not applicable to the Bank by virtue of section 35B (2A) of the Banking Regulation Act, 1949.

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements of the subsidiaries, as noted in the "Other Matters" paragraph:

   i. The Consolidated Ind AS Financial Statements disclose the impact of pending litigations as at 31 March 2022 on the consolidated financial position of the Group. Refer Note 31 to the Consolidated Ind AS Financial Statements.

   ii. Provision has been made in the Consolidated Ind AS Financial statements, as required under the applicable law or Ind AS, for material foreseeable losses, on long term contracts including derivative contracts. Refer Note 16 to the Consolidated Ind AS Financial Statements in respect of such items as it relates to the Group.

   iii. There are no amounts which are required to be transferred to the Investor Education and protection Fund by the Holding Company or its subsidiary companies incorporated in India during the year ended 31st March 2022.

   iv.

      1) The management has represented that, to the best of its knowledge and belief, as disclosed in note 55 to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or its subsidiary companies and joint venture company incorporated in India to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall:

         - directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Holding Company or its subsidiary companies and joint venture company incorporated in India or

         - provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries

2) The management has represented, that, to the best of its knowledge and belief, as disclosed in note 55 to the accounts, no funds have been received by the Holding Company or its subsidiary companies and joint venture company incorporated in India from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Holding Company or its subsidiary companies and joint venture company incorporated in India shall:

   - directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever ("Ultimate Beneficiaries") by or on behalf of the Funding Parties or

   - provide any guarantee, security or the like from or on behalf of the Ultimate Beneficiaries.

3) Based on such audit procedures as considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (d) (i) and contain any material mis-statement.

v. The dividend has not declared or paid during the year by the Holding Company and hence are in compliance with Section 123 of the Act. The subsidiary companies incorporated in India have neither declared nor paid any dividend during the year.

vi. With respect to the matter to be included in the Auditor's Report under Section 197(16) of the Act:

In our opinion and according to the information and explanations given to us and based on the reports of the statutory auditors of such subsidiary companies incorporated in India which were not audited by us, the remuneration paid during the current year by the Holding Company and its subsidiary companies to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Holding Company and its subsidiary companies and joint venture company is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) of the Act which are required to be commented upon by us.

For DMKH & CO.
Chartered Accountants
Firm Registration Number: 116886W

CA Manish Kankani
Partner
Membership Number: 158020
UDIN: 22158020ANDQJK5846
Place: Mumbai
Date: 18th July,2022

Annexure "A" To Independent Auditor's Report

(Referred to in Paragraph 1 under the heading of "Report on other Legal and Regulatory Requirements" of our report to the members of Utkarsh Coreinvest Limited of even date)

Report on the Companies (Auditor's Report) Order, 2020, issued in terms of Section 143(11) of the Companies Act, 2013 ("the Act") of Utkarsh CoreInvest Limited ("the Company"):

xxi. There were no adverse comment on subsidiary financial statements, so said clause is not applicable to company.

For DMKH & CO.
Chartered Accountants
FRN: 116886W

CA Manish Kankani
Partner
MRN: 158020
UDIN: 22158020ANDQJK5846
Place: Mumbai
Date: 18th July,2022

Annexure "B" to the Independent Auditor's Report

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the members of Utkarsh CoreInvest Limited 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 UTKARSH COREINVEST LIMITED (the "Company") as of March 31, 2022 in conjunction with our audit of the Consolidated Ind AS Financial statements of the Company for the year ended on that date.

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, adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2022, based on the internal financial 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.

Management's Responsibility for Internal Financial Controls

The Management of the Company 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 ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the 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 ICAI 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 judgment, 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 with reference to financial statements.

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

Inherent Limitations of Internal Financial Controls 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.

For DMKH & CO.
Chartered Accountants
FRN: 116886W

CA Manish Kankani
Partner
MRN: 158020
UDIN: 22158020ANDQJK5846
Place: Mumbai
Date: 18th July, 2022

Utkarsh CoreInvest Limited

Consolidated Balance Sheet As at 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

	Notes	As at 31 March 2022	As at 31 March 2021
Assets			
Financial assets			
Cash and cash equivalents	3	18,682.82	11,670.16
Bank balance other than above	3	36.85	34.73
Derivative financial instruments	4	-	10.50
Loans	5	99,434.08	79,253.54
Investments	6	23,645.86	23,704.11
Other financial assets	7	702.03	682.09
Non-financial assets			
Current tax assets (net)	8	527.01	453.57
Deferred tax assets (net)	8	1,283.57	868.80
Property, plant and equipment	9	4,429.20	2,781.55
Capital work-in-progress	9	9.20	550.96
Other intangible assets	10	278.04	266.68
Other non-financial assets	11	291.78	217.53
Total assets		**1,49,320.44**	**1,20,494.22**
Liabilities and equity			
Liabilities			
Financial liabilities			
Borrowings (other than debt securities)	12	21,987.61	22,278.72
Lease liability	48	2,226.74	2,081.19
Deposits	13	1,03,924.85	77,406.45
Subordinated liabilities	14	3,837.95	3,830.25
Other financial liabilities	15	1,723.72	1,337.89
Non-financial liabilities			
Current tax liabilities (net)		-	8.73
Provisions	16	58.41	64.90
Other non-financial liabilities	17	114.88	89.85
Equity			
Equity share capital	18	983.30	976.46
Other equity	19	12,179.60	11,079.16
Equity attributable to equity holders of the parent		13,162.90	12,055.62
Non controlling interest		2,283.38	1,340.61
Total liabilities and equity		**1,49,320.44**	**1,20,494.22**

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

As per our report of even date attached.

for **DMKH & Co.**
Chartered Accountants
ICAI Firm Registration No. 116886W/066580

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

Manish Kankani
Partner
Membership No: 158020

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 18 July 2022

Place: Varanasi
Date: 18 July 2022

Utkarsh CoreInvest Limited

Statement of Consolidated profit and loss For the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

		Notes	For the year ended 31 March 2022	For the year ended 31 March 2021
I.	**Revenue from operations**			
	Interest income	20	19,606.91	16,700.82
	Fees and commission income	21	169.33	122.65
	Net gain on fair value changes	25	-	136.34
	Total revenue from operations		**19,776.24**	**16,959.81**
II.	Other income	22	1,171.78	862.51
III.	**Total income**		**20,948.02**	**17,822.32**
IV.	**Expenses**			
	Finance costs	23	7,993.02	7,625.26
	Fees and commission expense	24	251.45	162.33
	Net loss on fair value changes	25	32.81	-
	Impairment on financial instruments	26	4,538.53	3,327.86
	Employee benefits expenses	27	4,372.57	3,321.80
	Depreciation and amortisation	28	825.51	590.00
	Others expenses	29	2,122.90	2,431.83
	Total expenses		**20,136.79**	**17,459.08**
V.	**Profit/(loss) before tax**		**811.23**	**363.24**
	Tax Expense:			
	Current tax	8	536.61	630.62
	Tax for earlier years	8	-	(28.42)
	Deferred tax	8	(347.51)	(494.12)
VI.	**Profit for the year**		**622.13**	**255.16**
VII.	**Other comprehensive income**			
A	**(i) Items that will not be reclassified to profit or loss**			
	- Actuarial gain/(loss) on defined benefit obligation		6.94	(1.07)
	- Income tax relating to items that will not be reclassified to profit or loss		(1.75)	0.25
	Subtotal (A)		5.19	(0.82)
B	**(i) Items that will be reclassified to profit or loss**			
	- Debt securities measured at FVTOCI - reclassified to other comprehensive income		(274.21)	(220.27)
	- Income Tax relating to items that will be reclassified to profit or loss		69.01	55.44
	Subtotal (B)		(205.20)	(164.83)
	Other comprehensive income (A + B)		**(200.01)**	**(165.65)**
VIII.	**Total comprehensive income for the year**		**422.12**	**89.51**
IX.	**Profit for the year attributable to :**			
	- Equity holders of the parent		539.58	250.03
	- Non-controlling interest		82.55	5.13
X.	**Other comprehensive income for the year attributable to :**			
	- Equity holders of the parent		(173.06)	(164.65)
	- Non-controlling interest		(26.95)	(1.00)
XI.	**Total comprehensive income for the year attributable to :**			
	- Equity holders of the parent		366.53	85.38
	- Non-controlling interest		55.60	4.13
XII.	**Earnings per equity share**			
	Basic earnings per share of INR 10.00 each		6.36	2.63
	Diluted earnings per share of INR 10.00 each		6.31	2.60
	Summary of significant accounting policies	2		

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

As per our report of even date attached.

for DMKH & Co.
Chartered Accountants
ICAI Firm Registration No. 116886W/066580

Manish Kankani
Partner
Membership No: 158020

Place: Mumbai
Date: 18 July 2022

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

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Varanasi
Date: 18 July 2022

Utkarsh CoreInvest Limited

Cash flow statement for the year ending 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

	Note	For the year ended 31 March 2022	For the year ended 31 March 2021
I. Cash flows from operating activities			
Net profit before tax		811.23	363.24
Adjustments for:			
Depreciation and amortisation		825.51	590.00
Impairment provision/ write offs		4,538.53	3,327.86
Net (gain) / loss in fair value changes		32.81	(136.34)
Interest expense		7,993.02	7,602.59
Interest income on investments		(1,663.35)	(1,372.58)
Modification loss on loans		166.47	1,022.21
Employee share based expense		48.46	53.21
Impairment on non-financial asset		3.63	7.56
Loss on sale of property, plant and equipment		-	0.21
Foreign exchange (loss)		(1.59)	(3.19)
Operating cash flow before working capital changes		**12,754.72**	**11,454.76**
Adjustments for:			
(Increase) in loans		(24,733.19)	(17,969.57)
(Increase)/ decrease in Derivative Financial Instruments		6.05	-
(Increase) in other financial assets		(19.94)	(326.76)
Decrease/ (increase) in other non-financial asset		(142.95)	7.62
Increase in deposits		25,613.80	22,623.25
Increase in other financial liability		385.83	449.70
Increase in other non-financial liability		25.03	(0.01)
Increase in provision		0.46	13.58
Cash flow from operations		13,889.81	16,252.58
Income tax paid		(555.17)	(950.58)
Net cash flow from operating activities (A)		**13,334.64**	**15,302.00**
II. Cash flow from investing activities			
Purchase of property, plant and equipments (including capital work in progress)		(1,313.59)	(633.10)
Proceeds from sale of property, plant and equipments		4.90	0.17
Purchase of intangible assets		(158.02)	(142.18)
Purchase of investments		(18,910.81)	(40,135.76)
Sale/(purchase) of non controlling interest		1,473.22	2,370.36
Proceeds from sale of investments		18,542.24	28,879.24
Deposit/withdrawal in other bank balances		(5.85)	7.25
Dividend income		-	-
Interest received		1,638.97	1,255.70
Net cash used in investing activities (B)		**1,271.06**	**(8,398.32)**
III. Cash flow from financing activities			
Issue of equity shares		42.59	55.60
Repayment of borrowings		(8,386.20)	(9,560.72)
Payment of lease liabilities		(420.45)	(372.44)
Proceeds from borrowings		8,500.00	3,850.00
Proceeds from issue of subordinated liabilities		-	1,950.00
Reapyment of subordinated liabilities		-	(100.00)
Interest paid		(7,328.98)	(7,176.70)
Net cash (used in)/ from financing activities (C)		**(7,593.04)**	**(11,354.26)**
Net increase/(decrease) in cash and cash equivalents (A + B + C)		7,012.66	(4,450.58)
Opening Cash and Cash Equivalent		11,670.16	16,120.74
Closing Cash and Cash Equivalent		18,682.82	11,670.16
For composition of cash & cash equivalents	3		

Notes:
1. The Cash Flow Statement has been prepared under the "Indirect Method" as set out in Indian Accounting Standard 7 (Ind AS 7) on Cash Flow Statement.
2. Figures in Bracket represents Cash Outflow.

Summary of significant accounting policies 2

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

As per our report of even date attached.

for DMKH & Co.
Chartered Accountants
ICAI Firm Registration No. 116886W/066580

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

Manish Kankani
Partner
Membership No: 158020

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan
Chairperson
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 18 July 2022

Place: Varanasi
Date: 18 July 2022

Utkarsh CoreInvest Limited

Statement of changes in equity as at 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

A. Equity Share Capital

	Balance as at 31 March 2020	Changes during the year	Balance as at 31 March 2021	Changes during the year	Balance as at 31 March 2022
Paid up share capital	973.99	2.47	976.46	6.84	983.30
Less: Equity share capital classified as financial liability	-	-	-	-	-
	973.99	**2.47**	**976.46**	**6.84**	**983.30**

B. Other Equity

649.7

	Reserve and Surplus												Other Comprehensive Income					
	Share application money pend allotment	Equity component of financial instruments	Statutory reserve	Capital redemption reserve	Securities premium	Other Equity - Fair valuation changes	ESOP Reserve	Investment fluctuation reserve	Treasury shares	Capital reserve	Corpus fund	Retained earnings	Debt instruments through other comprehensive incon	Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss	Actuarial gain / loss on post employment defined benefit plan	Total attributable to equity holders of the parent	Total non-controlling interest	Total
Balance as at 31 March 2020	6.32	(109.01)	922.00	90.00	6,334.66	4,121.67	101.29	52.41	(3.73)	3.59	-	(1,693.78)	196.64	(160.62)	(10.24)	**9,851.21**	2.34	**9,853.55**
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	-	250.03	(163.74)	-	(0.91)	85.38	4.13	89.51
Transactions with Non-Controlling Interest	-	-	(102.42)	-	-	-	-	(18.95)	-	(8.67)	-	1,173.62	(4.43)	-	0.38	1,039.54	1,330.83	2,370.38
Transfer to / (from) retained earnings	-	-	278.09	-	-	-	(2.97)	135.75	-	83.74	-	(497.92)	-	-	-	(3.31)	3.31	0.00
Issue of equity shares	(6.32)	-	-	-		-	-	-	-	-	-	-	-	-	-	(6.32)	-	(6.32)
Share options exercised	-	-	-	-	36.20	-	(10.99)	-	0.56	-	-	-	-	-	-	25.76	-	25.76
Others	-	-	-	-	-	-	53.21	-	-	-	-	-	-	-	-	53.21	-	53.21
Equity settled share based plan		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share application money received	33.69	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33.69	-	33.69
Balance as at 31 March 2021	**33.69**	**(109.01)**	**1,097.67**	**90.00**	**6,370.86**	**4,121.67**	**140.52**	**169.22**	**(3.17)**	**78.66**	**-**	**(768.04)**	**28.47**	**(160.62)**	**(10.76)**	**11,079.16**	**1,340.61**	**12,419.77**
Total Comprehensive Income for the year	-	-	-	-	-	-	-	-	-	-	-	539.58	(177.55)	-	4.50	366.53	55.60	422.13
Transactions with Non-Controlling Interest	-	-	(49.51)	-	-	-	-	(6.98)	-	(4.19)	-	708.23	2.07	-	0.08	649.69	823.54	1,473.22
Transfer to/(from) retained earnings	-	-	136.56	-	-	-	(6.73)	(96.28)	-	2.01	-	(35.56)	-	-	-	-	-	-
ESOP reserve of subsidiary																	63.63	63.63
Share options exercised	-	-	-	-	95.27	-	(26.54)	-	0.71	-	-	-	-	-	-	69.45	-	69.45
Equity settled share based plan	-	-	-	-	-	-	48.46	-	-	-	-	-	-	-	-	48.46	-	48.46
Shares issued	(33.69)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(33.69)	-	(33.69)
Share application money received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 March 2022	**-**	**(109.01)**	**1,184.72**	**90.00**	**6,466.14**	**4,121.67**	**155.71**	**65.95**	**(2.46)**	**76.48**	**-**	**444.21**	**(147.01)**	**(160.62)**	**(6.18)**	**12,179.60**	**2,283.38**	**14,462.98**

As per our report of even date attached

for DMKH & Co.
Chartered Accountants
ICAI Firm Registration No. 116886W/066580

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

Manish Kankani
Partner
Membership No: 158020

Ashwani Kumar
Managing Director and CEO
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Company Secretary
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Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Mumbai
Date: 18 July 2022

Place: Varanasi
Date: 18 July 2022

(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2022	As at 31 March 2021
3 Cash and bank balances		
Cash and cash equivalents		
Cash in hand	832.69	627.42
Balances with banks		
- in current accounts	703.00	620.38
- in RBI current accounts	4,506.28	2,121.96
Reverse repo	12,641.16	8,300.76
	18,683.13	11,670.52
Less : Allowance for Impairment loss	0.31	0.36
Total (A)	**18,682.82**	**11,670.16**

Balances with banks earn interest at fixed rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. The Company has not taken bank overdraft, therefore the cash and cash equivalent for cash flow statement is same as cash and for cash equivalent given above

	As at 31 March 2022	As at 31 March 2021
Bank balance other than above		
Deposits with maturity more than 3 months	36.86	34.75
	36.86	34.75
Less : Allowance for Impairment loss	0.01	0.02
Total (B)	**36.85**	**34.73**
Total (A+B)	**18,719.67**	**11,704.90**

Information about the Group's exposure to fair value measurement and credit and market risks are included in Note 40 and 41 respectively.

	As at 31 March 2022			As at 31 March 2021		
	Notional amounts	Fair Value - Assets	Fair Value - Liabilities	Notional amounts	Fair Value - Assets	Fair Value - Liabilities
4 Derivative financial instruments						
Cross currency interest rate swap (CCIRS)	-	-	-	91.69	10.50	-
Total derivatives	**-**	**-**	**-**	**91.69**	**10.50**	**-**
Included in above are derivatives held for hedging and risk management purposes as follows:						
Undesignated Derivatives	-	-	-	91.69	10.50	-
Total derivatives	**-**	**-**	**-**	**91.69**	**10.50**	**-**

	As at 31 March 2022	As at 31 March 2021
5 Loans		
At Amortised cost		
(A)		
Term Loans	1,05,844.18	83,583.16
Total (A) - Gross	**1,05,844.18**	**83,583.16**
Less : Allowance for Impairment loss	(6,410.10)	(4,329.62)
Total (A) - Net	**99,434.08**	**79,253.54**
(B)		
(i) Secured by tangible assets and intangible assets	22,623.64	11,355.94
(ii) Covered by Bank/Government guarantees	1.17	1.51
(iii) Unsecured	83,219.36	72,225.71
Total (B)- Gross	**1,05,844.18**	**83,583.16**
Less : Allowance for Impairment loss	(6,410.10)	(4,329.62)
Total (B)-Net	**99,434.08**	**79,253.54**
(C)		
(i) Priority Sector	87,812.42	70,592.07
(ii) Banks	75.00	-
(iii) Others	17,956.76	12,991.09
Total (C)- Gross	**1,05,844.18**	**83,583.16**
Less : Allowance for Impairment loss	(6,410.10)	(4,329.62)
Total (C)-Net	**99,434.08**	**79,253.54**

All the Loans above are Loans in India.
For details pertaing to Allowance for Impairment Loss refer note 41

(All amounts are in Rupees millions unless otherwise stated)

		At Fair Value					
	Amortised cost	Through other comprehensive income	Through profit or loss	Designated at fair value through profit or loss	Sub- Total	Others	Total
6 Investments:	(1)	(2)	(3)	(4)	(5)=(2)+(3)+(4)	(6)	(7)=(1)+(5)+(6)
As at 31 March 2022							
Government securities	-	20,650.47	-	-	20,650.47	-	20,650.47
Debt securities	-	2,995.39	-	-	2,995.39	-	2,995.39
Total – Gross (A)	**-**	**23,645.86**	**-**	**-**	**23,645.86**	**-**	**23,645.86**
(i) Investments in India	-	23,645.86	-	-	23,645.86	-	23,645.86
(ii) Investments outside India	-	-	-	-	-	-	-
Total (B)	**-**	**23,645.86**	**-**	**-**	**23,645.86**	**-**	**23,645.86**
Less: Allowance for Impairment loss (C)	-	-	-	-	-	-	-
Total – Net D= (A)-(C)	**-**	**23,645.86**	**-**	**-**	**23,645.86**	**-**	**23,645.86**
As at 31 March 2021							
Government securities	-	22,002.22	-	-	22,002.22	-	22,002.22
Debt securities	-	1,701.89	-	-	1,701.89	-	1,701.89
Total – Gross (A)	**-**	**23,704.11**	**-**	**-**	**23,704.11**	**-**	**23,704.11**
(i) Investments in India	-	23,704.11	-	-	23,704.11	-	23,704.11
(ii) Investments outside India	-	-	-	-	-	-	-
Total (B)	**-**	**23,704.11**	**-**	**-**	**23,704.11**	**-**	**23,704.11**
Less: Allowance for Impairment loss (C)	-	-	-	-	-	-	-
Total – Net D= (A)-(C)	**-**	**23,704.11**	**-**	**-**	**23,704.11**	**-**	**23,704.11**

7 Other financial assets	As at 31 March 2022	As at 31 March 2021
Advances recoverable in cash	703.00	682.81
Other recoverables	0.01	0.01
	703.01	682.82
Less : Allowance for Impairment loss	0.98	0.73
Total	**702.03**	**682.09**

Information about the group's exposure to fair value measurement and credit and market risks are included in note 40 and 41

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Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

8 Income tax

A. Amounts recognised in profit or loss

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Current tax		
Current period (a)	536.61	630.62
Changes in estimates related to prior years (b)	-	(28.42)
Deferred tax (c)		
Attributable to-		
Origination and reversal of temporary differences	(347.51)	(494.12)
Sub-total (c)	(347.51)	(494.12)
Tax expense (a)+(b)+(c)	**189.10**	**108.08**

B. Income tax recognised in other comprehensive income

	For the year ended 31 March 2022			For the year ended 31 March 2021		
	Before tax	Tax (expense)/ income	Net of tax	Before tax	Tax (expense)/ income	Net of tax
Remeasurements of the net defined benefit liability/ asset	6.94	(1.75)	5.20	(1.07)	0.25	(0.82)
Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-
Debt Instruments fair value through Other Comprehensive Income	(274.21)	69.01	(205.19)	(220.27)	55.44	(164.83)
	(267.27)	**67.26**	**(199.99)**	**(221.34)**	**55.69**	**(165.65)**

C. Reconciliation of effective tax rate

Particulars	Year ended 31 March 2022		Year ended 31 March 2021	
	%	Amount	%	Amount
Profit before tax	25.17%	811.23	25.17%	363.24
Tax using the Company's domestic tax rate		204.17		91.42
Effect of:				
Permanent differences	1.82%	14.77	1.87%	6.81
Tax exemption/deduction	-3.85%	(31.23)	-6.31%	(22.93)
Change in unrecognised temporary differences	0.09%	0.70	0.13%	0.48
Changes in estimate related to prior years	0.00%	-	-7.82%	(28.42)
Changes in tax rate	0.00%	-	0.00%	-
MAT credit written off	0.00%	-	0.00%	-
Others	0.09%	0.71	16.72%	60.72
Effective tax rate/tax expense		**189.10**		**108.08**

D. Recognised deferred tax assets and liabilities
Movement of deferred tax assets / liabilities presented in the balance sheet

Particulars	As at 01 April 2021	Recognised in profit loss during the year	Recognised in OCI during the year	As at 31 March 2022
Deferred tax assets:				
Loans	791.36	539.72	-	1,331.08
Lease Liabilities	86.97	11.23	-	98.20
Others	4.35	0.90	-	5.25
Property, plant and equipment	-	(234.39)	-	(234.39)
	882.68	**317.46**	**-**	**1,200.14**
Deferred tax liabilities:				
Property, plant and equipment	6.61	-	-	6.61
Others	7.27	(30.05)	(67.26)	(90.04)
	13.88	**(30.05)**	**(67.26)**	**(83.43)**
Net deferred tax assets	**868.80**	**347.51**	**67.26**	**1,283.57**

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	As at 1 April 2020	Recognised in profit or loss during the year	Recognised in OCI during the year	As at 31 March 2021
Deferred tax assets:				
Loans	206.43	584.93	-	791.36
Lease liabilities	66.65	20.32	-	86.97
Others	71.41	(122.75)	55.69	4.35
	344.49	**482.50**	**55.69**	**882.68**
Deferred tax liabilities:				
Property, plant and equipment	17.59	(10.98)	-	6.61
Others	7.91	(0.64)	-	7.27
	25.50	**(11.62)**	**-**	**13.88**
Net deferred tax assets	**318.99**	**494.12**	**55.69**	**868.80**

E. Unrecognised deferred tax balances

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

	As at 31 March 2022	As at 31 March 2021
Deductible temporary differences	1.27	0.94
Total	**1.27**	**0.94**

F. Uncertain tax positions

Refer Note 31 on contingent liabilities and commitment relating to income tax matter under dispute.

Particulars	As at 31 March 2022	As at 31 March 2021
Current Tax Assets (net of Provision of INR 527.01 (31 March 2021: INR 444.84)	527.01	453.57
Total	**527.01**	**453.57**

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Utkarsh CoreInvest Limited

Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

9 Property, Plant and Equipment

	Gross Block					Depreciation				Net Block	
	As at 1 April 2021	Adjustment	Additions	Disposals	As at 31 March 2022	As at 1 April 2021	For the year	Disposals	As at 31 March 2022	As at 31 March 2022	As at 1 April 2021
Owned Assets											
Leasehold improvement	258.22	-	106.40	0.96	363.66	46.96	34.59	-	81.55	282.11	211.26
Computers	383.09	-	100.49	8.93	474.65	227.34	93.09	8.79	311.64	163.00	155.75
Vehicles	6.34	-	7.17	-	13.51	3.40	1.29	(0.00)	4.69	8.82	2.94
Office equipment	115.65	-	120.52	0.23	235.94	53.22	36.97	0.23	89.96	145.99	62.43
Electrical equipment	154.80	-	293.91	1.20	447.52	45.51	29.89	0.96	74.44	373.07	109.29
Furniture and fixtures	382.21	-	199.61	2.21	579.60	149.31	48.87	2.00	196.18	383.42	232.89
Generator	60.30	-	19.14	-	79.44	17.63	6.49	-	24.12	55.32	42.67
Land	121.20	-		-	121.20	-	-	-	-	121.20	121.20
Building	-	-	1,001.30	-	1,001.30	-	0.78		0.78	1,000.52	-
Right of use assets											
Premises	2,321.06	-	490.39	18.51	2,792.94	526.01	416.01	-	942.01	1,850.92	1,795.06
ATM Machines	72.48	-	10.09	5.95	76.62	24.43	10.58	3.23	31.78	44.85	48.05
TOTAL	**3,875.36**	**-**	**2,348.98**	**37.99**	**6,186.36**	**1,093.81**	**678.54**	**15.21**	**1,757.15**	**4,429.20**	**2,781.55**

	Gross Block					Depreciation				Net Block	
	As at 1 April 2020	Adjustment	Additions	Disposals	As at 31 March 2021	As at 1 April 2020	For the year	Disposals	As at 31 March 2021	As at 31 March 2021	As at 1 April 2020
Owned Assets											
Leasehold improvement	183.36	-	74.86	-	258.22	22.00	24.96	-	46.96	211.26	161.36
Computers	251.09	-	132.15	0.15	383.09	148.27	79.22	0.15	227.34	155.75	102.82
Vehicles	6.34	-	-	-	6.34	2.43	0.97	0.00	3.40	2.94	3.91
Office equipment	86.13	-	29.56	0.03	115.65	30.22	23.02	0.02	53.22	62.43	55.91
Electrical equipment	128.18	-	27.21	0.58	154.80	29.71	16.03	0.22	45.51	109.29	98.47
Furniture and fixtures	355.60	-	26.69	0.09	382.21	108.09	41.30	0.08	149.31	232.89	247.51
Generator	51.69	-	8.61	-	60.30	11.80	5.83	-	17.63	42.67	39.90
Land	121.20	-	-	-	121.20	-	-	-	-	121.20	121.20
										-	-
Right of use assets										-	-
Premises	1,875.02	-	446.04	-	2,321.06	232.32	293.68	-	526.01	1,795.06	1,642.70
ATM Machines	61.41	-	11.07	-	72.48	14.91	9.52	-	24.43	48.05	46.50
TOTAL	**3,120.02**	**-**	**756.20**	**0.85**	**3,875.36**	**599.75**	**494.53**	**0.47**	**1,093.81**	**2,781.55**	**2,520.27**

For capital commitments made by the group refer note 31

Capital-Work-in Progress (CWIP):
As on 31 March 2022:
Ageing Schedule

CWIP	Amount in CWIP for a period of				Total
	Less than 1 Year	1-2 Years	2-3 Years	More than 3 Years	
Projects in Progress	9.20	-	-	-	9.20
Projects temporarily suspended	-	-	-	-	-
Total	9.20	-	-	-	9.20

There are no projects where the completion is overdue or has exceeded its cost compared to its original plan as at 31 March 2022 and as at 31 March 2021

Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

10 Intangible assets

	Gross Block					Amortisation				Net Block
	As at 1 April 2021	Adjustment	Additions	Disposals	As at 31 March 2022	As at 1 April 2021	For the year	Disposals	As at 31 March 2022	As at 31 March 2022
Owned Assets										
Computer software	350.67	-	158.01	-	508.69	154.96	123.00	-	277.97	230.72
Right of use assets										
Core banking software	165.58	-	-	-	165.58	94.61	23.65	-	118.26	47.32
TOTAL	**516.25**	**-**	**158.01**	**-**	**674.26**	**249.57**	**146.66**	**-**	**396.22**	**278.04**

	Gross Block					Amortisation				Net Block
	As at 1 April 2020	Adjustment	Additions	Disposals	As at 31 March 2021	As at 1 April 2020	For the year	Disposals	As at 31 March 2021	As at 31 March 2021
Owned Assets										
Computer software	208.49	-	142.18	-	350.67	83.14	71.82	-	154.96	195.71
Assets under Lease										
Core banking software	165.58	-	-	-	165.58	70.95	23.65	-	94.61	70.97
TOTAL	**374.07**	**-**	**142.18**	**-**	**516.25**	**154.09**	**95.47**	**-**	**249.57**	**266.68**

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(All amounts are in Rupees millions unless otherwise stated)

		As at 31 March 2022	As at 31 March 2021
11	**Other non-financial assets**		
	Capital advances	19.98	29.61
	Prepaid expenses	271.80	187.91
	Total	**291.78**	**217.53**

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Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2022	As at 31 March 2021
12 Borrowings (Other than Debt Securities)		
At Amortised cost		
Term loans		
- from banks	-	107.01
- from financial institution	19,504.01	21,161.63
- from others	-	91.69
RBI repo	2,483.60	918.39
Total	**21,987.61**	**22,278.72**
Borrowings in India	21,987.61	22,187.03
Borrowings outside India	-	91.69
Total	**21,987.61**	**22,278.72**

Information about the group's exposure to fair value measurement and credit and market risks are included in note 40 & 41

Information about the lease liabilities is included in Note 48

Terms of Borrowings (Other than debt securities)

Nature of Facility	Amount o/s	Contractual amour o/s	ROI	Date of first repayment	Terms of repayment	Date of maturity
As at 31 March 2022						
Secured Refinance from Financial Institution						
Term loan - 3	50.71	50.00	8.75%	31-Jan-18	Half yearly	31-Jul-22
Term loan - 4	2,016.14	2,000.00	9.50%	31-Aug-19	Principal Half yearly/Interest Monthly	29-Feb-24
Term loan - 6	1,511.47	1,500.00	9.00%	31-Jan-20	Principal Half yearly/Interest Monthly	31-Jul-24
Term loan - 7	1,812.99	1,800.00	8.50%	31-Jul-20	Principal Half yearly/Interest Monthly	31-Mar-25
Term loan - 8	1,208.66	1,200.00	8.50%	31-Aug-20	Principal Half yearly/Interest Monthly	28-Feb-25
Term loan - 9	3,025.15	3,000.00	8.50%	30-Sep-20	Principal Half yearly/Interest Monthly	31-Mar-25
Term loan - 10	3,015.92	3,000.00	6.25%	31-Aug-22	Principal Half yearly/Interest Monthly	31-Jan-25
Term loan - 11	2,008.63	2,000.00	6.30%	30-Sep-22	Principal Half yearly/Interest Monthly	28-Feb-25
Term loan - 12	2,009.58	2,000.00	8.25%	2-Mar-23	Principal Bullet/Interest Monthly	2-Mar-23
Term loan - 14	837.62	833.10	9.00%	23-Mar-20	Principal Quarterly/Interest Monthly	10-Apr-23
Term loan - 15	2,007.17	2,000.00	6.55%	23-Feb-22	Principal Quarterly/Interest Monthly	10-Feb-25
RBI Repo						
LTRO - 1	133.50	120.00	5.15%	16-Feb-23	Bullet repayment	16-Feb-23
LTRO - 2	155.45	140.00	5.15%	1-Mar-23	Bullet repayment	1-Mar-23
LTRO - 3	99.93	90.00	5.15%	1-Mar-23	Bullet repayment	1-Mar-23
LTRO - 4	288.40	260.00	5.15%	7-Mar-23	Bullet repayment	7-Mar-23
LTRO - 5	288.40	260.00	5.15%	7-Mar-23	Bullet repayment	7-Mar-23
LTRO - 6	1,517.92	1,500.00	4.00%	12-Dec-24	Bullet repayment	12-Dec-24
As at 31 March 2021						
Unsecured term loans from Banks						
Term loan - 1	107.01	100.00	8.00%	15-May-21	Bullet repayment	15-May-21
Secured Refinance from Financial Institution						
Term loan - 2	20.37	20.00	11.50%	31-Jan-17	Half yearly/11	31-Jan-22
Unsecured Refinance from Development Financial Institution						
Term loan - 3	152.12	150.00	8.75%	31-Jan-18	Half yearly/10	31-Jul-22
Term loan - 4	3,023.95	3,000.00	9.50%	31-Aug-19	Half yearly/10	29-Feb-24
Term loan - 6	2,116.05	2,100.00	9.00%	10-Sep-19	Half yearly/10	31-Jul-24
Term loan - 7	2,417.33	2,400.00	8.50%	31-Jan-20	Half yearly/10	31-Jan-25
Term loan - 8	1,611.46	1,600.00	8.50%	31-Jul-20	Half yearly/10	28-Feb-25
Term loan - 9	4,032.37	4,000.00	8.50%	31-Aug-20	Half yearly/10	31-Mar-25
Term loan - 10	402.23	400.00	9.80%	30-Sep-20	Quarterly/10	10-Feb-22
Term loan - 11	2,008.49	2,000.00	8.25%	10-Nov-19	Bullet repayment	2-Mar-23
Term loan - 12	1,506.94	1,499.90	9.00%	2-Mar-23	Quarterly/12	10-Apr-24
Term loan - 14	3,009.49	3,000.00	Repo rate+ 125 bps	10-Sep-20	Bullet repayment	14-Apr-21
Term loan - 15	860.84	850.00	5.15%		Bullet repayment	30-Aug-21
Secured ECB from Foreign Financial Institution	91.69	91.39	13.27%	15-Sep-18	Half yearly/8	15-Mar-22
RBI Repo						
LTRO - 1	126.96	120.00	5.15%	16-Feb-23	Bullet repayment	16-Feb-23
LTRO - 2	95.04	90.00	5.15%	1-Mar-23	Bullet repayment	1-Mar-23
LTRO - 3	147.83	140.00	5.15%	1-Mar-23	Bullet repayment	1-Mar-23
LTRO - 4	274.28	260.00	5.15%	7-Mar-23	Bullet repayment	7-Mar-23
LTRO - 5	274.28	260.00	5.15%	7-Mar-23	Bullet repayment	7-Mar-23

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

(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2022	As at 31 March 2021
13 Deposits (at amortized cost)		
Deposits		
(i) From Banks	28,942.52	23,215.36
(ii) From Others*	74,982.33	54,191.09
Total	**1,03,924.85**	**77,406.45**

* Includes deposit received from related parties refer Note no.36 for the same

	As at 31 March 2022	As at 31 March 2021
14 Subordinated Liabilities (at amortized cost)		
Subordinated debt	3,837.95	3,830.25
Total (A)	**3,837.95**	**3,830.25**
Subordinated Liabilities in India	2,338.74	2,335.83
Subordinated Liabilities outside India	1,499.21	1,494.42
Total (B)	**3,837.95**	**3,830.25**

Concentration by location is based on the subscriber country of incorporation.
Information about the Group's exposure to fair value measurement and credit and market risks are included in Note 40 and 41

Terms of Subordinated liabilities

Nature of Facility	Amount o/s	Contractual amount o	ROI	Date of first repayment	Terms of repayment	Date of maturity
As at 31 March 2022						
Unsecured						
Redeemable non convertible debt - 2	1,499.21	1,500.00	12.00%	30-Jun-22	Bullet repayment	30-Jun-22
Redeemable non convertible debt - 14	244.38	250.00	10.58%	9-Jul-25	Bullet repayment	9-Jul-25
Redeemable non convertible debt - 15	146.49	150.00	10.58%	30-Aug-25	Bullet repayment	30-Aug-25
Redeemable non convertible debt - 16	1,947.87	1,950.00	12.50%	26-Jun-27	Bullet repayment	26-Jun-27
As at 31 March 2021						
Unsecured						
Redeemable non convertible debt - 2	1,494.42	1,500.00	12.00%	30-Jun-22	Bullet repayment	30-Jun-22
Redeemable non convertible debt - 14	243.05	250.00	10.58%	9-Jul-25	Bullet repayment	9-Jul-25
Redeemable non convertible debt - 15	145.70	150.00	10.58%	30-Aug-25	Bullet repayment	30-Aug-25
Redeemable non convertible debt - 16	1,947.08	1,950.00	12.50%	26-Jun-27	Bullet repayment	26-Jun-27

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Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2022	As at 31 March 2021
15 Other financial liabilities		
Employee benefits payable	366.05	260.93
Security deposit from staff	91.37	80.85
Expenses payable	1,227.56	971.29
Client insurance payable	38.74	24.82
Total	**1,723.72**	**1,337.89**
16 Provisions		
For Employee Benefits		
Provision for gratuity	6.50	11.08
Provision for leave benefits	35.86	42.14
Allowance on impairment loss on off-book exposure*	4.86	4.89
Others	11.19	6.79
Total	**58.41**	**64.90**
Notes:		
a) Movement for Other Provisions:		
Opening Balance	6.79	-
Add: Provision made during the year	39.32	6.79
Less: Provision utilized / reversed during the year	(34.92)	-
Closing Balance	11.19	6.79

b) Refer note 34 for employee benefits

c) *For information about allowance on impairment loss on off book exposure refer note 41

	As at 31 March 2022	As at 31 March 2021
17 Other non-financial liabilities		
Statutory dues payable	114.88	89.85
Total	**114.88**	**89.85**
18 Share capital		
Authorised		
Equity shares		
100,000,000 (31 March 2021: 100,000,000) Equity shares of INR 10 each	1,000	1,000
Issued, subscribed and paid-up		
Equity shares		
98,329,666 (31 March 2021 - 97,645,891) equity shares of INR 10 each, fully paid up	983.30	976.46
	983.30	**976.46**

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

	As at 31 March 2022		As at 31 March 2021	
	Number of shares (in units)	Amount	Number of shares (in units)	Amount
Outstanding as at the beginning of the year	9,76,45,891	976.46	9,73,98,806	973.99
Issued during the year	6,83,775	6.84	2,47,085	2.47
Outstanding at the end of the year	**9,83,29,666**	**983.30**	**9,76,45,891**	**976.46**

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

(i) Equity shares

The Group has single class equity shares having a par value of INR 10 per equity share. They entitle the holders to participate in the dividends in proportion to the number of shares held.

However, as per the Shareholders Agreement, in the event of liquidation, the net proceeds shall be distributed in the following manner:

- First preference shall be given to the Investors (ABF, AGIMDC II, AVMS, CDC, FCIEF II, FCIEF III, HDFC Ergo, HDFC Life, HDFC Ltd., Hero, ICICI Pru, IFC, JIF, Lok CGF, NMI, rAPM, RBL, Sarva Capital, SFRE-SICAV-SIF, Shriram and SIDBI), shareholders which have been allotted equity shares pursuant to ESOP plan 2010 and other shareholders (other than the shareholders which have been allotted equity shares pursuant to grant of employee stock option of the Group excluding ESOP Plan 2010)
- Second preference shall be with shareholders which have been allotted equity shares pursuant to grant of employee stock options of the Group (excluding ESOP Plan 2010) and sponsors of the Group.
- Remaining shareholders shall have third preference over the residual assets of the Group at the time of liquidation.

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

Equity shares	As at 31 March 2022		As at 31 March 2021	
Name of the shareholder	Number of shares (in units)	% of Holding	Number of shares (in units)	% of Holding
NMI Frontier Fund KS, Norway	77,02,602	7.83%	77,02,602	7.89%
CDC Group PLC	1,37,26,978	13.96%	1,37,26,978	14.06%
Faering Capital India Evolving FUND II	76,60,082	7.79%	76,60,082	7.84%
RBL Bank Limited	97,02,950	9.87%	97,02,950	9.94%
	3,87,92,612	**39.45%**	**3,87,92,612**	**39.73%**

(d) Shares reserved for issue under options - refer Note 35 for details of share to be issued under employee stock option plan

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Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2022	As at 31 March 2021
19 Other equity		
Share Application money pending allotment		
Balance as at the beginning of the year	33.69	6.32
Shares issued during the year	(33.69)	(6.32)
Amount received during the year	-	33.69
Balance as at the end of the year	**-**	**33.69**
Equity component of compound financial instruments		
Balance as at the beginning of the year	(109.01)	(109.01)
Balance as at the end of the year	**(109.01)**	**(109.01)**
Statutory reserve		
Balance as at the beginning of the year	1,097.67	922.00
Add: Transferred from retained earnings	136.56	278.09
Add: Transactions with Non-Controlling Interest	(49.51)	(102.42)
Balance as at the end of the year	**1,184.72**	**1,097.67**
Capital redemption reserve		
Balance as at the beginning of the year	90.00	90.00
Balance as at the end of the year	**90.00**	**90.00**
Securities premium		
Balance as at the beginning of the year	6,370.86	6,334.66
Add: Transactions with Non-Controlling Interest	-	-
Add: Transfer from stock option outstanding	95.27	36.20
Balance as at the end of the year	**6,466.14**	**6,370.86**
Other Equity - Fair valuation changes		
Balance as at the beginning of the year	4,121.67	4,121.67
Balance as at the end of the year	**4,121.67**	**4,121.67**
Employees stock options outstanding		
Balance as at the beginning of the year	140.52	101.29
Add: Compensation for options granted	48.46	53.21
Less: transfer to retained earnings	(6.73)	(2.97)
Exercise of stock options	(26.54)	(10.99)
Others	-	-
Balance as at the end of the year	**155.71**	**140.52**
Investment fluctuation reserve		
Balance as at the beginning of the year	169.22	52.41
Add: transfer from retained earnings	(96.28)	135.75
Add: Transactions with Non-Controlling Interest	(6.98)	(18.95)
Balance as at the end of the year	**65.95**	**169.22**
Treasury shares		
Balance as at the beginning of the year	(3.17)	(3.73)
Treasury shares exercised during the year	0.71	0.56
Balance as at the end of the year	**(2.46)**	**(3.17)**
Retained earnings		
Balance as at the beginning of the year	(768.04)	(1,693.78)
Add: Profit for the year	539.59	250.03
Add: Amount transferred to various reserves	(35.56)	(497.92)
Share issue expenses	-	-
Transactions with Non controlling interest	708.23	1,173.62
Balance as at the end of the year	**444.21**	**(768.04)**
Debt instruments through other comprehensive income		
Balance as at the beginning of the year	28.47	196.64
Other comprehensive income for the year	(177.55)	(163.74)
Transactions with Non-Controlling Interest	2.07	(4.43)
Balance as at the end of the year	**(147.01)**	**28.47**
Fair value changes relating to own credit risk of financial liabilities designated at fair value through profit or loss		
Balance as at the beginning of the year	(160.62)	(160.62)
Total Comprehensive Income for the year	-	-
Balance as at the end of the year	**(160.62)**	**(160.62)**

Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

Remeasurement of defined benefit plans ((gain)/loss)		
Balance as at the beginning of the year	(10.76)	(10.24)
Other comprehensive income for the year	4.50	(0.91)
Transactions with Non-Controlling Interest	0.08	0.38
Balance as at the end of the year	**(6.18)**	**(10.76)**
Capital reserve		
Balance as at the beginning of the year	78.66	3.59
Additions during the year	(2.18)	75.07
Balance as at the end of the year	**76.48**	**78.66**
Non-controlling interest		
Balance as at the beginning of the year	1,340.61	2.34
Other comprehensive income for the year	55.60	4.13
Purchase of Non controlling interest	823.54	1,330.83
Transfer from retained earnings	-	3.31
ESOP reserve of subsidiary	63.63	-
Balance as at the end of the year	**2,283.38**	**1,340.61**
Total	**14,462.98**	**12,419.77**

Nature and purpose of other reserve :

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

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

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

The Bank has made an appropriation of 25% out of profits for the year ended March 31, 2022 to the Statutory Reserve pursuant to the requirements of Section 17 of the Banking Regulation Act, 1949.

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

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

Other Equity - Fair valuation changes
The said reserve represents the premium amount paid by the shareholders transferred on account of reclassification of equity share capital as financial liabilities as at 31 March 2018 and 1 April 2017.

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

Investment fluctuation reserve
As per the notification issued by Reserve Bank of India on Investment Fluctuation Reserve (IFR) on April 02, 2018, the Bank is required to create reserve of at least 2% of the HFT and AFS portfolio, on continuing basis. Notification further says that this should be achieved within a period of 3 years. As per the policy, the Bank is required to create Investment Fluctuation Reserve within 2 years starting from financial year 2018-19. The Bank has created Investment Fluctuation Reserve at 2% on HFT & AFS portfolio. Any adjustment (drawdown) to the reserve due to change in HFT & AFS portfolio is permitted only at the end of the accounting year.

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Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

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

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

Debt instruments through other comprehensive income
This comprises changes in the fair value of debt instruments recognised in other comprehensive income and accumulated within equity. The Group transfers amounts from such component of equity to retained earnings when the relevant debt instruments are derecognised.

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

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

Capital Reserve
The amount relates to profit on sale of HTM securities as stated by RBI guidelines.

Non-controlling interest
The said amount represents non-controlling interest in the subsidiaries.

Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

	For the year ended 31 March 2022		For the year ended 31 March 2021	
	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost	On Financial Assets measured at fair value through OCI	On Financial Assets measured at Amortised Cost
20 Interest Income				
Interest income on loan portfolio	-	17,453.81	-	14,862.28
Interest income on fixed deposits	-	5.83	-	2.44
Interest income on investments	1,663.35	-	1,372.58	-
Others (Interest on RBI Reverse Repo, TREPS Reverse Repo, Call / Term Lending)	-	483.92	-	463.51
Total	**1,663.35**	**17,943.56**	**1,372.58**	**15,328.23**

	For the year ended 31 March 2022	For the year ended 31 March 2021
21 Fees and commission income		
ATM interchange - acquirer fees	25.30	21.48
Insurance commission	141.68	79.75
Others	2.35	21.42
	169.33	**122.65**
22 Other income		
Foreign exchange gain	1.59	3.19
Miscellaneous income *	1,170.19	859.32
Total	**1,171.78**	**862.51**

* includes fee received on sale of PSLCs of INR 647.65 (31 March 2021: INR 637.30)

	For the year ended 31 March 2022	For the year ended 31 March 2021
23 Finance costs		
(on Financial Liability measured at amortized cost)		
Interest on deposits	5,729.85	4,773.65
Interest on borrowings	1,650.15	2,413.27
Interest on subordinated debt	473.73	415.67
Other borrowing costs	139.29	22.67
Total	**7,993.02**	**7,625.26**
24 Fees and commission expenses		
ATM interchange - issuer fees	53.50	22.56
Commission on business correspondent	197.95	139.77
Total	**251.45**	**162.33**

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(All amounts are in Rupees millions unless otherwise stated)

		For the year ended 31 March 2022	For the year ended 31 March 2021
25	**Net (gain)/loss on fair value changes**		
	Derivative instruments	4.45	15.29
	Reclassified from OCI for sale of investments	28.36	(151.63)
	Net (gain)/loss on fair value changes	**32.81**	**(136.34)**
	Fair value changes :		
	- Realised	32.81	(151.63)
	- Unrealised	-	15.29
	Total	**32.81**	**(136.34)**

		For the year ended 31 March 2022		For the year ended 31 March 2021	
		On Financial Assets measured at fair value through OCI	On Financial assets measured at Amortised Cost	On Financial Assets measured at fair value through OCI	On Financial assets measured at Amortised Cost
26	**Impairment on financial instruments**				
	Loans	-	4,382.51	-	3,323.29
	Investments	152.36	3.80	0.71	-
	Other assets	-	(0.14)	-	3.86
	Total	**152.36**	**4,386.17**	**0.71**	**3,327.15**

For information about impairment on financial instruments refer note 41

		For the year ended 31 March 2022	For the year ended 31 March 2021
27	**Employee benefit expenses**		
	Salaries and wages	3,878.32	2,966.69
	Contribution to provident and other funds	337.50	218.30
	Share Based Payments to employees	109.57	53.21
	Staff welfare expenses	47.18	83.60
	Total	**4,372.57**	**3,321.80**
	Refer note 34 for employee benefits		
28	**Depreciation and amortisation**		
	Depreciation of property, plant and equipment	678.85	518.18
	Amortisation of intangible assets	146.66	71.82
	Total	**825.51**	**590.00**
29	**Other expenses**		
	Modification loss on financial instruments	166.47	1,022.21
	Repairs and maintenance	41.10	27.52
	Contribution towards Corporate Social Responsibilities (refer Note 46)	0.50	10.00
	Legal and professional charges	133.71	97.09
	Auditor's fees and expenses (Refer Note 30)	17.25	11.57
	Subscription and membership expenses	8.25	5.20
	Recruitment expenses	27.35	15.31
	Loss on account of theft and fraud	-	1.58
	Loss/write off on sale of property, plant and equipment	-	0.21
	Insurance	78.39	52.66
	Director sitting fees	23.71	14.62
	Rent	2.88	1.30
	Travelling expenses	126.21	74.32
	Printing and stationery	109.92	92.02
	Communication expenses	198.22	111.26
	Credit bureau expenses	13.83	12.29
	Power and fuel	109.62	81.55
	Provision against unreconciled balances	3.63	7.56
	Office maintenance	86.18	65.78
	Software charges	447.68	382.49
	Loss on sale of investment (Utkarsh Welfare Foundation)	7.19	-
	Miscellaneous expenses	520.81	345.29
	Total	**2,122.90**	**2,431.83**
30	**Payment to Auditors**		
	Statutory audit fees*	15.08	9.33
	Certification and other services	1.95	2.00
	Reimbursement of expenses	0.22	0.24
	Total	**17.25**	**11.57**

*of which INR Nil (INR 0.23) pertains to previous financial year

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(All amounts are in Rupees millions unless otherwise stated)

		As at 31 March 2022	As at 31 March 2021
31	**Contingent Liabilities, commitments and contingent assets**		
A.	**Contingent liabilities and capital commitments**		
(i)	Claims not acknowledged as debts	137.47	139.72
(ii)	Other items for which the group is contingently liable *	551.41	605.70
	Total	**688.88**	**745.42**

* Includes capital commitments of INR 378.11 (31 March 2021: INR 392.65) and Bank Guarantee of INR 173.30 (31 March 2021 : 213.05)

Claims against the company not acknowledged as debts in respect of Income Tax is INR 137.47 (31 March 2021: INR 139.72)

"The group's pending litigations include claims against the Bank by counterparties and proceedings pending with tax authorities. The group has reviewed its pending litigations and proceedings and has adequately provided for where provisions are required, and disclosed as contingent liabilities where applicable"

B. Commitments

There are no other commitments as at 31 March 2022 and 31 March 2021.

C. Contingent assets

There are no contingent assets as at 31 March 2022 and 31 March 2021.

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Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

32 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Derivatives have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the Group uses the same basis of expected repayment behaviour as used for estimating the EIR. Issued debt reflect the contractual coupon amortisations.

	As at 31 March 2022			As at 31 March 2021		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	18,682.82	-	18,682.82	11,670.16	-	11,670.16
Bank balance other than above	3.89	32.96	36.85	30.00	4.73	34.73
Derivative financial instruments	-	-	-	10.50	-	10.50
Loans	53,898.33	45,535.75	99,434.08	46,808.91	32,444.63	79,253.54
Investments	14,352.82	9,293.04	23,645.86	2,970.58	20,733.53	23,704.11
Other financial assets	560.39	141.64	702.03	569.54	112.55	682.09
Non-financial assets						
Current tax assets (net)	-	527.01	527.01	-	453.57	453.57
Deferred tax assets (net)	-	1,283.57	1,283.57	-	868.80	868.80
Property, plant and equipment	-	4,429.20	4,429.20	-	2,781.55	2,781.55
Capital work-in-progress	-	9.20	9.20	-	550.96	550.96
Other intangible assets	-	278.04	278.04	-	266.68	266.68
Other non-financial assets	252.59	39.19	291.78	153.43	64.10	217.53
Total Assets	**87,750.83**	**61,569.62**	**1,49,320.45**	**62,213.12**	**58,281.10**	**1,20,494.22**
Liabilities						
Financial liabilities						
Borrowings (other than debt securities)	9,437.71	12,549.90	21,987.61	9,025.62	13,253.11	22,278.73
Lease liability	533.28	1,693.46	2,226.74	401.76	1,679.43	2,081.19
Deposits	63,947.70	39,977.15	1,03,924.85	41,047.26	36,359.19	77,406.45
Subordinated liabilities	1,504.50	2,333.45	3,837.95	-	3,830.25	3,830.25
Other financial liabilities	1,563.16	160.56	1,723.73	1,206.65	131.25	1,337.90
Non-financial liabilities						
Current tax liabilities (net)	-	-	-	8.73	-	8.73
Provisions	-	58.41	58.41	-	64.9	64.90
Other non-financial liabilities	114.88	-	114.88	89.85	-	89.85
Total Liabilities	**77,101.24**	**56,772.94**	**1,33,874.18**	**51,779.87**	**55,318.13**	**1,07,098.00**
Net	**10,649.59**	**4,796.68**	**15,446.27**	**10,433.25**	**2,962.97**	**13,396.22**

33 Change in liabilities arising from financing activities

	As at 1 April 2021	Interest Accrued	Cashflows	Adjustment on account of Ind AS 116	Exchange differences	Others	As at 31 March 2022
Borrowings (other than debt securities)	22,278.72	35.32	(468.05)	-	(1.59)	143.21	21,987.61
Lease laibility	2,081.19	-	161.40	410.95	-	(426.80)	2,226.74
Deposits	77,406.45	905.14	25,613.80	-	-	(0.53)	1,03,924.85
Subordinated liabilities	3,830.25	0.03	-	-	-	7.67	3,837.95
Total Liabilities from financing activities	**1,05,596.62**	**940.49**	**3,028.43**	**410.95**	**(1.59)**	**(276.46)**	**1,31,977.16**

	As at 1 April 2020	Interest Accrued	Cashflows	Adjustment on account of Ind AS 116	Exchange differences	Others	As at 31 March 2021
Borrowings (other than debt securities)	28,262.50	36.36	(5,630.10)	-	(3.19)	(386.85)	22,278.72
Lease laibility	1,860.55	-	(453.06)	407.02		266.69	2,081.19
Deposits	54,275.82	507.32	22,623.25	-	-	0.06	77,406.45
Subordinated liabilities	1,977.93	3.05	1,850.00	-	-	(0.73)	3,830.25
Total Liabilities from financing activities	**86,376.80**	**546.73**	**18,390.09**	**407.02**	**(3.19)**	**(120.83)**	**1,05,596.62**

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Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

34 Employee benefits

The Group operates the following post-employment plans -

i. Defined Benefit plan

Gratuity

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

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation for gratuity were carried out as at 31 March 2022. The present value of the defined benefit obligations and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

	As at 31 March 2022	As at 31 March 2021
Net defined benefit liability	6.50	11.08

A) Funding

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

Expected contributions to gratuity plan for the year ending 31 March 2023 is INR 52.41.

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

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

	As at 31 March 2022			As at 31 March 2021		
	Defined benefit obligation	**Fair value of plan assets**	**Net defined benef (asset)/ liability**	**Defined benefit obligation**	**Fair value of plan assets**	**Net defined benefit (asset)/ liability**
Balance at the beginning of the year	158.88	147.80	11.08	114.54	109.92	4.62
Included in profit or loss			-			
Current service cost	47.63	-	47.63	42.76	-	42.76
Past Service credit	-	-	-	-	-	-
Interest cost (income)	7.80	7.25	0.54	6.18	5.93	0.25
Total (A)	**55.42**	**7.25**	**48.17**	**48.94**	**5.93**	**43.01**
Included in Other comprehensive income						
Remeasurements loss (gain)						
– Actuarial loss (gain) arising from:						
- demographic assumptions	-	-	-	-	-	-
- financial assumptions	(8.18)	-	(8.18)	(9.56)	-	(9.56)
- experience adjustment	3.92	-	3.92	8.56	-	8.56
– Return on plan assets excluding interest income	-	2.67	(2.67)	-	(2.07)	2.07
Total (B)	**(4.26)**	**2.67**	**(6.93)**	**(1.00)**	**(2.07)**	**1.07**
Other						
Contributions paid by the employer	-	48.70	(48.70)	-	37.61	(37.61)
Benefits paid	-	(16.95)	16.95	-	(3.60)	3.60
Benefits paid from revenue account of the Group	(14.07)	-	(14.07)	(3.60)	-	(3.60)
Total (C)	**(14.07)**	**31.74**	**(45.82)**	**(3.60)**	**34.01**	**(37.61)**
Balance at the end of the year	**195.97**	**189.47**	**6.50**	**158.88**	**147.80**	**11.08**

Amount recognised in Statement of Profit and Loss Account

	For the year ended 31 March 2022	For the year ended 31 March 2021
Gratuity Expenses	48.17	43.01

For detailed Break up please refer column 'Net defined benefit (asset)/ liability' in the above table

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Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

C. Plan assets

	As at 31 March 2022	As at 31 March 2021
Insurer managed funds	100%	100%

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

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

	As at 31 March 2022	As at 31 March 2021
Discount rate	5.75%	4.95%
Future salary growth	7% for first two years and 9% thereafter	7% for first two years and 9% thereafter
Withdrawal rate:		
For management	12% - 13.10%	12%-13.10%
For junior staff	31.90%	31.9%
Mortality	Indian Assured Lives Mortality (2012-14)	Indian Assured Lives Mortality (2012-14)

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion

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

	As at 31 March 2022		As at 31 March 2021	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(9.32)	10.31	(7.77)	8.60
Future salary growth (1% movement)	9.92	9.05	8.22	7.40

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

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

	As at 31 March 2022	As at 31 March 2021
(i) Duration of defined benefit obligation		
Duration (Years)		
0-1 years	36.75	16.95
1 to 5 years	115.55	64.70
More than 5	122.36	82.17
Total	**274.66**	**163.81**
(ii) Weighted Average duration of the defined benefit obligation	4-7 years	4-7 years

G. Description of risk exposures
Valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such group is exposed to various risks as follow -

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

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

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(All amounts are in Rupees millions unless otherwise stated)

Mortality Risk

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

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

Salary Risk

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

ii. Defined contribution plan

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

	As at 31 March 2022	As at 31 March 2021
Contribution to Provident Fund and other funds	337.50	218.30

iii. Other long-term benefits

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

	Year ended 31 March 2022	Year ended 31 March 2021
Amount recognised in Statement of Profit and Loss	39.13	37.69

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(All amounts are in Rupees millions unless otherwise stated)

35 Employee stock options

A Description of share-based payment arrangements

The Group has formulated an Employees Stock Option Scheme to be administered through a Trust. The Scheme is applicable to all the eligible employees of the Group. The scheme provides that subject to continued employment with the Group, the employees are granted an option to acquire equity shares of the Group that may be exercised within a specified period.
The Group formed Utkarsh ESOP Welfare Trust ('Trust') to issue ESOPs to employees of the Group as per Employee Stock Option Scheme. Total 1,200,000 equity shares has been reserved under ESOP scheme 2016 and pursuant to Shareholder agreement executed in the year 2016-17 additional 5,989,594 equity shares has been reserved for the purpose of ESOP scheme. The Group has given interest and collateral free loan to the trust, to provide financial assistance to purchase equity shares of the Group under such schemes.
The trust holds these shares for the benefit of the employees and issues them to the eligible employees as per the recommendation of the compensation committee. The Trust in turn allots the shares to employees on exercise of their right against cash. The compensation costs of stock options granted to employees are accounted by the Company using fair value method.
The Trust does not have any transactions/activities other than those mentioned above, hence it is treated as a part of the Group and gets consolidated with the books of the Group.
The Company granted 58,000 (31 March 2021: 2,159,575) options to the employees of the Group out of which 28,000 options have grant effective date of F.Y. 20-21 and which are not routed through the Trust.

The options vested shall be exercised within a period of 24 months from the date of vesting. The plan shall be administered, supervised and implemented by the Compensation Committee under the policy and frame work laid down by the Board of Directors of the Group in accordance with the authority delegated to the Compensation Committee in this regard from time to time.
The said ESOP scheme is an equity settled scheme as the same would lead to a settlement in its own equity instruments.

These options shall vest on graded basis as follows:

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

B Reconciliation of outstanding share options

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

	31 March 2022		31 March 2021	
	Number of share options (in Units)	Average exercise price per share	Number of share options (in Units)	Average exercise price per share
Outstanding options at the beginning of the year	49,55,238	113.29	38,51,484	105.89
Add: Granted during the year	30,000	125.00	16,59,575	125.00
Add: Granted during the year with Grant effective date pertaining to FY 20-21	28,000	125.00	5,00,000	110.92
Less: Lapsed/forfeited during the year	4,44,404	114.43	6,85,829	107.75
Less: Exercised during the year	7,41,297	101.63	2,07,558	101.63
Less: Adjustment of previous year	1,14,452	92.19	1,62,434	88.29
Outstanding options at the end of the year	**37,13,085**	**116.32**	**49,55,238**	**113.29**
Options vested and exercisable at the end of the year	13,19,425	114.03	11,18,318	102.95

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2022 was INR 101.63 (31 March 2021 INR 101.63).

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

Grant date	Expiry date	Exercise price	No of options outstanding As at 31 March 2022	As at 31 March 2021
1 April 2015	1 April 2017 - 1 April 2020	21.60	-	14,467
1 April 2016	1 April 2018 - 1 April 2021	21.60	-	68,046
1 April 2017	1 April 2019 - 1 April 2022	109.36	1,28,616.00	3,84,532
1 April 2018	1 April 2020 - 1 April 2023	109.36	5,83,580.00	11,77,302
1 April 2019	1 April 2021 - 1 April 2024	109.36	10,500.00	15,750
1 June 2019	1 June 2021 - 1 June 2024	109.36	13,38,030.76	15,85,566
9 Dec 2019	9 Dec 2021 - 9 Dec 2024	125.00	50,000.00	50,000
1 Oct 2020	1 Oct 2022 - 1 Oct 2025	125.00	15,72,358.41	16,59,575
1 April 2021	1 April 2023 - 1 April 2026	125.00	30,000.00	-

Weighted average remaining contractual life of options outstanding at the end of the period 4.43 years 4.06 years

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(All amounts are in Rupees millions unless otherwise stated)

D Measurement of Fair values

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option on the grant date ranged between INR 9.54 - 77.00
The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plans are as follows:

Grant date	Expiry date	Historical volatility	Exercise price	Share price	Risk free rate	Fair value
1 April 2014	1 April 2016 - 1 April 2019	33.83%	21.6	28.72	8.81%	11.57 - 16.12
1 April 2015	1 April 2017 - 1 April 2020	43.09%	21.6	45.51	7.74%	27.54 - 32.21
1 April 2016	1 April 2018 - 1 April 2021	52.41%	21.6	71.4	7.46%	53.15 - 57.95
1 April 2017	1 April 2019 - 1 April 2022	30.91%	109.36	82.19	6.68%	9.54 - 23.70
1 April 2018	1 April 2020 - 1 April 2023	29.51%	109.36	107.19	7.40%	23.88 - 42.55
1 June 2019	1 June 2021 - 1 June 2024	19.60%	109.36	132.13	7.03%	49.31 - 67.99
1 Oct 2020	1 Oct 2022 - 1 Oct 2025	47.00%	125.00	131.59	5.55%	50.10 - 65.77
1 April 2021	1 April 2023 - 1 April 2026	49.30%	125.00	142.50	5.80%	53.60 - 77.00

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

E. Expense recognised in statement of profit and loss

For details on the employee benefits expense, refer Note 27

F. Options granted by the subsidiary Utkarsh Small Finance Bank Limited

Description of share-based payment arrangements

During the FY2019-20, the Bank introduced Utkarsh Small Finance Bank Limited (USFBL) MD & CEO Employee Stock Option Plan 2020 to offer, grant and issue in one or more tranches, the Stock Options to Mr. Govind Singh, MD & CEO.

The bank received approval from RBI on 31st August 2021 for grant of 71,377 options as a part of the annual bonus for MD & CEO for FY 19 – 20, options were granted out of banks shares with effect from 6th November 2020 under the said scheme. The bank received approval for remuneration to MD & CEO for financial year 2020-21 from RBI on 12 January 2022 advising to defer non-cash component over next 3 years in 3 equal instalments of 33.33% each. Further, 50% of cash component to be paid upfront and remaining 50% to be deferred in next 3 years in equal instalments. Accordingly,bank has granted 4,56,817 ESOPs to MD & CEO at Rs. 14.01 per share w. e. f January 12, 2022 with vesting over next three years in equal proportion i.e. 33.33% each year.

During the year the Bank has granted 16,234,694 option under the Utkarsh Small Finance Bank Limited (USFBL) Employee Stock Option Plan 2020, to employees

The options vested can be exercised within a period of 24 months from the date of vesting. The said ESOP scheme is an equity settled scheme as the same would lead to a settlement in its own equity instruments.

These options shall vest on graded basis as follows:

Time period	General grant	Grant dated January 22, 2022 to MD & CEO	
On completion of 1 year	25%	33.33%	Service
On completion of 2 years	25%	33.33%	Service
On completion of 3 years	25%	33.33%	Service
On completion of 4 years	25%	-	Service

Reconciliation of outstanding share options

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

	31 March 2022		31 March 2021	
	Number of share options (in Units)	Average exercise price per share	Number of share options (in Units)	Average exercise price per share
Outstanding options at the beginning of the year	-	-	-	-
Add: Granted during the year	1,61,63,317	26.57	-	-
Add: Granted during the year with Grant effective date pertaining to FY 20-21	71,377	14.01	-	-
Less: Lapsed/forfeited during the year	18,94,250	27.00	-	-
Less: Exercised during the year	17,844	14.01	-	-
Less: Adjustment of previous year	-		-	-
Outstanding options at the end of the year	**1,43,22,600**	**27.00**	**-**	**-**
Options vested and exercisable at the end of the year	-	-	-	-

The weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2022 was INR 14.01(31 March 2021 - Nil).

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

Grant date	Expiry date	Exercise price	No of options outstanding As at 31 March 2022	As at 31 March 2021
6 November 2020	6 Nov 2023 - 6 Nov 2026	14.01	53,533.00	-
1 August 2021	1 Aug 24 - 1 Aug 2027	27.00	1,37,17,250.00	-
1 October 2021	1 Oct 2024 - 1 Oct 2027	30.00	15,000.00	-
18 October 2021	18 Oct 2024 - 18 Oct 2027	31.80	20,000.00	-
8 November 2021	8 Nov 2024 - 8 Nov 2027	31.80	20,000.00	-
1 January 2022	1 Jan 2025 - 1 Jan 2028	31.80	40,000.00	-
12 January 2022	12 Jan 2025 - 12 Jan 2028	14.01	4,56,817	-

Weighted average remaining contractual life of options outstanding at the end of the period 4.00 years -

Measurement of Fair values

The fair value of employee share options has been measured using Black-Scholes model. The weighted average fair value of each option on the grant date ranged between INR 11.44 - 17.00

The fair value of the options and the inputs used in the measurement of the grant-date fair values of the equity-settled share based payment plans are as follows:

Grant date	Expiry date	Historical volatility	Exercise price	Share price	Risk free rate	Fair value
6 November 2020	6 Nov 2023 - 6 Nov 2026	52.20%	14.01	10	4.10%	15.15 - 18.52
1 August 2021 to 1 January 2022	1 Aug 2024 - 1 Jan 2028	49.80%	27.00 to 31.80	10	4.48%	11.44 - 17.00
12 January 2022	12 Jan 2025 - 12 Jan 2028	49.80%	14.01	10	4.48%	11.44 - 17.00

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

Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

36 Related party disclosure

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

A. Name of the Related Party	Nature of Relationship
a. Key managerial personnel / Others	
i Mr. Ashwani Kumar	– Managing Director & CEO
ii Mr. G.S. Sundararajan	– Director
iii Mr. Gaurav Malhotra	– Nominee Director
iv Mr. Atul	– Director
v Ms. Ramni Nirula	– Director (ceased to be Director w.e.f. 19 May 2020)
vi Mr. Harjeet Toor	– Nominee Director
vii Mr. Aditya Deepak Parekh	– Nominee Director
viii Mr. Vishal Mehta	– Nominee Director (ceased to be Director w.e.f. 29 Sep 2020)
ix CDC	– Investor (holding more than 10% equity share capital)

B. Compensation of key managerial personnel

	As at 31 March 2022	As at 31 March 2021
Short-term employee benefits		
Ashwani Kumar	4.84	3.60
GS Sundararajan	0.85	0.85
Post-employment defined benefit plan		
Ashwani Kumar	0.71	0.61
Other long term benefits		
Ashwani Kumar	0.86	0.84
Share-based payments		
Ashwani Kumar	0.38	0.11
Sitting fees		
G S Sundararajan	0.74	0.59
Atul	0.67	0.57
Ramni Nirula	-	0.05
	9.07	**7.22**

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

C. Transactions with related parties

CDC: Interest expense	181.50	181.50
Key Managerial Personnel: Purchase of Securities	0.07	-
Bank deposits		
Mr. Ashwani Kumar	9.39	7.06
Ms. Ramni Nirula	13.73	1.17
Mr. Aditya Deepak Parekh	0.0	0.00

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

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

Name of related party	As at 31 March 2022	As at 31 March 2021
i. CDC		
Debt securities issued to CDC	1,499.21	1,494.42
ii. Mr. Ashwani Kumar		
Saving bank deposits	0.72	2.74
Fixed deposits	0.01	0.01
iii. Ms. Ramni Nirula		
Saving bank deposits	1.27	1.94
Fixed deposits	8.05	6.85
iv. Mr. Aditya Deepak Parekh		
Saving bank deposits	0.00	0.00
v. Mr. G S Sundararajan		
Fixed deposits	10.96	10.22

(All amounts are in Rupees millions unless otherwise stated)

37 Earnings per share

Particulars		For the year ended 31 March 2022	For the year ended 31 March 2021
a) Basic earning per share			
Profit after tax		622.13	255.16
Weighted average number of equity shares outstanding during the year – Basic	Nos.	9,78,35,171	9,72,00,515
b) Diluted earning per share			
Adjusted net profit/(loss) for the year		622.13	255.16
Weighted average number of equity shares outstanding during the year – Basic	Nos.	9,78,35,171	9,72,00,515
Add: Weighted average number of potential equity shares on account of employee stock options	Nos.	6,97,515	8,84,436
Weighted average number of equity shares outstanding during the year – Diluted	Nos.	9,85,32,686	9,80,84,950
Earnings per share			
Basic – par value of Rs.10 each	INR	6.36	2.63
Diluted - par value of Rs.10 each	INR	6.31	2.60

38 Operating segments

The Board has been identified as the Chief Operating Decision Maker (CODM) as defined by Ind AS 108, "Operating Segments." The Group's operating segments are established in the manner consistent with the components of the Group that are evaluated regularly by the Chief Operating Decision Maker as defined in 'Ind AS 108 - Operating Segments.' The Group is engaged primarily in the business of banking and there are no separate reportable segments as per Ind AS 108.

a. **Information about products and services:**

The Group deals in only one product i.e. granted loans to customers. Hence, no separate disclosure is required.

b. **Information about geographical areas:**

The entire sales of the Group are made to customers which are domiciled in India. Also, all the assets of the Group are located in India.

c. **Information about major customers (from external customers):**

The Group does not earn revenues from the customers which amount to 10 per cent or more of Group's revenues

39 Transfers of financial assets

In the ordinary course of business, the Group enters into transactions that result in the transfer of loans and advances. In accordance with the accounting policy set out in Note 2, the transferred financial assets continue to be recognised in their entirety or to the extent of the Group's continuing involvement, or are derecognised in their entirety.

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Utkarsh CoreInvest Limited

Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

40 Financial instruments - fair value and risk management

A. Financial instruments by category

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

Particulars	As at 31 March 2022 FVTPL	FVTOCI	Amortised cost
Financial assets:			
Cash and cash equivalents	-	-	18,682.82
Bank balance other than above	-	-	36.85
Loans	-	-	99,434.08
Investments	-	23,645.86	-
Other financial assets	-	-	702.03
	-	**23,645.86**	**1,18,855.78**
Financial liabilities:			
Borrowings (other than debt securities)	-	-	21,987.61
Lease liability	-	-	2,226.74
Deposits	-	-	1,03,924.85
Subordinated liabilities	-	-	3,837.95
Other financial liabilities	-	-	1,723.72
	-	**-**	**1,33,700.88**

Particulars	As at 31 March 2021 FVTPL	FVTOCI	Amortised cost
Financial assets:			
Cash and cash equivalents	-	-	11,670.16
Bank balance other than above	-	-	34.73
Derivative financial instruments	10.5	-	-
Loans	-	-	79,253.54
Investments	-	23,704.11	-
Other financial assets	-	-	682.09
	10.50	**23,704.11**	**91,640.52**
Financial liabilities:			
Borrowings (other than debt securities)	-	-	22,278.72
Lease liability	-	-	2,081.19
Deposits	-	-	77,406.45
Subordinated liabilities	-	-	3,830.25
Other financial liabilities	-	-	1,337.89
	-	**-**	**1,06,934.51**

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Notes to consolidated financial statements for the year ended 31 March 2022

(All amounts are in Rupees millions unless otherwise stated)

B. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are:
(a) recognised and measured at fair value and
(b) measured at amortised cost and for which fair values are disclosed in the financial statements.

To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table. During the year there were no transfer between Level 1 and Level 2. Similarly, there were no transfers from or transfer to Level 3.

Financial assets measured at fair value - recurring fair value measurements

As at 31 March 2022	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	-	-	-
Investments	23,645.86	-	-	23,645.86
	23,645.86	**-**	**-**	**23,645.86**

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

As at 31 March 2022	Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	18,682.82	-	-	18,682.82	18,682.82
Bank balance other than above	36.85	-	-	36.85	36.85
Loans	99,434.08	-	-	99,435.73	99,435.73
Other financial assets	702.03	-	-	702.03	702.03
	1,18,855.78	**-**	**-**	**1,18,857.43**	**1,18,857.43**
Financial liabilities:					
Borrowings (other than debt securities)	21,987.61	-	-	22,371.84	22,371.84
Lease liability	2,226.74	-	-	2,226.74	2,226.74
Deposits	1,03,924.85	-	-	1,03,924.85	1,03,924.85
Subordinated liabilities	3,837.95	-	-	3,878.21	3,878.21
Other financial liabilities	1,723.72	-	-	1,723.72	1,723.72
	1,33,700.88	**-**	**-**	**1,34,125.36**	**1,34,125.36**

Financial assets measured at fair value - recurring fair value measurements

As at 31 March 2021	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	10.50	-	10.50
Investments	23,704.11	-	-	23,704.11
	23,704.11	**10.50**	**-**	**23,714.61**

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

As at 31 March 2021	Amortised cost	Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and cash equivalents	11,670.16	-	-	11,670.16	11,670.16
Bank balance other than above	34.73	-	-	34.73	34.73
Loans	79,253.54	-	-	79,253.54	79,253.54
Other financial assets	682.09	-	-	682.09	682.09
	91,640.52	**-**	**-**	**91,640.52**	**91,640.52**
Financial liabilities:					
Borrowings (other than debt securities)	22,278.72	-	-	22,389.27	22,389.27
Lease liability	2,081.19			2,081.19	2,081.19
Deposits	77,406.45	-	-	77,406.45	77,406.45
Subordinated liabilities	3,830.25	-	-	4,375.29	4,375.29
Other financial liabilities	1,337.89	-	-	1,337.89	1,337.89
	1,06,934.51	**-**	**-**	**1,07,590.09**	**1,07,590.09**

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C. Valuation framework

The finance department of the group relies on external valuers to perform the valuations of financial assets and liabilities required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held between the CFO and the external valuer at every twelve months, in line with the group's annual reporting periods. Specific controls include :

- verification of observable pricing
- re-performance of model valuations
- review and approval process for new models and changes to models
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments

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

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

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

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

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates and expected price volatilities and correlations.

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

The Group uses widely recognised valuation models to determine the fair value of common and simple financial instruments, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for OTC derivatives such as forward rate agreements. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values.

Financial instruments valued at carrying value

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

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41 Financial risk management

The group's activities exposure it to credit risk, liquidity risk, market risk and operational risk.

A. Risk management framework

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

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

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

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

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

B. Credit risk

Credit risk arises from loans and advances, cash and cash equivalents, investment in debt securities and deposits with banks and financial institutions and any other financial assets.

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's asset on finance and trade receivables from customers; loans and investments in debt securities.

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

a) Credit risk management

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:
• significant financial difficulty of the borrower or issuer;
• a breach of contract such as a default or past due event;
• the restructuring of a loan or advance by the group on terms that the group would not consider otherwise; or
• it is becoming probable that the borrower will enter bankruptcy or other financial re-organization;

The risk management committee has established a credit policy under which each new customer is analyzed individually for credit worthiness before the group's standard payment and delivery terms and conditions are offered. The group's review includes external ratings, if they are available, background verification, financial statements, income tax returns, credit agency information, industry information, etc. Credit limits are established for each customer and reviewed quarterly. Any loan exceeding those limits require approval from the risk management committee.

(b) Definition of default and cure

The group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

The group considers probability of default upon initial recognition of asset and whether there has been any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Following indicators are incorporated:
- DPD analysis as on each reporting date
- actual or expected significant adverse changes in business, financial or economic condition that are expected to cause a significant change to borrower's ability to meet its obligations.
- significant increase in credit risk on other financial instruments of same borrower.
- significant changes in value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements.
- significant changes in expected performance and behavior of the borrower including changes in payment status of borrowers and changes in operating results.

Macroeconomic information (such as regulatory changes, market interest rate or growth rates) is incorporated as part of the internal rating model. In general, it is presumed that credit risk has significantly increased since initial recognition if the payments are more than 30 days past due.

(c) Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the group assesses the possible default events within 12 months for the calculation of the 12 months ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The Ind AS 109 PDs are then assigned to each economic scenario based on the outcome of group's models.

(d) Loss given default

For JLG loans, loss given default (LGD) values are assessed based on historical data, LGD is calculated at 50%, however recent high collection from NPA is temporary and need some more time to reduce it substantially. Bank continued previous years LGD i.e 62.5%.

For MSME unsecured loan LGD values are assessed based on actual historical data, LGD is calculated for FY22 is 61%. For corporate loans, regulatory LGD is considered as defined by RBI in IRB approach for capital calculation.

For MSME Secured 30%, Housing Loan 20% and Wheels 30% LGD is considered while the calculated LGD is much lower.

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The group segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data.

Under Ind AS 109, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI Ind AS 109 segment of each asset class.

(All amounts are in Rupees millions unless otherwise stated)

(e) Significant increase in credit risk

The group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

f) Expected credit loss on Loans

The group assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account accounting instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, collateral type and other relevant factors.

The group considers defaulted assets as those which are contractually past due 90 days, other than those assets where there is empirical evidence to the contrary. Financial assets which are contractually past due 30 days are classified under Stage 2 - life time ECL, not credit impaired, barring those where there is empirical evidence to the contrary. The group considers financial instruments to have low credit risk if they are rated internally or externally within the investment grade. An asset migrates down the ECL stage based on the change in the risk of a default occurring since initial recognition. If in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the loan loss provision stage reverses to 12-months ECL from lifetime ECL.

The group measures the amount of ECL on a financial instrument in a way that reflects an unbiased and probability-weighted amount. The group considers its historical loss experience and adjusts the same for current observable data. The key inputs into the measurement of ECL are the probability of default, loss given default and exposure at default. These parameters are derived from the group's internally developed statistical models and other historical data. In addition, the group uses reasonable and supportable information on future economic conditions including macroeconomic factors such as interest rates, gross domestic product, inflation, industry and expected direction of the economic cycle. Since incorporating these forward looking information increases the judgment as to how the changes in these macroeconomic factor will affect ECL, the methodology and assumptions are reviewed regularly. The following table presents the key macroeconomic indicators used for the purposes of measurement of ECL in the periods presented.

Macro economic indicator	As at 31 March 2022	As at 31 March 2021
Agriculture (% real change)	-	4.20
GDP growth	-	13.00
Industry (% real change)	-	14.40
GDP Real	8.52	-
CPI	4.88	-
Total Investment(%)	30.29	-

The group's exposure to credit risk for loans, investments and other financial assets by type of counterparty is as follows.

	As at 31 March 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances at amortised cost					
Current (not past due)	92,855.14	-	-	-	92,855.14
1-30 days past due	3,537.11	-	-	-	3,537.11
31-60 days past due	-	1,434.86	-	-	1,434.86
61-90 days past due	-	1,563.73	-	-	1,563.73
More than 90 days past due	-	-	6,453.34	-	6,453.34
	96,392.25	2,998.59	6,453.34	-	1,05,844.18
Loss allowance	(1,301.28)	(1,023.43)	(4,085.40)	-	(6,410.11)
Carrying value	**95,090.97**	**1,975.17**	**2,367.94**	**-**	**99,434.07**

	Stage 1	Stage 2	Stage 3	POCI	Total
Other financial assets at amortised cost					
BBB - to AAA	703.01	-	-	-	703.01
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	703.01	-	-	-	703.01
Loss allowance	(0.98)	-	-	-	(0.98)
Carrying value	**702.03**	**-**	**-**	**-**	**702.03**

	Stage 1	Stage 2	Stage 3	POCI	Total
Investment in debt securities at FVTOCI					
BBB - to AAA	23,650.12	-	-	-	23,650.12
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	23,650.12	-	-	-	23,650.12
Loss allowance	(4.26)	-	-	-	(4.26)
Amortised cost	**23,645.86**	**-**	**-**	**-**	**23,645.86**
Bank balances					
BBB - to AAA	17,887.30	-	-	-	17,887.30
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	17,887.30	-	-	-	17,887.30
Loss allowance	(0.32)	-	-	-	(0.32)
Amortised cost	**17,886.98**	**-**	**-**	**-**	**17,886.98**

(All amounts are in Rupees millions unless otherwise stated)

	As at 31 March 2021				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loans and advances at amortised cost					
Current (not past due)	68,941.32	-	-	-	68,941.32
1-30 days past due	5,511.39	-	-	-	5,511.39
31-60 days past due	-	4,875.67	-	-	4,875.67
61-90 days past due	-	919.32	-	-	919.32
More than 90 days past due	-	-	3,335.46	-	3,335.46
	74,452.71	5,794.99	3,335.46	-	83,583.16
Loss allowance	(731.06)	(1,486.56)	(2,112.00)	-	(4,329.62)
Carrying value	**73,721.65**	**4,308.44**	**1,223.46**	**-**	**79,253.54**

Other financial assets at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
BBB - to AAA					
BB- to BB+	682.82	-	-	-	682.82
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	682.82	-	-	-	682.82
Loss allowance	(0.73)	-	-	-	(0.73)
Carrying value	**682.09**	**-**	**-**	**-**	**682.09**

Investment in debt securities at FVTOCI	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
BBB - to AAA	23,705.42	-	-	-	23,705.42
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	23,705.42	-	-	-	23,705.42
Loss allowance	(1.31)	-	-	-	(1.31)
Amortised cost	**23,704.11**	**-**	**-**	**-**	**23,704.11**
Bank balances					
BBB - to AAA	11,077.85	-	-	-	11,077.85
BB- to BB+	-	-	-	-	-
B- to B+	-	-	-	-	-
C to CCC+	-	-	-	-	-
D	-	-	-	-	-
	11,077.85	-	-	-	11,077.85
Loss allowance	(0.38)				(0.38)
Amortised cost	**11,077.47**	**-**	**-**	**-**	**11,077.47**

The group has applied a three-stage approach to measure expected credit losses (ECL) on loans and investment in debt securities accounted for at amortised cost and FVOCI. Loss rates are calculated using a 'Transition Matrix' method based on the probability of a receivable in 12 months time interval. Assets migrate through following three stages based on the changes in credit quality since initial recognition:

(a) Stage 1: 12- months ECL: For exposures where there is no significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12- months is recognized.

(b) Stage 2: Lifetime ECL, not credit-impaired: For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL is recognized.

(c) Stage 3: Lifetime ECL, credit-impaired: Financial assets are assessed as credit impaired upon occurrence of one or more events that have a detrimental impact on the estimated future cash flows of that asset. For financial assets that have become credit-impaired, a lifetime ECL is recognized and interest revenue is calculated by applying the effective interest rate to the amortised cost.

At each reporting date, the group assesses whether there has been a significant increase in credit risk of its financial assets since initial recognition by comparing the risk of default occurring over the expected life of the asset. In determining whether credit risk has increased significantly since initial recognition, the group uses information that is relevant and available without undue cost or effort. This includes the group's internal credit rating grading system, external risk ratings and forward-looking information to assess deterioration in credit quality of a financial asset.

(All amounts are in Rupees millions unless otherwise stated)

As at 31 March 2022

Macro economic indicator	2022	2023	2024	2025	2026
Agriculture (% real change)	Base - 8.52 Upside - 15.06 Downside - 1.98	Base - 6.57 Upside - 13.34 Downside - (0.20)	Base - 6.29 Upside - 13.06 Downside - (0.48)	Base - 6.19 Upside - 13.01 Downside - (0.64)	Base - 6.08 Upside - 7.58 Downside - 4.57
GDP growth	Base - 4.88 Upside - 3.68 Downside - 6.07	Base - 4.32 Upside - 3.29 Downside - 5.34	Base - 4.09 Upside - 3.36 Downside - 4.82	Base - 4.02 Upside - 3.15 Downside - 4.88	Base - 4.05 Upside - 3.40 Downside - 4.69
Industry (% real change)	Base - 30.29 Upside - 31.38 Downside - 29.19	Base - 30.63 Upside - 31.70 Downside - 29.56	Base - 30.85 Upside - 31.46 Downside - 30.25	Base - 31.08 Upside - 31.73 Downside - 30.43	Base - 31.34 Upside - 31.87 Downside - 30.80

As at 31 March 2021

Macro economic indicator	2021	2022	2023	2024	2025
Agriculture (% real change)	Base - 3.5 Upside - 3.5 Downside - 3.5	Base - 4.2 Upside - 4.2 Downside - 3.4	Base - 3.1 Upside - 3.1 Downside - 2.5	Base - 3.3 Upside - 3.3 Downside - 2.6	Base - 3.0 Upside - 3.0 Downside - 2.4
GDP growth	Base - (7.0) Upside - (7.0) Downside - (7.0)	Base - 13.0 Upside - 13.0 Downside - 10.4	Base - 4.5 Upside - 4.5 Downside - 3.6	Base - 5.5 Upside - 5.5 Downside - 4.4	Base - 5.3 Upside - 5.3 Downside - 4.2
Industry (% real change)	Base - (7.5) Upside - (7.5) Downside - (7.5)	Base - 14.4 Upside - 14.4 Downside - 11.5	Base - 4.2 Upside - 4.2 Downside - 3.4	Base - 6.4 Upside - 6.4 Downside - 5.1	Base - 6.6 Upside - 6.6 Downside - 5.3

Expected credit loss on other financial assets

The group assesses whether the credit risk on a financial asset has increased significantly on collective basis. For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into account accounting instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower, collateral type, and other relevant factors.

The group monitors changes in credit risk by tracking published external credit ratings. In order to determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the group supplements this by reviewing changes in government bond yields together with available press and regulatory information about issuers.

Expected credit loss on Investments in Debt securities

The group limits its exposure to credit risk by investing only in government securities and only with counterparties that have a credit rating of at least A-1 from S&P and/ or from CRISIL.

The group monitors changes in credit risk by tracking published external credit ratings. In order to determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the group supplements this by reviewing changes in government bond yields together with available press and regulatory information about issuers.

12-month and lifetime probabilities of default are based on historical data supplied by S&P for each credit rating and are recalibrated based on current government bond yields. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 40% except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

The following table presents an analysis of the credit quality of debt securities at amortised cost, at FVTOCI and FVTPL. It indicates whether assets measured at amortised cost or FVTOCI were subject to a 12 month expected credit loss (ECL) or lifetime ECL allowance and, in the latter case, whether they were credit impaired.

Bank balances

The significant portion of Bank balances are held with bank and financial institution counterparties, which are rated A+ to AAA, based on Credit ratings.

Impairment on bank balances has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The group considers that its bank balances have low credit risk based on the external credit ratings of the counterparties.

The group uses a similar approach for assessment of ECLs for bank balances as used for investment in debt securities.

(All amounts are in Rupees millions unless otherwise stated)

g) Movements in the allowance for impairment in respect of loans, Investment in debt securities, trade receivables and other financial assets

The movement in the allowance for impairment in respect of asset on finance, trade receivables and other financial assets is as follows:

Loans and advances at amortised cost (including loan commitments)

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses		Total
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired	
Loss allowance on 31 March 2020	**809.58**	**64.35**	**375.61**	**1,249.54**
Transfer to Stage 1	5.63	(5.40)	(0.22)	0.00
Transfer to Stage 2	(69.50)	69.84	(0.35)	0.00
Transfer to Stage 3	(38.43)	(32.54)	70.97	-
Net remeasurement of loss allowance	(62.20)	1,415.10	2,077.68	3,430.58
New financial assets originated or purchased	515.81	-	-	515.81
Transfer - financial assets originated or purchased	(1.33)	1.04	0.29	-
Financial assets that have been derecognised	(423.61)	(25.82)	(59.60)	(509.04)
Write offs	-	-	(352.38)	(352.38)
Loss allowance on 31 March 2021	**735.95**	**1,486.56**	**2,112.00**	**4,334.51**
Transfer to Stage 1	95.53	(86.45)	(9.08)	-
Transfer to Stage 2	(19.24)	20.28	(1.04)	-
Transfer to Stage 3	(34.04)	(509.49)	543.53	-
Net remeasurement of loss allowance	3.09	930.40	4,049.83	4,983.32
New financial assets originated or purchased	975.64	-	-	975.64
Transfer - financial assets originated or purchased	(20.05)	10.77	9.28	-
Financial assets that have been derecognised	(430.73)	(828.65)	(425.31)	(1,684.69)
Write offs	-	-	(2,193.83)	(2,193.83)
Loss allowance on 31 March 2022	**1,306.14**	**1,023.43**	**4,085.40**	**6,414.94**

The contractual amount outstanding on loans and advances measured at amortised cost that were written off during the year ended 31 March 2022 and are still subject to enforcement activity is INR 2193.83 (31 March 2021 - INR 352.37).

JLG accounts were last restructured in July 2021 without giving any moratorium to customer. Hence all restructured account has atleast shown 9 months of performance. Considering the same, it is divided as per actual DPD. Other than JLG, all standard restructured account are classified as stage 2. All these accounts were given moratorium of 3 to 6 months..

Investment in Debt securities at FVTOCI

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses		Total
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired	
Loss allowance on 31 March 2020	**0.61**	**-**	**-**	**0.61**
Transfer to Stage 1	-	-	-	**-**
Transfer to Stage 2	-	-	-	**-**
Transfer to Stage 3	-	-	-	**-**
Net remeasurement of loss allowance	0.01	-	-	**0.01**
New financial assets originated or purchased	0.77	-	-	**0.77**
Financial assets that have been derecognised	(0.08)	-	-	**(0.08)**
Write offs	-	-	-	**-**
Loss allowance on 31 March 2021	**1.31**	**-**	**-**	**1.31**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	1.91	-	-	1.91
New financial assets originated or purchased	1.49	-	-	1.49
Financial assets that have been derecognised	(0.45)	-	-	(0.45)
Write offs	-	-	-	-
Loss allowance on 31 March 2022	**4.26**	**-**	**-**	**4.26**

(All amounts are in Rupees millions unless otherwise stated)

Other financial assets at amortised cost

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses		Total
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired	
Loss allowance on 31 March 2020	**0.69**	-	-	**0.69**
New financial assets originated or purchased	0.73	-	-	0.73
Financial assets that have been derecognised	(0.69)	-	-	(0.69)
Loss allowance on 31 March 2021	**0.73**	-	-	**0.73**
New financial assets originated or purchased	0.98	-	-	0.98
Financial assets that have been derecognised	(0.73)	-	-	(0.73)
Loss allowance on 31 March 2022	**0.98**	-	-	**0.98**

Bank balances

Reconciliation of loss allowance	Loss allowance measured at 12 month expected losses	Loss allowance measured at life-time expected losses		Total
		Financial assets for which credit risk has increased significantly and not credit-impaired	Financial assets for which credit risk has increased significantly and credit-impaired	
Loss allowance on 31 March 2020	**0.10**	-	-	**0.10**
Net remeasurement of loss allowance	0.28			0.28
Loss allowance on 31 March 2021	**0.38**	-	-	0.38
Net remeasurement of loss allowance	(0.06)			(0.06)
Loss allowance on 31 March 2022	**0.32**	-	-	**0.32**

h) Collateral held and other credit enhancements

As of 31 March 2022, 78.62% of the Group's retail loans were unsecured (31 March 2021: 86.46%). The Group's retail loans are generally secured by a charge on the asset financed (vehicle loans and property loans). Retail business banking loans are secured with current assets as well as immovable property and fixed assets in some cases.

Collateral securing each individual loan may not be adequate in relation to the value of the loan. All borrowers must meet the Bank's internal credit assessment procedures, regardless of whether the loan is secured. In addition to the collateral stated above, the Group holds other types of collateral such as second charges and floating charges for which specific values are generally not available.

The following table sets out the principal types of collateral held against different types of financial assets.

As at 31 March 2022	Maximum exposur to credit risk	Land or Building	Fixed Deposits	Total Collateral	Net Exposure	Associated ECLs
Cash and cash equivalents	18,683.13	-	-	-	18,683.13	(0.31)
Other bank balances	36.86	-	-	-	36.86	(0.01)
Loans and advances	1,05,844.18	21,965.78	657.85	22,623.64	83,220.55	(6,410.10)
Other financial assets	703.01			-	703.01	(0.98)
Total financial assets at amortised cost	**1,25,267.18**	**21,965.78**	**657.85**	**22,623.64**	**1,02,643.54**	**(6,411.40)**
Investments in debt securities	23,645.86	-	-	-	23,645.86	(4.26)
Total financial assets at FVTOCI	**23,645.86**	**-**	**-**	**-**	**23,645.86**	**(4.26)**
Total financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**-**

As at 31 March 2021	Maximum exposur to credit risk	Land or Building	Fixed Deposits	Total Collateral	Net Exposure	Associated ECLs
Cash and cash equivalents	11,670.52			-	11,670.52	(0.36)
Other bank balances	34.75			-	34.75	(0.02)
Loans and advances	83,583.16	5,688.61	544.98	6,233.59	77,349.57	(4,329.62)
Other financial assets	682.82			-	682.82	(0.73)
Total financial assets at amortised cost	**95,971.25**	**5,688.61**	**544.98**	**6,233.59**	**89,737.66**	**(4,330.73)**
Investments in debt securities	23,704.11			-	23,704.11	(1.31)
Total financial assets at FVTOCI	**23,704.11**	**-**	**-**	**-**	**23,704.11**	**(1.31)**
Total financial assets at FVTPL	**-**	**-**	**-**	**-**	**-**	**-**

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECLs when the expected value of the collateral is greater than the LGD, even in if the future value of collateral is forecast using multiple economic scenarios. However, the Stage 3 ECL can be higher than net exposure show below when the future value of collateral, measured using multiple economic scenarios, is expected to decline.

As at 31 March 2022	Maximum exposur to credit risk	Land or Building	Fixed Deposits	Total Collateral	Net Exposure	Associated ECLs
Loans and advances	6,453.34	213.06	-	213.06	6,240.27	(4,085.40)
Total financial assets at amortised cost	**6,453.34**	**213.06**	**-**	**213.06**	**6,240.27**	**(4,085.40)**

As at 31 March 2021	Maximum exposur to credit risk	Land or Building	Fixed Deposits	Total Collateral	Net Exposure	Associated ECLs
Loans and advances	3,335.46	15.54	-	15.54	3,319.92	(2,112.00)
Total financial assets at amortised cost	**3,335.46**	**15.54**	**-**	**15.54**	**3,319.92**	**(2,112.00)**

i) Concentration of risk

The group monitors credit risk by sector and by geographic location. An analysis of grouping of credit risk from loans and advances, loan commitments, financial guarantees and investment securities is shown below.

Loans and advances to customers	As at 31 March 2022	As at 31 March 2021
Carrying amount	1,05,844.18	83,583.16
Concentration by sector		
Corporate:		
Wholesale Lending	9,294.25	5,031.09
Retail:		
Mortgages	13,330.56	6,364.31
Unsecured lending	83,219.37	72,761.20
Total	**1,05,844.18**	**84,156.60**
Concentration by location		
India	1,05,844.18	84,156.60

Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

Investments	As at 31 March 2022	As at 31 March 2021
Carrying amount	23,645.86	23,704.11
Concentration by sector		
Corporate/ NBFC	2,995.39	1,650.80
Government	20,650.47	22,053.31
Banks		
Mutual funds		
Total	**23,645.86**	**23,704.11**
Concentration by location		
India	23,645.86	23,704.11

Concentration by location for loans and advances, loan commitments and financial guarantees, is based on the customer's country of domicile.
Concentration by location for investment securities is based on the country of domicile of the issuer of the security.

Modification loss on Financial Instruments

As per Ind AS 109, when the contractual cash flows of a financial asset are renegotiated or otherwise modified the entity shall evaluate whether said modification is a substantial modification or not. For modification of financial assets standard do not state any threshold test however a reference can be drawn from quantitative and qualitative tests provided for modification of financial liability.

As per regulatory guideline, the Group has granted 6 months moratorium period to its borrowers w.r.t payment of installment during the moratorium period. The said amounts to modification in the original contractual cash flows. As per Ind AS 109, the Group has to evaluate whether such modification in original contractual cash flows is substantial or not and accordingly account for in the books of accounts.

The Group has performed a 10% quantitative test for the modification of cash flows by comparing present value of modified cash flows using original EIR rate with the outstanding balances as per EIR method on the date of modification and the difference between present value of future cash flows and outstanding balances is less than 10%. According the Group has conclude said modification as non-substantial in nature.

As per Ind AS 109, if the modification is not substantial, the Group shall continue to recognise the loan at the present value of modified cash flows discounted using the original EIR rate and the difference between the carrying value and present value is recognised as a modification loss in the profit and loss account.

The said modification loss would result in reduction of carrying value of the loan and the same will be un-winded by recognition of higher interest income in profit and loss account as compared to the contractual interest income over the remaining tenure of the loan

During the year, the Group has restructured loans & accordingly the net impact of modification loss on Moratorium plus restructuring of INR 1,022.21 has been accounted in the books.

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(All amounts are in Rupees millions unless otherwise stated)

C. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities over the next six months. The Group also monitors the level of expected cash inflows on asset on finance, trade receivables and loans together with expected cash outflows on borrowings, payables and other financial liabilities.

Currently the Group is not having any lines of credit.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial labilities at the reporting date. The amount are gross and undiscounted, and excludes contractual interest payments and exclude the impact of netting agreements.

	Contractual cash flows						
As at 31 March 2022	**Carrying amount**	**Gross nominal inflow/ (outflow)**	**6 month or less**	**6-12 months**	**1-3 years**	**3-5 years**	**More than 5 years**
Non - derivative financial liabilities							
Borrowings (Other than Debt Securities)	21,987.61	(22,104.91)	3,222.51	6,257.30	12,606.10	14.40	4.60
Lease liability	2,226.74	(3,057.74)	292.28	241.00	1,083.41	816.39	624.67
Deposits	1,03,924.85	(1,03,923.56)	40,573.05	23,374.65	38,855.39	510.74	609.73
Subordinated Liabilities	3,837.95	(3,854.50)	1,504.50	-	-	400.00	1,950.00
Other financial liabilities	1,723.72	(1,723.46)	873.81	689.36	145.41	-	14.89
Non-derivative financial assets							
Cash and cash equivalents*	18,682.82	18,683.13	18,683.13	-	-	-	-
Bank balances other than cash and cash equivalents	36.85	36.86	1.61	0.41	31.46	-	3.38
Loans	99,434.08	1,02,848.56	29,980.24	26,028.58	34,813.57	5,157.91	6,868.25
Investments#	23,645.86	23,523.46	3,445.74	755.78	2,287.25	4,344.55	12,690.14
Other Financial assets	702.03	764.92	452.13	108.26	30.84	173.35	0.33
Derivative financial assets							
Risk management:							
- Outflow	-	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-	-

	Contractual cash flows						
As at 31 March 2021	**Carrying amount**	**Gross nominal inflow/ (outflow)**	**6 month or less**	**6-12 months**	**1-3 years**	**3-5 years**	**More than 5 years**
Non - derivative financial liabilities							
Borrowings (Other than Debt Securities)	22,278.72	(22,281.53)	6,589.41	2,439.07	10,953.08	2,299.97	(0.00)
Lease liability	2,081.19	(2,081.93)	203.95	197.82	755.63	583.12	341.42
Deposits	77,406.45	(77,405.46)	27,358.13	13,689.13	35,305.89	561.17	491.13
Subordinated Liabilities	3,830.25	(3,854.47)	4.47	-	1,500.00	400.00	1,950.00
Other financial liabilities	1,337.89	(1,337.89)	602.80	603.84	116.36	-	14.89
Non-derivative financial assets							
Cash and cash equivalents*	11,670.16	11,670.52	11,670.52	-	-	-	-
Bank balances other than cash and cash equivalents	34.73	34.75	29.33	1.89	0.52	-	3.02
Loans	79,253.54	82,458.08	27,106.98	21,713.10	29,654.00	2,834.80	1,149.20
Investments	23,704.11	23,586.74	1,371.76	1,598.83	4,365.97	5,971.72	10,278.46
Other Financial assets	682.09	714.18	481.69	87.85	17.46	127.18	-
Derivative financial assets							
Risk management:							
- Outflow	-	-	-	-	-	-	-
- Inflow	10.50	10.50	10.50	-	-	-	-

* It includes CRR requirement of INR 2,848.88 (31 March 21: INR 1,809.47)
# Includes securities placed amounting to Rs. 155.73 million

The inflows/(outflows) disclosed in the above table represents contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contract maturity. The disclosure shows net cash flow amounts for derivatives that are net cash settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross settlement.

As disclosed in Note 12, the Group has a secured bank loan that contains a loan covenant. A future breech of covenant may require the Group to repay the loan earlier than indicated in the above table. Under the agreement, the covenant is monitored on a regular basis by the treasury department and regularly reported to management to ensure compliance with the agreement.

The future cash flows on contingent consideration and derivative instruments may be different from the amount in the above table as interest rates and exchange rates or the relevant conditions underlying the contingency change. Except for these financial liabilities, it is not expected that cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

D. Market risk

The fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either trading or non–trading portfolios and manages each of those portfolios separately. Such risks for the trading portfolio is managed and monitored based on a VaR methodology that reflects the interdependency between risk variables. Non–trading positions are managed and monitored using other sensitivity analyses. All such transactions are carried out within the guidelines set by the Risk Management Committee.

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios :

	Market risk measure		
	Carrying amount	Trading portfolios	Non-trading portfolios
As at 31 March 2022			
Financial assets:			
Cash and cash equivalents	18,682.82	-	18,682.82
Bank balance other than above	36.85	-	36.85
Loans	99,434.08	-	99,434.08
Investments	23,645.86	-	23,645.86
Other financial assets	702.03	-	702.03
	1,42,501.65	**-**	**1,42,501.65**
Financial liabilities:			
Borrowings (other than debt securities)	21,987.61	-	21,987.61
Lease liability	2,226.74	-	2,226.74
Deposits	1,03,924.85	-	1,03,924.85
Subordinated liabilities	3,837.95	-	3,837.95
Other financial liabilities	1,723.72	-	1,723.72
	1,33,700.88	**-**	**1,33,700.88**
As at 31 March 2021			
Financial assets:			
Cash and cash equivalents	11,670.16	-	11,670.16
Bank balance other than above	34.73	-	34.73
Derivative financial instruments	10.50	-	10.50
Loans	79,253.54	-	79,253.54
Investments	23,704.11	-	23,704.11
Other financial assets	682.09	-	682.09
	1,15,355.13	**-**	**1,15,355.14**
Financial liabilities:			
Borrowings (other than debt securities)	22,278.72	-	22,278.72
Lease liability	2,081.19	-	2,081.19
Deposits	77,406.45	-	77,406.45
Subordinated liabilities	3,830.25	-	3,830.25
Other financial liabilities	1,337.89	-	1,337.89
	1,06,934.51	**-**	**1,06,934.51**

Market risk - Non-trading portfolios

(i) Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which borrowings are denominated and the respective functional currencies of Group. The functional currency for the Group is INR. The Foreign currency in which these transactions are primarily denominated is USD.

Currency risks related to the principal amounts of the Group's USD loans, have been fully hedged using forward contracts that mature on the same dates as the loans are due for repayment.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management is as follows:

Particulars	31 March 2022		31 March 2021	
	INR	USD	INR	USD
Subordinated liabilities	-	-	79.30	1.25
Swap Contract	-	-	(79.30)	(1.25)
Net exposure in respect of recognised assets and liabilities	**-**	**-**	**-**	**-**

(All amounts are in Rupees millions unless otherwise stated)

Sensitivity analysis

A reasonably possible strengthening (weakening) of INR and USD against all currencies at 31 March would not have any affect on measurement of financial instruments denominated in foreign currency as the exposure is hedged.

	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
31 March 2022				
USD (1% movement)	-	-	-	-
31 March 2021				
USD (1% movement)	-	-	-	-

(ii) Interest rate risk

The Groups maximum interest rate exposure is at a fixed rate. This is achieved mostly by entering into fixed rate instruments and partly by borrowing at a floating rate.

Exposure to interest rate risk

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

Particulars	31 March 2022	31 March 2021
Fixed rate instruments		
Financial assets	1,29,881.00	1,10,479.61
Financial liabilities	1,33,700.88	1,02,587.13
Variable rate instruments		
Financial assets	12,287.07	5,143.18
Financial liabilities	-	3,009.49

Fair value sensitivity analysis for fixed rate instruments

A reasonably possible change of 100 basis points in interest rate at the reporting date would have increased or decreased profit or loss before tax by INR 311.24 (31 March 2021: INR 387.08). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rate at the reporting date would have increased or decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss before Tax		Equity, net of tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 March 2022				
Variable rate instruments	12,287.07	12,287.07	9,194.66	9,194.66
Cash flow sensitivity (net)	122.87	(122.87)	91.95	(91.95)
31 March 2021				
Variable rate instruments	2,133.69	2,133.69	1,596.68	1,596.68
Cash flow sensitivity (net)	21.34	(21.34)	15.97	(15.97)

E. *Legal and operational risk*

(i) *Legal risk*

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

The Bank had engaged the services of a Legal Consultant for addressing legal matters pertaining to the Bank", including vetting of agreements entered into by the Bank. The Bank also availed the services of Legal firms / Legal Counsels, wherever warranted. The Bank also has a system in place to respond to legal and statutory notices.

There were 9 legal cases pending against the Bank aggregating INR 0.42.

The Bank has since appointed Head – Legal in April 2019 and at present Legal Department is functioning with Head-Legal, one Chief Manager (Legal), one Deputy Manager, one Senior Executive and one Executive. The Bank also has a team of Officers with legal background in its Collection Team for filing of cheque bounce cases u/s 138 of N.I Act and initiating arbitration / civil proceedings wherever required.

(ii) *Operational*

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

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

The group also has a contingency plan to take care of any failure of its computer systems. Regular backups are made for all important datasets, and stored outside the group's premises. This ensures that in case of any system failure, the group will be able to continue its operations without losing critical data or business transactions. As part of its disaster recovery plan, the group has established a back-up site which would and operate during an emergency.

The group has a specific Business Continuity Plan ("BCP") unit. The main objective of the BCP is to ensure that in the event of full or partial disaster which includes Pandemic, the group is well set to be able to continue providing essential services to customers, minimizing any adverse effects on the group's business, through business impact analysis, business restoration.

The Group is using various tools under operational risk for monitoring operational risk such as conducting risk & control self assessments, capturing operational loss data and monitoring of KRIs.

42 Capital management

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

As per RBI guidelines, the Group is required to maintain a minimum capital to risk weighted asset ratio. Capital management entails optimal utilization of scarce capital to meet extant regulatory capital requirements. UCIL has put in place an appropriate Risk Appetite framework and computes its capital requirements and adequacy as per extant regulatory guidelines.

i. The Group maintains minimum capital to risk weighted asset ratio entity wise for all the entities forming part of the group and accordingly manage the capital requirements among all the entities in the group.

ii. Capital allocation

The amount of capital allocated to each operation or activity is undertaken with the objective of minimisation of return on the risk adjusted capital. Allocation of capital is to various lines of business basis annual business plan drawn at the beginning of the year. Various consideration for allocating capital include synergies with existing operations and activities, availability of management and other resources, and benefit of the activity with the Group's long term strategic objectives.

43 COVID-19 pandemic had an extraordinary impact on macroeconomic conditions in India and around the world during the previous financial years and which continued during the current financial with second and third wave year, though with comparatively less severity. The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to volatility in global and Indian financial markets and a decrease in global and local economic activities. The uptake of economic activity has since improved supported by relaxation of restrictions mainly due to among others administration of the COVID vaccines to a large population in the country. The extent to which the COVID-19 pandemic including subsequent waves, if any, may impact the Bank operations and asset quality will depend on the future developments, which are highly uncertain. The Bank is well capitalised to be able to face any further upheavals, which the Bank may face in times to come due to the various socio- economic conditions.

Existing ECL model was primarily based on historical data, recent performance of our loan, customer behaviour and related factors. Bank considers base, best and worst scenarios to determine the ECL. Weightage of worst scenarios is double of best case scenario. Similarly macro-economic factors was further stressed based on standard deviation of the factor. This has helped company to build in additional cushion for increased uncertainty.

The underlying forecasts and assumptions applied in the determination of ECL provision are subject to uncertainties which are often outside of the company's control and accordingly, actual results may differ from these estimates.

44 The composite scheme of arrangement (Scheme) between the Utkarsh Small Finance Bank (Bank) and Utkarsh CoreInvest Limited (UCL), its holding company, and their respective shareholders under Section 230 and other applicable provisions of the Companies Act, 2013, was filed with the National Company Law Tribunal, bench at Allahabad (NCLT) on 25 October 2019 for the reduction in the face value of equity share capital of the Bank and for the issuance and allotment of fully paid-up equity shares of the Bank to the shareholders of UCL (on account of their invested capital) from the reserves created from such reduction of share capital. The objective of the Scheme was, amongst others, to achieve dilution in shareholding of UCL in the Bank in line with the small finance bank's licensing guidelines.
In relation to the Scheme, the Bank had approached RBI seeking a certificate u/s 44B (1) of the Banking Regulation Act, 1949 and RBI had vide its letter dated 21 July, 2020 communicated to the Bank that the mode of dilution of promoter shareholding proposed under the Scheme militates against the spirit of the licensing guidelines for Small Finance Banks. Further, RBI had advised that it may consider issuing the required certificate u/s Section 44(1) in the event the board of both the Bank and UCL agree and approve that the combined shareholding of UCL and shareholders of UCL, who would be allotted the equity shares of the Bank, will be diluted to 40% of the voting shares in the Bank by 22 January, 2022 and till that time together they will exercise only 26% voting rights in the Bank. Basis deliberations, the respective boards of UCL and the Bank decided to withdraw the application for approval of Scheme. Subsequently, the Bank withdrew the petition and the NCLT by its order dated August 27, 2020 dismissed the petition as withdrawn.
The Bank vide its letter dated September 03, 2020 addressed to RBI to withdraw its application seeking certificate from RBI.

(All amounts are in Rupees millions unless otherwise stated)

45 Amounts payable to Micro and Small enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 that came into force from 02 October 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments during the years ended 31 March 2022 and 31 March 2021. The above is based on the information available with the Group, which has been relied upon by the statutory auditors.

Particulars	As at 31 March 2022	As at 31 March 2021
a. Principal amount due to suppliers under MSMED Act, 2006	65.29	44.41
b. Interest accrued, due to suppliers under MSMED Act on the above amount, and unpaid	-	-
c. Payment made to suppliers (other than interest) beyond the appointed day during the year	519.62	50.24
d. Interest paid to suppliers under MSMED Act (Section 16)	-	-
e. Interest due and payable towards suppliers under MSMED Act for payments already made	2.34	0.67
f. Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act (including interest mentioned	2.34	0.67

46 Details of corporate social responsibility expenditure

Particulars	As at 31 March 2022	As at 31 March 2021
Corporate Social Responsibility expenses for the period	37.50	26.00
Various Head of expenses included in above:		
Note 29: Other expenses: Contribution towards Corporate Social Responsibilities	37.50	26.00
Gross amount required to be spent by the Bank during the year.	37.00	25.00
Amount spent during the year on:		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above	37.50	22.46
Details of related party transactions(utkarsh Welfare Foundation)	37.50	22.46
Provision for CSR Expenses		
Opening Balance	**3.54**	-
Add: Provision created during the period	37.50	26.00
Less: Provision utilised during the period	41.04	22.46
Closing Balance	**-**	**3.54**
The amount of shortfall at the end of the year out of the amount required to be spent by the Bank during the year	-	-
The total of previous years' shortfall amounts	-	-
The reason for above shortfalls by way of a note	-	-
The nature of CSR activities undertaken by the Bank	CSR activities undertaken as per scheduleVII under section 135 on thematic areas of Health, Education and Livelihoods and Entrepreneurship development	CSR activities undertaken as per scheduleVII under section 135 on thematic areas of Health, Education and Livelihoods and Entrepreneurship development

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

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Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

47 Interest in other entities

a) Interest in subsidiaries

i. The group's subsidiaries at 31 March 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Country of incorporatio	Ownership held by the group		Ownership interest held by non-controlling interests		Principle activities
		31 March 2022	31 March 2021	31 March 2022	31 March 2021	
Subsidiaries						
Utkarsh small finance bank	India	84.79%	89.50%	15.21%	10.50%	Small finance bank
Utkarsh welfare foundation*	India	0.00%	0.00%	-	100.00%	Section 8 company for CSR activities

* The Group has disposed of its stake in Utkarsh Welfare Foundation on Februrary 24, 2022.

ii. Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet

Particulars	Utkarsh Welfare Foundation	
	As at 31 March 2022	As at 31 March 2021
Current Assets	-	19.54
Current liabilities	-	12.79
Net current assets	**-**	**6.75**
Non current assets	-	0.61
Non current liabilities	-	-
Net non current assets	**-**	**0.61**
Net Assets	**-**	**7.36**

Particulars	Utkarsh Small Finance Bank Ltd.	
	As at 31 March 2022	As at 31 March 2021
Total Assets	1,49,237.92	1,20,418.60
Total Liabilities	1,34,273.20	1,07,432.70
Net Assets	**14,964.72**	**12,985.90**

Summarised statement of profit and loss

Particulars	Utkarsh Welfare Foundation	
	For the year ended 24 February 2022	For the year ended 31 March 2021
Revenue from operation	43.42	47.76
Profit for the year	(0.03)	3.60
Other Comprehensive income	-	(0.09)
Total Comprehensive income	(0.03)	3.52
Total Comprehensive income attributable to non controlling interest	(0.03)	3.52

Particulars	Utkarsh Small Finance Bank Ltd.	
	For the year ended 31 March 2022	For the year ended 31 March 2021
Revenue from operation	19,776.23	16,823.46
Profit for the year	612.84	257.23
Other Comprehensive income	(200.00)	(165.57)
Total Comprehensive income	412.84	91.66
Total Comprehensive income attributable to non controlling interest	55.63	0.61

Utkarsh CoreInvest Limited

Notes to consolidated financial statements for the year ended 31 March 2022

b) Additional disclosure under Schedule III of Companies Act 2013.

Name of the Entity	Net assets		Share in profit or Loss		Share in other comprehensive income		Share in total comprehensive income	
	% of Consolidated net assets	Amount (in millions)	% of Consolidated prof or loss	Amount (in millions)	% of Consolidated profit or loss	Amount (in millions)	% of Consolidated prof or loss	Amount (in millions)
Parent Company								
31-Mar-22	54.47%	8,412.85	2.65%	16.50	0.00%	0.00	3.91%	16.50
31-Mar-21	61.99%	8,304.97	0.52%	1.33	0.00%	0.00	1.49%	1.33
Utkarsh small finance bank								
31-Mar-22	96.88%	14,964.72	98.51%	612.84	82.78%	(165.57)	105.96%	447.27
31-Mar-21	96.94%	12,985.90	100.81%	257.23	99.95%	(165.57)	102.41%	91.66
Utkarsh welfare foundation								
31-Mar-22	0.00%	-	0.00%	(0.03)	0.00%	-	-0.01%	(0.03)
31-Mar-21	0.05%	7.36	1.41%	3.60	0.05%	(0.09)	3.93%	3.52
Non-controlling interest								
31-Mar-22	14.78%	2,283.38	13.27%	82.55	13.47%	(26.95)	13.17%	55.60
31-Mar-21	10.01%	1,340.61	2.01%	5.13	0.60%	(1.00)	4.60%	4.12
Consolidation/other adjustments								
31-Mar-22	-66.13%	(10,214.67)	-14.42%	(89.73)	3.74%	(7.48)	-23.03%	(97.21)
31-Mar-21	-68.99%	(9,242.61)	-4.76%	(12.14)	-0.61%	1.01	-12.44%	(11.13)
Total								
31-Mar-22	100.00%	15,446.28	100.00%	622.13	100.00%	(200.01)	100.00%	422.13
31-Mar-21	100.00%	13,396.23	100.00%	255.16	100.00%	(165.65)	100.00%	89.50

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(All amounts are in Rupees millions unless otherwise stated)

48 Lease as lessee

The group has taken various premises on lease for undertaking its banking and allied business

Following are the changes in the carrying values of right of use assets

Particulars	**Category of ROU Assets**		
	Premises	ATM Machines	Core Banking software
Balance as at 1 April 2021	**1,642.70**	**46.50**	**94.62**
Reclassified on account of adoption of Ind AS 116		-	-
Additions	446.04	11.07	-
Depreciation	293.68	9.52	23.65
Balance as at 31 March 2022	**1,795.06**	**48.05**	**70.97**
Additions	490.39	10.09	-
Disposals	18.51	2.72	-
Depreciation	416.01	10.58	23.65
Balance as at 31 March 2022	**1,850.93**	**44.84**	**47.32**

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of profit and loss.

The following is the movement in lease liabilities

Particulars	**Lease liabilities**
Balance as at 1 April 2020	**1,860.55**
Reclassified on account of adoption of Ind AS 116	454.00
Additions	(22.65)
Finance cost accrued during the period	161.74
Payment of lease liabilities	(372.44)
Balance as at 31 March 2021	**2,081.20**
Additions	406.55
Adjustment on account on rent concession	(0.67)
Finance cost accrued during the period	160.11
Payment of lease liabilities	(420.45)
Balance as at 31 March 2022	**2,226.74**

The table below provides details regarding the contractual maturities of lease liabilities as at 31 March 2022 on an undiscounted basis:

Particulars	**As at 31 March 2022**	**As at 31 March 2021**
Less than one year	533.28	441.16
One to five years	1,899.79	1,728.90
More than five years	624.67	573.12

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall

Rental expense recorded for short-term leases was INR 2.88 for the year ended 31 March 2022 (31 March 2021 :INR 1.30)

During the year ended 31 March 2022, the Group has renegotiated with certain landlords on the rent reduction/ waiver due to COVID 19 pandemic. The Management believes that such reduction/ waiver in rent is short term in nature and also meets the other conditions specified in the notification issued by the Central Government in consultation with National Financial Reporting Authority dated 24 July 2020 as Companies (Indian Accounting Standards) Amendment Rules, 2020 with effect from 1 April 2020. Thus, in accordance with the said notification, the Group has elected to apply exemption as the reduction/ waiver does not necessitate a lease modification as envisaged in the Standard by recording in the "Other income". Accordingly, the Group has recognised INR 0.67 during the year ended 31 March 2022 (31 March 2021: INR 22.65) in the statement of profit and loss."

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Notes to consolidated financial statements for the year ended 31 March 2022
(All amounts are in Rupees millions unless otherwise stated)

49 Expected credit loss (ECL) impairment provision - Loans

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)-(4)	(6)	(7) = (4)-(6)
Performing Assets						
Standard	Stage 1	96,370.76	1,301.28	95,069.48	1,470.83	(169.55)
	Stage 2	2,997.67	1,023.43	1,974.25	-	1,023.43
	Stage 3					
Subtotal		**99,368.43**	**2,324.72**	**97,043.73**	**1,470.83**	**853.89**
Non-Performing Assets (NPA)						
Substandard	Stage 3	6,152.61	3,881.54	2,271.07	3,702.96	178.58
Doubtful - upto 1 year	Stage 3	316.95	199.96	116.99	316.47	(116.51)
1 - 3	Stage 3	4.84	3.05	1.78	4.84	(1.79)
more	Stage 3	1.35	0.85	-	1.51	(0.66)
Subtotal for Doubtful		**323.14**	**203.86**	**118.79**	**322.82**	**(118.96)**
Loss	Stage 3	-	-	-	-	-
Other items such as guarantees, l	Stage 1	814.64	4.86	809.79	-	4.86
commitments, etc. which are in t	Stage 2	-	-	-	-	-
scope of Ind AS 109 but not cove	Stage 3	-	-	-	-	-
Subtotal		**814.64**	**4.86**	**809.79**	**-**	**4.86**
Total	Stage 1	**97,185.40**	**1,306.14**	**95,879.27**	**1,470.83**	(164.69)
	Stage 2	**2,997.67**	**1,023.43**	**1,974.25**	**-**	1,023.43
	Stage 3	**6,475.75**	**4,085.40**	**2,389.85**	**4,025.78**	59.62
	Total	**1,06,658.83**	**6,414.97**	**1,00,243.37**	**5,496.61**	**918.36**

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	74,452.71	731.06	73,721.65	991.44	(260.38)
	Stage 2	5,794.99	1,486.56	4,308.44	496.51	990.05
Subtotal		**80,247.70**	**2,217.62**	**78,030.09**	**1,487.95**	**729.67**
Non-Performing Assets (NPA)						
Substandard	Stage 3	3,289.97	2,083.20	1,206.77	1,945.62	137.58
Doubtful - upto 1 year	Stage 3	43.37	27.46	15.91	40.55	(13.09)
1 - 3	Stage 3	2.12	1.34	0.78	1.85	(0.51)
more	Stage 3	-	-	-	-	-
Subtotal for Doubtful		**45.49**	**28.80**	**16.69**	**42.40**	**(13.60)**
Loss	Stage 3	-	-	-	-	-
Other items such as guarantees, l commitments, etc. which are in t	Stage 1	1,195.05	4.89	1,190.16	-	4.89
scope of Ind AS 109 but not cove under current Income Recognitio	Stage 2	-	-	-	-	-
Asset Classification and Provisior (IRACP) norms	Stage 3	-	-	-	-	-
Subtotal		**1,195.05**	**4.89**	**1,190.16**	**-**	**4.89**
Total	Stage 1	**75,647.76**	**735.95**	**74,911.81**	**991.44**	**(255.49)**
	Stage 2	**5,794.99**	**1,486.56**	**4,308.44**	**496.51**	**990.05**
	Stage 3	**3,335.46**	**2,112.00**	**1,223.46**	**1,988.02**	**123.98**
	Total	**84,778.21**	**4,334.51**	**80,443.71**	**3,475.97**	**858.54**

As on March 31,2021, loans amounting to INR 2,836.27 has been restructured under the resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated 6 August 2020 . Restructured loans amounting to INR 203.87, has been pre-closed or classified as NPA and accordingly restructuring provision as on 31 March 2021 amounting to INR 526.48 as per IRAC Norms classified under stage 1 and amounting to INR 795.32 as per ECL provision classified under stage 2.

50 The Group has not revalued its property, plant and equipment (including right-of-use assets) or intangible assets or both during the current year.

51 The title deeds of immovable properties included in property, plant and equipment (other than properties where the Group is the lessee and the lease agreements are duly executed in favor of the lessee) and intangible assets are held in the name of the Group.

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

53 The Group has not guaranteed any loans or advances in the nature of loans to promoters, directors, KMPs and the related parties, either severally or jointly with any other person, that are repayable on demand; or without specifying any terms or period of repayment.

54 The Group has obtained various borrowings from banks/ FI on basis of security of current assets wherein the quarterly returns/ statements of current assets as filed with banks/ FI are in agreement with the books. The Group has used the borrowings from banks and financial institutions for the specific purpose for which it was taken at the balance sheet date. The Group is not declared as willful defaulter by any bank or financial Institution or other lender as at 31 March 2022.

55 a) The Group has not advanced / loaned / invested funds to any other person or entity, including foreign entities (Intermediaries) with the understanding that the Intermediary shall:
(I) directly or indirectly lend / invest in other person or entities identified in any manner whatsoever by or on behalf of the Bank (Ultimate Beneficiaries)
(II) Provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries.
(b) The Group has not received any fund from any party(s) (Funding Party) with the understanding that the Bank shall:
(I) directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Bank ("Ultimate Beneficiaries")
(II) Provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

56 No transactions have taken place with companies struck off under section 248 of the Companies Act, 2013 or section 560 of Companies Act, 1956.

57 There are no charges which are yet to be registered with the Registrar of Companies beyond the statutory period.

58 The Group does not have any number of layers prescribed u/s (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017. There are no Scheme of Arrangements that has been approved by the Competent Authority in terms of sections 230 to 237 of the Companies Act, 2013 as at 31 March 2022.

59 There is no income surrendered or disclosed as income during the current year or previous year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of account.

60 No crypto/ virtual currency was traded/ invested during the current year. No deposits/advances were received from any person for the purpose of trading / investing in crypto currency during the current year or previous year.

61 The Group has reported 87 frauds amounting to Rs.325.83 million based on management reporting to Risk Committee and to RBI through prescribed returns. The nature of fraud involved is misappropriation of funds, fraudulent encashment/manipulation of books of accounts.

The above includes 115 cases of HL fraud (considered as 1 case in 87 cases) amounting to Rs.299.54 million.

for DMKH & Co.
Chartered Accountants
ICAI Firm Registration No. 116886W/066580

Manish Kankani
Partner
Membership No: 158020

Place: Mumbai
Date: 18 July 2022

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

Ashwani Kumar
Managing Director and CEO
DIN: 07030311

G.S. Sundararajan
Chairman
DIN: 00361030

Neeraj Kumar Tiwari
Company Secretary
ACS: 37761

Harshit Agrawal
Chief Financial Officer
ACA: 417412

Place: Varanasi
Date: 18 July 2022

1. Reporting entity

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

The Company together with its subsidiaries Utkarsh Small Finance Bank Limited ('the Bank or 'SFB') and Utkarsh Welfare Foundation ('UWF') are collectively referred to as "the Group". The Group has been engaged in the business of micro finance and banking operations as further explained below.

The holding company was primarily engaged in the business of micro finance, following group lending methodology and providing small value unsecured bank loans to lower income group of below poverty line ('BPL') in urban and rural areas. The tenure of these loans was generally spread over a period of up to 2 years. During the financial year 2016-17, the Company executed a business transfer agreement with its subsidiary Company 'Utkarsh Small Finance Bank Limited' ('USFB') and transferred all its assets and liabilities (except certain statutory assets, vehicle and statutory liabilities). Accordingly, the business of micro finance was also transferred to USFB.

UWF is in to providing welfare services, development, help and assistance to the under privileged inhabitants, groups of rural and urban slum sectors by way of financial products, market linkages, opportunities, education, health and vocational training programs. . As on 24 February 2022, the Company has sold its stake in UWF. Accordingly, UWF is no longer a subsidiary of Utkarsh CoreInvest Limited with effect from 25 February 2022.

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

2. Significant accounting policies

a. Basis of preparation of consolidated financial statements

i. Statement of compliance

The Consolidated financial statements of the Company have been prepared in accordance with the Ind AS 110-'Consolidated Financial Statements' as prescribed under Section 133 of the Companies Act, 2013 ("the Act") read with the Companies (Indian Accounting Standards) Rules as amended from time to time.

The financial statements of the Subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company i.e. year ended March 31, 2022 and are prepared based on the accounting policies consistent with those used by the Company.

These consolidated financial statements were authorised for issue by the Group's Board of directors on 18 July 2022.

Subsidiaries considered in the consolidated financial statements

Name of the Subsidiary	Country of incorporation	Percentage of holding	
		31 March 2022	31 March 2021
Utkarsh Small Finance Bank Limited	India	84.79%	89.50%
Utkarsh Welfare Foundation*	India	Nil	78.49%

* The Holding Company acquired the stake in UWF on 17 November 2017. Further, since the said company is a Section 8 Company, hence the economic interest is NIL. The Holding Company disposed off its stake in UWF on February 24, 2022.

The Group has consistently applied accounting policies to all periods.

ii. Basis of measurement

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

- Financial assets at FVTOCI that is measured at fair value
- Financial instruments at FVTPL that is measured at fair value
- Net defined benefit (asset)/ liability - fair value of plan assets less present value of defined benefit obligation

iii. Principles of Consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

The group combines the consolidated financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests in the results are shown separately in the consolidated statement of profit and loss, consolidated statement of changes in equity and balance sheet respectively.

iv. Functional and presentation currency

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

v. Use of judgements and estimates

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

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

A. Judgements

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

- Note 48 – Measurement of lease liabilities and right of use assets
- Note 40 - classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

B. Assumptions and estimation uncertainties

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

- Note 34 - Measurement of defined benefit obligations: key actuarial assumptions;
- Note 8- Recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used;
- Note 9-10- Useful life and residual value of property, plant and equipment and intangible assets
- Note 31- Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- Note 41 – Impairment of financial assets: key assumptions in determining the average loss rate
- Note 40 – Fair value measurement of financial instruments

b. Revenue Recognition

i. Interest income from financial assets is recognised on an accrual basis using Effective Interest Rate ('EIR') method. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate to the net carrying amount of the financial asset. The EIR is computed basis the expected cash flows by considering all the contractual terms of the financial instrument. The calculation includes all fees, transaction costs, and all other premiums or discounts paid or received between parties to the contract that are an integral part of the effective interest rate.

ii. The interest revenue continues to be recognised at the original EIR applied on the gross carrying amount for financial assets (when the asset is not credit impaired). However, for the financial assets that have become credit impaired subsequent to the initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

iii. For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset.

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

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

vi. 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/loss. In cases there is a net gain in the aggregate, the same is recognised in "Net gains on fair value changes" under Revenue from operations and if there is a net loss the same is disclosed under "Expenses" in the statement of profit and loss. 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.

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

c. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments also include derivative contracts such as foreign exchange forward contracts, embedded derivatives in the host contract, etc.

Financial assets

Initial recognition and measurement

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

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

Classification and subsequent measurement

Classifications

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

Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

Debt instruments at amortised cost

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

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from ECL impairment are recognised in the profit or loss.

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

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

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

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

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

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

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

Reclassification of financial assets

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

Derecognition of financial assets

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Financial liabilities

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Financial Liabilities measured at amortised cost

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

Financial liabilities designated at fair value through profit and loss

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

- the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract; or
- it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost.

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

Derecognition of financial liabilities

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

Modifications of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

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

Offsetting of financial instruments

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects it non-performance risk.

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

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

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

d. Impairment of Financial Assets

Impairment of financial instruments

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

- Financial assets that are debt instruments
- Loan commitment issued

No impairment loss is recognised on equity investments

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

- Financial assets that are not credit impaired – as the present value of all cash shortfalls that are possible within 12 months after the reporting date.
- Financial assets with significant increase in credit risk but not credit impaired – as the present value of all cash shortfalls that result from all possible default events over the expected life of the financial asset.
- Financial assets that are credit impaired – as the difference between the gross carrying amount and the present value of estimated cash flows
- Undrawn loan commitments – as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive

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

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For financial assets at FVTOCI, the loss allowance is recognised in statement of profit and loss.

e. Foreign Currency transactions and balances

Holding Company

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

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

Banking company in the group

Transactions denominated in foreign currency are recorded at exchange rates prevailing on the date of the transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the statement of Profit and Loss account. Income and Expenditure items are translated at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the Balance Sheet date based on exchange rates notified by Foreign Exchange Dealers' Association of India ('FEDAI') and the resultant exchange differences are recognized in the statement of Profit and Loss.

f. Property, Plant and Equipment(PPE)

Initial Measurement

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

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

Leasehold improvements are amortised on straight line basis over the primary period of the lease or the estimated useful life of the assets, whichever is lower.

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

Subsequent Measurement

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

Impairment

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

Depreciation

Depreciation is provided as per straight-line method from the date of addition over the estimated useful life of the asset. The Group has carried out a technical assessment of the useful life of its assets taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use. If the management's estimate of the useful life of a property, plant and equipment at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter, then the depreciation is provided at a higher rate based on management's estimate of the useful life/remaining useful life. The management believes that depreciation rates currently used, fairly reflect its estimate of the useful lives and residual values of property, plant and equipment which are in accordance with lives prescribed under Schedule II of Companies Act, 2013.

Improvements and installations of capital nature on the leasehold property are depreciated over the primary lease term.

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

De-recognition

Property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income / expense in the statement of profit and loss in the year the asset is de-recognised. Depreciation on assets sold during the year is recognised on a pro-rata basis to the statement of profit and loss upto the date of sale.

Capital Work in Progress

Capital work in progress includes cost of fixed assets that are not ready for their intended use.

g. Intangible assets

Initial Measurement

Intangible assets that are acquired by the Group are measured initially at cost and are stated at cost less accumulated depreciation as adjusted for impairment, if any.

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

Subsequent Measurement

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

Impairment

The Group assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of Profit and Loss. If at the Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

Amortisation

Intangible assets are amortised in the statement of profit and loss over their estimated useful lives from the date they are available for use based on the expected pattern of consumption of economic benefits of the asset. Intangible assets are amortised on straight line basis. Computer software are amortised on straight line basis over their estimated useful life of three years

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

De-recognition

Intangible asset is de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is recognised in other income / expense in the statement of profit and loss in the year the asset is de-recognised. Amortisation on assets sold during the year is recognised on a pro-rata basis to the statement of profit and loss upto the date of sale.

h. Leases

The Group's lease asset classes primarily consist of leases for ATMs, Software and buildings. The Group, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after 01 April 2019.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense over the lease term.

i. Employee benefits

i. **Short term employee benefits**

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

ii. **Share-based payment arrangements**

Utkarsh Core Invest Ltd. has formulated an Employees Stock Option Scheme to be administered through a Trust. The scheme provides that subject to continued employment with the Group, the employees are granted an option to acquire equity shares of the Holding Company that may be exercised within a specified period.

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

Parent Company is the grantor of its equity instrument for all share options provided to the employee of the Bank. The Bank reimburses the parent company for the equity-settled share-based payment arrangements granted to the employees of the Bank

iii. **Defined contribution plans**

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

Provident Fund

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

iv. **Defined benefit plans**

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

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

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

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

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

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

j. Taxes

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

i. Current tax

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

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

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if:

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

k. Cash and Cash Equivalents

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

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

l. Segment reporting

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

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

m. 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 (after deducting attributable taxes) 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.

n. Provision, Contingent Liabilities and Contingent Assets

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

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

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

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

o. Recent Indian Accounting Standards (Ind AS)

Recent pronouncements Ministry of Corporate Affairs ("MCA") notifies new standard or amendments to the existing standards under Companies (Indian Accounting Standards) Rules as issued from time to time. On March 23, 2022, MCA amended the Companies (Indian Accounting Standards) Amendment Rules, 2022, applicable from April 1st, 2022, as below:

Ind AS 103 – Business Combination
The amendments specify that to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired, and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework) issued by the Institute of Chartered Accountants of India at the acquisition date. These changes do not significantly change the requirements of Ind AS 103. The Group does not expect the amendment to have any significant impact in its financial statements.

Ind AS 16 – Property, Plant and Equipment
The amendments mainly prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss. The Group does not expect the amendments to have any impact in its recognition of its property, plant and equipment in its financial statements.

Ind AS 37 – Provisions, Contingent Liabilities & Contingent Assets
The amendments specify that that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts. The Group does not expect the amendment to have any significant impact in its financial statements.

Ind AS 109 – Financial Instruments
The amendment clarifies which fees an entity includes when it applies the '10 percent' test of Ind AS 109 in assessing whether to derecognise a financial liability. The Group does not expect the amendment to have any significant impact in its financial statements.

ANNUAL CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT OF FINANCIAL YEAR 2021-22

I. Brief outline on CSR Policy of the Company

Policy Statement

Utkarsh CoreInvest Limited (formerly known as Utkarsh Micro Finance Limited), through its CSR projects, will enhance value creation in the society and in the community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community, in fulfilment of its role as a Socially Responsible Corporate Citizen. The ultimate aim of the CSR projects will be to benefit the communities at large and over a period of time enhance the quality of life and economic well-being of the local populace.

CSR Philosophy and Guiding Principles

The Company shall continue its efforts to impact the society positively, particularly to underserved and unsecured communities, including in the area of its and its subsidiaries operations. Utkarsh has formulated policies for social development based on the following guiding principles:

i. Serving households through a range of socially oriented products and services.

ii. Adopting an approach that aims at achieving a greater balance between social

iii. development and economic development.

iv. Adopting new measures to accelerate and ensure the basic needs of deprived sections of the society.

v. Work towards elimination of barriers for the social inclusion of disadvantaged groups such as the poor and the disabled.

vi. Enabling ways for enhancing skills for better livelihood opportunities.

vii. Support underprivileged and underserved segments by providing financial and nonfinancial services through a socially responsible, sustainable and scalable institution.

Management Structure: CSR Committee

Corporate Social Responsibility Committee ("**CSR Committee**") of the Board of Directors of the Company ("**Board**") shall be responsible for framing and approving the Policy and for the overall governance of CSR activities. The CSR Committee shall consist of three (03) or more Directors including at least one (01) Independent Director and it shall meet at least once a year and as and when required.

The activities of CSR Committee will be in accordance with Schedule VII of the Companies Act, 2013 (as amended from time to time) and as per approved terms and reference (CSR Charters) by the Board of the Company.

Annual Action Plan for CSR Activities

The CSR Committee shall formulate and recommend to the Board an annual action plan in pursuance of the CSR Policy of the Company, which shall include the following:

i. the list of CSR projects or programmes that are approved to be undertaken in areas or subjects specified in Schedule VII of the Act;

ii. the manner of execution of such projects or programmes as specified in sub-rule (1) of rule 4 of the Act;

iii. the modalities of utilisation of funds and implementation schedules for the projects or programmes;

iv. monitoring and reporting mechanism for the projects or programmes; and

v. details of need and impact assessment, if any, for the projects undertaken by the company:

Scope of Activities During the Financial Year 2021-22

The Average Net Profit of the Company for the last three (03) Financial Years was negative [(₹67.23 cr.)]. Hence, there was no minimum 2% contribution obligation for FY 2021-22.

However, in spirit of supporting the welfare activities, ₹05 (five) lakh was contributed during the FY 2021-22, towards 'Corpus Pool Fund' to the regular CSR Partner viz. Utkarsh Welfare Foundation ('UWF' or 'the Foundation'), primarily to be utilized by the Foundation as a Pool Account to meet its temporary or such other liquidity requirements towards carrying out its welfare activities.

II. Composition of the CSR Committee

A Board level Corporate Social Responsibility Committee (CSR Committee) shall be constituted having minimum three (03) Directors, out of whom, one (01) Director would be an Independent Director.

The present Composition of the CSR committee is as under:

a. Mr. G. S. Sundararajan, Independent Director - Chairperson
b. Mr. Aditya Deepak Parekh, Nominee Director - Member
c. Mr. Ashwani Kumar, Managing Director & CEO - Member

III. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the Company:

https://www.utkarshcoreinvest.com/index.php/CSR/Activities

IV. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014

Impact assessment of CSR projects is not applicable to the Company for FY 2021-22.

V. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year 2021-22

Impact assessment of CSR projects is not applicable to the Company for FY 2021-22.

Sl.	Financial Year	Amount available for set-off from preceding financial years (in)	Amount required to be set- off for the financial year, if any (in)
1	NA	NA	NA
	TOTAL	NA	NA

VI. Average net profit of the company as per section 135(5) for the last three (03) financial years:

(₹67.23 cr.)

VII.

a) **Two percent of average net profit of the company as per section 135(5): Nil**

b) **Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil**

c) **Amount required to be set off for the financial year 2021-22, if any: Nil**

d) **Total CSR obligation for the financial year 2021-22 (VIIa+VIIb- VIIc): Nil**

VIII. a) CSR amount spent or unspent for the financial year 2021-22:

Total Amount Spent for the Financial Year. (in)	Amount Unspent (in)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
NA	Nil	NA	NA	Nil	NA

b) Details of CSR amount spent against ongoing projects for the FY 2021-22:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project		Project duration	Amount allocated for the project (in)	Amount spent in the current financial Year (in)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in)	Mode of Implementation Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
1	NA	Nil	NA	NA	NA	NA	Nil	Nil	Nil	NA	NA	NA

c) Details of CSR amount spent against other than ongoing projects for the FY 2021-22:

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project		Project duration	Amount allocated for the project (in)	Amount spent in the current financial Year (in)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in)	Mode of Implementation Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
1	NA	Nil	NA	NA	NA	NA	Nil	Nil	Nil	NA	NA	NA

d) Amount spent in Administrative Overheads: Nil

e) Amount spent on Impact Assessment, if applicable: N.A.

f) Total amount spent for the Financial Year 2021-22 (8b+8c+8d+8e): Nil

g) Excess amount for set off, if any:

Sl	Particular	Amount (in ₹)
i.	Two percent of average net profit of the Company as per section 135(5)	Nil
ii.	Total amount spent for the Financial Year	Nil
iii.	Excess amount spent for the financial year [(ii)-(i)]	Nil
iv.	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
v.	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

IX. (a) Details of Unspent CSR amount for the preceding three financial years 2019-20, 2020-21 and 2021-22:

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in)	Amount spent in the reporting Financial Year (in)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (in)
				Name of the Fund	Amount (in)	Date of transfer	
1	2021-22	Nil	Nil	Nil	Nil	Nil	-
2	2020-21	Nil	Nil	Nil	Nil	Nil	-
3	2019-20	Nil	Nil	Nil	Nil	Nil	-
	TOTAL	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	-

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

X. Creation or acquisition of capital asset, details relating to the asset so created or acquired through CSR spent in the financial year 2021-22: (Asset-wise details)

a. Date of creation or acquisition of the capital asset(s). – Nil

b. Amount of CSR spent for creation or acquisition of capital asset. – Nil

c. Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. – Nil

d. Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset). – Nil

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

For and on behalf of the Board of Directors

Mr. G. S. Sundararajan	**Mr. Ashwani Kumar**
Chairperson, CSR Committee	**Managing Director & CEO**
Date: May 11, 2022	Date: May 11, 2022
Place: Tirunelveli	Place: Varanasi

CHIEF EXECUTIVE OFFICER (CEO) & CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

We, Ashwani Kumar, Managing Director & Chief Executive Officer and Harshit Agrawal, Chief Financial Officer of Utkarsh CoreInvest Ltd. (erstwhile Utkarsh Micro Finance Limited), "the Company", hereby certify to the Board that:

a. We have reviewed financial statements and the cash flow statement of the Financial Year ended March 31, 2022 and that to the best of our knowledge and belief:

   i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

c. We accept responsibility for establishing and maintaining internal controls for financial reporting in the Company and we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operations of such internal controls, if any, of which we are aware of and the steps we have taken or proposed to be taken to rectify these deficiencies.

d. We have indicated to the Auditors and the Audit Committee:

   i. Significant changes in internal control over financial reporting during the year;

   ii. Significant changes in accounting policies during the year and the same have been disclosed in the Notes of the financial statements; and

   iii. Instances of significant fraud of which we have become aware of and involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system over financial reporting.

e. We affirm that we have not denied any personnel access to the Audit Committee of the Company (in respect of matters involving alleged misconduct, if any).

Ashwani Kumar
Managing Director & CEO

Date: May 11, 2022
Place: Varanasi

Harshit Agrawal
Chief Financial Officer

Date: May 11, 2022
Place: Varanasi

INSTITUTIONAL INVESTORS

1. Aavishkaar Bharat Fund

Aavishkaar Bharat Fund, an alternative investment fund registered with the Securities and Exchange Board of India, is an India-focused equity oriented fund with an objective to invest in enterprises serving large market segments with a special emphasis on the under-served demographic segments.

2. Aavishkaar Goodwell India Microfinance Development Company II Limited

Aavishkaar Goodwell India Microfinance Development Company II Limited, a private company limited by shares under Mauritius law has objectives to (A) provide commercial long-term risk capital and active support directly to MFIs in India and (B) to facilitate the setting up and accelerate the growth of these MFIs, in order to build value and integrate them into the mainstream financial sector.

3. Aavishkaar Venture Management Services Private Limited

Aavishkaar Venture Management Services Private Limited ("Aavishkaar Capital") is a Company registered under the laws of India. Aavishkaar Capital pioneered the venture capital approach of investing in early-growth stage enterprises in India, with a focus on geographies and sectors that were often overlooked and challenging. Aavishkaar Capital currently manages/advises funds with geographical focus on India and South & South East Asia.

4. British International Investment PLC ("BII")

British International Investment (formerly known as CDC Group plc) is UK's Development Finance Institution, established in 1948. BII's mission is to support the building of businesses throughout Africa, Asia and the Caribbean, to create jobs, and to make a lasting difference to people's lives in some of the world's poorest places. BII invests in Africa and South Asia because over 80 per cent of the world's poorest people live in these regions. BII focuses on investing in countries where the private sector is weak, jobs are scarce, and the investment climate is difficult, but particularly in sectors where growth leads to jobs. These sectors are financial services, infrastructure, health, manufacturing, food and agriculture, construction & real estate and education.

5. Faering Capital India Evolving Fund II & III

Faering Capital is a leading Indian private equity firm with an entrepreneurial vision. The firm was founded in 2009 by Aditya Deepak Parekh and Sameer Shroff and currently manages capital across three funds. Its proven track record and long-term approach build trusted partnerships with investors and exceptional companies.

6. HDFC Ergo General Insurance Company Limited

HDFC ERGO General Insurance Company Limited (HDFC ERGO) was incorporated under the Companies Act, 1956 and is registered with the Insurance Regulatory and Development Authority of India as a general insurance company. Housing Development Finance Corporation Limited, India's premier Housing Finance Institution, is the Indian Promoter and ERGO International AG, the primary insurance entity of the Munich Re Group of Germany, is the Foreign Promoter of HDFC ERGO.

HDFC ERGO offers the complete range of general insurance products including Motor, Health, Travel, Home, Agriculture, Credit, Cyber and Personal Accident in the retail space and Property, Marine, Engineering, Marine Cargo, Group Health, Insurtech and Liability Insurance in the corporate space, directly and indirectly through its Agents and Intermediaries through its vast network of branches and a wide distribution network.

7. HDFC Life Insurance Company Limited

HDFC Life Insurance Company Limited ('HDFC Life' / 'Company') is a joint venture between HDFC Ltd., India's leading housing finance institution and abrdn (Mauritius Holdings) 2006 Limited, a global investment company. Established in 2000, HDFC Life is a leading, listed, long-term life insurance solutions provider in India, offering a range of individual and group insurance solutions that meet various customer needs such as Protection, Pension, Savings, Investment, Annuity and Health.

HDFC Life continues to benefit from its increased presence across the country having a wide reach of branches and additional distribution touch-points through several new tie-ups and partnerships. HDFC Life's partnerships comprise of traditional partners such as NBFCs, MFIs and SFBs, and including new-ecosystem partners.

8. Housing Development Finance Corporation Limited (HDFC Ltd.)

HDFC is a pioneer in housing finance in India. It has consistently striven for and developed an excellent reputation for professionalism, integrity and an impeccable record of customer friendly services. It has turned the concept of housing finance for the growing middle class in India into profitable, professionally managed, world class enterprise. HDFC's excellent brand strength emerges from its unrelenting focus on corporate governance, its high standards of ethics and clarity of vision, which percolates through the organization. HDFC has been described as a model housing finance company for developing countries with nascent housing finance markets. It has provided technical assistance in Bangladesh, Sri Lanka and Egypt and has undertaken consultancy assignments in various countries across Asia, Africa and East Europe. HDFC's success in the mortgage industry and its spread across the financial services industry has made it a financial conglomerate with presence in banking, life insurance, non-life insurance, asset management real estate fund and an education finance company.

9. ICICI Prudential Life Insurance Company Limited

ICICI Prudential Life Insurance Company Limited (ICICI Prudential Life) is promoted by ICICI Bank Limited and Prudential Corporation Holdings Limited. ICICI Prudential Life began its operations in FY 2001 and has consistently been amongst the top players in the Indian life insurance sector. ICICI Prudential Life offers long term savings and protection products to meet different life stage requirements of customers. ICICI Prudential Life has been the first insurance company in India to be listed on NSE and BSE.

10. International Finance Corporation (IFC)

International Finance Corporation (IFC), a sister organization of the World Bank and member of the World Bank Group - is the largest global development institution focused on the private sector in developing countries.

11. Jhelum Investment Fund

Jhelum Investment Fund is registered with Securities and Exchange Board of India as category II Alternate Investment Fund. The Fund's objective is to deliver returns to its investors through combination of capital appreciation and current income by investing in Companies in growth sectors having high corporate governance standards and impeccable track record.

12. Lok Capital Growth Fund & Sarva Capital LLC

Lok promotes inclusive growth in India by making long-term equity investments. Launched in 2004, it backs entrepreneurs who cater to large, underserved segments through investments in financial services, agriculture/livelihood and healthcare sectors. In addition to capital, Lok supports the portfolio companies through a variety of engagements which include fellowship programs and technical assistance.

13. NMI Frontier FUND KS

Established in 2008 in Oslo, Norway, as a public-private partnership, NMI invests in and supports institutions providing financial inclusion to poor people across Sub-Saharan Africa and Asia. Its investors include the Norwegian and Danish governmental funds for developing countries (Norfund and IFU) and private financial institutions and family offices from Norway and Denmark. It aims to create positive social impact and sustainable financial returns through both equity and debt investments. NMI manages funds across the globe, of which few direct investments are in India also.

14. RBL Bank Limited

RBL Bank is one of India's leading private sector banks with an expanding presence across the country. The Bank offers specialized services under five (05) business verticals namely: Corporate & Institutional Banking, Commercial Banking, Branch & Business Banking, Retail Assets and Treasury and Financial Markets Operations. It services its customers through a network of branches, business correspondent branches (including banking outlets) and ATMs spread across Indian States and Union Territories. Over the last few years, RBL Bank has earned recognition in various national and international forums including AsiaMoney Awards, the Asset Triple A Awards, Business Today and KPMG India's Best Banks Awards, and has been recognized by the World Economic Forum as a 'Global Growth Company - 2014' (GGC). RBL Bank is listed on both NSE and BSE (RBLBANK).

15. responsAbility Participations Mauritius (RAPM)

responsAbility Participations AG is a company limited by shares with its registered office in Zurich, Switzerland. The company targets long-term participations in established and primarily unlisted companies in emerging and transitioning economies, with a particular focus on institutions which provide financial services to micro, small and medium-sized enterprises and/or low-income clients. responsAbility Participations AG is managed by responsAbility Investments AG, a leading asset manager with a track record of nearly two decades in the area of development investments.

16. Shriram Life Insurance Company Limited

Shriram Life Insurance Company Limited ("SLIC" or "the Company" or "Shriram Life") was established in the year 2005 and commenced its operations in the year 2006. It is part of the overall Shriram Group which is among the leading corporate houses in India and is a major player in the Indian financial services sector.

Shriram Capital Limited is the Indian Promoter of the Company having 74.56% shareholding and Sanlam Emerging Markets (Mauritius) Ltd. which is part of the Sanlam Group, a leading financial services group based in Cape Town, South Africa is the Foreign Promoter having 23% shareholding directly in the Company. Synonymous for its efficient use of capital and low operational costs, SLIC has been true to the Shriram Group's philosophy of financial inclusion.

Shriram Life Insurance is a leading insurer having built its operations over 16 years by catering to a wide demographic and providing the average Indian with a bouquet of life insurance products catering to their financial needs. The company works with the purpose of ensuring that all families in the community are provided with adequate financial protection especially in the vulnerable segment. Shriram Life Insurance offers comprehensive protection and long-term savings life insurance solutions through its network of over branch offices across India.

The Company has won an Award for the Best Digital Initiative - Life Insurance conferred by the InsureNext Awards 2022, organized by the Banking Frontiers in collaboration with knowledge partner Deloitte India. It also won Gold Award for Customer Service Handling - CLAIMS during the 8th Excellence Competition: August 2020.

17. Small Industries Development Bank of India

Small Industries Development Bank of India (SIDBI) set up on 2nd April 1990 under an Act of Indian Parliament, acts as the Principal Financial Institution for Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector as well as for co-ordination of functions of institutions engaged in similar activities.

Its Mission is to facilitate and strengthen credit flow to MSMEs and address both financial and developmental gaps in the MSME eco-system.

Its Vision is to emerge as a single window for meeting the financial and developmental needs of the MSME sector to make it strong, vibrant and globally competitive, to position SIDBI Brand as the preferred and customer - friendly institution and for enhancement of share - holder wealth and highest corporate values through modern technology platform.

18. Sustainability Finance Real Economies (SFRE)

Sustainability Finance Real Economies (SFRE) is an open-end investment fund initiated by the Global Alliance for Banking on Values (http://www.gabv.org/) and managed by Triodos Investment Management. It is committed to provide mission-aligned growth capital to values-based financial institutions that focus on real economic development in local communities.

Registered & Corporate Office:

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